
**Declaration of Steven D. Zimmer in Support of the Class 5 Trust's
Opening Brief to Objection to SCOPE Claim and exhibits**

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
LANDSOURCE COMMUNITIES) Case No. 08-11111 (KJC)
DEVELOPMENT, LLC, *et al.*,)
) (Jointly Administered)
Reorganized Debtors.)

Hearing Date: April 7, 2010
Response Date: March 26, 2010

**DECLARATION OF STEVEN D. ZIMMER IN SUPPORT OF THE
CLASS 5 TRUST'S OPENING BRIEF TO OBJECTION TO SCOPE CLAIM**

I, Steven D. Zimmer, hereby declare that the following is true to the best of my knowledge, information and belief.

1. I am the Executive Vice President of The Newhall Land and Farming, a California Limited Partnership ("Newhall"), a wholly-owned subsidiary of LandSource Communities Development LLC. Newhall and certain of its affiliates (the "Debtors") were debtors in the above-referenced chapter 11 cases and have now successfully reorganized and emerged from chapter 11.
2. I file this declaration in support of the *Class 5 Trust's Opening Brief To Objection To SCOPE's Claim*.
3. Santa Clarita Organization for Planning and the Environment ("SCOPE") filed proof of claim number 925 (the "Claim"). A true and correct copy of the Claim is attached hereto as Exhibit A. By way of the Claim, SCOPE asserts a \$1,000,000 general unsecured claim, representing the estimated cost of hiring a "civil engineer specializing in water" to prepare

ten years worth of various reports that Newhall allegedly failed to provide SCOPE under a March 2004, "Notice of Settlement and Dismissal of Appeal" ("Settlement"). A true and correct copy of the Settlement is attached hereto as **Exhibit B**.

4. I am informed and believe and thereon allege that on or about June 22, 2009, the Debtors filed their Fifth Omnibus Objection (Substantive) to Claims and included therein an objection to SCOPE's Claim.¹

5. In response to the Objection, SCOPE wrote a letter to Debtors' counsel, dated July 7, 2009 (the "Response"), wherein it claimed that it had not received sufficient information from Newhall which would satisfy its obligations under the Settlement. A true and correct copy of the Response is attached hereto as **Exhibit C**.

6. In the months after the Objection and Response, Newhall's counsel and SCOPE continued to exchange correspondence and on July 24, 2009, Newhall produced additional, substantive documentation to SCOPE in an effort to finally resolve the dispute. A true and correct copy of the July 24, 2009 letter is attached hereto as **Exhibit D**.

7. In the Response and in all other correspondence, SCOPE contends that Newhall breached the Settlement in two ways: (a) by failing to provide documents required under II.A.2(b) (groundwater reporting) of the Settlement relating to Newhall's groundwater

¹ The Objection was based on Newhall's reporting of its agricultural groundwater usage annually in the Santa Clarita Valley Water Reports that are prepared for Castaic Lake Water Agency ("CLWA") and other retail water purveyors in the Santa Clarita Valley. For example, upon request, Newhall provided such information to Ron Botoroff of the Friends of the Santa Clara River on March 27, 2007. However, Newhall did not receive a written request from SCOPE for such information until its July 7, 2009 letter (referenced above). Newhall, through counsel, responded to SCOPE's July 7, 2009 letter by correspondence dated July 24, 2009 (referenced above).

usage; and (b) by failing to provide documents required under II.A.2(d) (on-going documentation) of the Settlement relating to Newhall's retirement of certain agricultural land.

A. Newhall has Complied With The Reporting Requirements of Section II.A.2(b) of the Settlement.

8. Newhall has fully complied with the reporting requirements under Section II.A.2(b) of the Settlement. That section requires Newhall to provide annual reports to the Los Angeles County Board of Supervisors ("County") that indicate the amount of groundwater it used in Los Angeles County and the specific land upon which that groundwater was historically used for irrigation. Newhall is required to provide that information to others, such as SCOPE, only upon a "written request to Newhall." (See, Settlement, pg. 4 para (b)). SCOPE did not make a written request to Newhall for such information until after Newhall filed its chapter 11 petition on June 8, 2008.

9. In the Response, SCOPE requested that Newhall provide it with its annual water reports for the years 2004 through 2008. Attached to Newhall's July 24, 2009 letter, Newhall provided to SCOPE exactly what it wanted – Newhall's Annual Reports for the years 2003 to 2008 (an additional Annual Report was provided even though it was not requested).

10. The Annual Reports contained the information required by Section II.A.2(b) in that they listed the amount of groundwater used by Newhall for crops grown in Los Angeles County in the year noted on the report. For instance, the 2007 Annual Report sets forth information regarding the amount of Newhall's groundwater usage for 910 acres of agricultural land in 2007 (representing 205 acres of Alfalfa, 231 acres of Irrigated Pasture, 355 acres of

Vegetables, and 119 acres of Sod).² The Annual Reports identified groundwater usage using two calculations -- the "actual" amount of water used by Newhall using Southern California Edison pump test data and the "adjusted" data from the California Irrigation Management Information System or "CIMIS." Both of these calculations were authorized means of determining groundwater usage and are described in the Settlement. The "actual" amount of groundwater usage is set forth in the second to last column entitled, "LA Co. Crop Share of Actual Pumped Water (af/yr)" and the adjusted water information is in the last column entitled "LA Co. Crop Share Using Adjusted CIMIS (af/yr)." Thus, the 2007 Annual Report reflects that Newhall used 5,833 acre-feet per year (afy) using the "actual" pump data or 6,895 (afy) using the "adjusted" methodology for 910 acres of agricultural land in 2007.

11. The additional information required by Section II.A.2(b) of the Settlement -- the specific land upon which that groundwater was historically used for irrigation -- was provided to SCOPE in the documents attached hereto as **Exhibit F** and which are described below.

12. A true and correct copy of Newhall's Annual Reports for the years 2003-2008 which were provided to SCOPE on July 24, 2009 are attached hereto as **Exhibit E**.

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² Only those crops that were grown in Los Angeles County had corresponding 'actual' and 'adjusted' water usage information next to them. Therefore, there are no "actual" or "adjusted" water usage information for crops such as citrus, irrigated hay, and Sudan grass on the 2007 Annual Report because such crops are not located in Los Angeles County but rather, in neighboring counties.

B. Newhall has complied with Section II.A.2(d) of the Settlement.

13. Section II.A.2(d) of the Settlement requires Newhall to provide documentation to the County of Los Angeles and other parties, including SCOPE, that identifies the specific portion(s) of irrigated farmland in the County that Newhall proposes to retire from irrigated production in order to make agricultural water available to serve the potable water demands of the residents in any given future Newhall Ranch subdivision located in Los Angeles County. Documentation containing this information is to be provided beginning with the filing of the first subdivision map allowing construction on the specific development. Newhall's obligation to produce this information has not yet been triggered because Newhall has not yet obtained County approval of a subdivision map that would allow it to begin construction.

14. The purpose of the on-going documentation provision of the Settlement is to provide evidence that Newhall had retired sufficient agricultural land in order to make the agricultural water available to serve the residents of the proposed new subdivision without placing any additional demands on the groundwater supply of the Los Angeles basin.

15. Even though Newhall's obligation to produce this information has not yet been triggered (with the exception of some of the reporting information as noted in paragraph 11 above), Newhall provided SCOPE with responsive documentation. On July 24, 2009, Newhall provided to SCOPE three additional sets of documents entitled, "Retired Irrigated Farmland - Landmark Village," "Retired Irrigated Farmland, Mission Village," and "Retired Irrigated Farmland, Homestead." Each of these documents were accompanied by Exhibits A and B which

set forth information regarding: (i) the location of the irrigated agricultural fields to be retired; and (ii) the types of planted crops on such land for the baseline five-year period 1996-2000.

16. Each of the Exhibits A identify by aerial map the exact location of the irrigated fields to be retired and each Exhibit B identifies the types of crops that were grown on the land between 1996 and 2000 (see column entitled, "Types of Planted Crops Retired") and the amount of groundwater used for such crops during that same time frame.


17. A true and correct copy of the "Retired Irrigated Farmland – Landmark Village, et al, and related exhibits A and B attachments are attached hereto as **Exhibit F**.

18. Therefore, Newhall has provided SCOPE with the information and documentation required by Section II.A.2(d) of the Settlement even though it had no legal obligation to do so. Despite Newhall's attempts to cooperate with SCOPE and provide whatever documentation that was requested of it, SCOPE continues to incorrectly argue that Newhall has not fulfilled its reporting and documentation obligations under the Settlement. Attached hereto as **Exhibit G** are true and correct copies of letter from SCOPE dated August 27, 2009; letter from our counsel to SCOPE dated October 28, 2009; and letter from SCOPE dated November 14, 2009.

19. As the above evidence shows, Newhall has fully complied with its obligations under the Settlement. In fact, as further evidence of Newhall's compliance, no other party to the Settlement has ever accused Newhall of committing a breach of any kind or filed a proof of claim in its chapter 11 case asserting a claim for breach of the Settlement.

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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this 25th day of February, 2010.



Steven D. Zimmer

EXHIBIT A

UNITED STATES BANKRUPTCY COURT DISTRICT OF DELAWARE

PROOF OF CLAIM

Indicate the Debtor against which you assert a claim by checking the appropriate box below. (Check only one Debtor per claim form.)

- LANDSOURCE COMMUNITIES DEVELOPMENT LLC - (CASE No. 08-11111)
CALIFORNIA LAND COMPANY - (CASE No. 08-11112)
FRIENDSWOOD DEVELOPMENT COMPANY, LLC - (CASE No. 08-11113)
LENNAR LAND PARTNERS II - (CASE No. 08-11114)
KINGS WOOD DEVELOPMENT COMPANY, L.C. - (CASE No. 08-11115)
LSC ASSOCIATES, LLC - (CASE No. 08-11118)
LENNAR MARIE ISLAND, LLC - (CASE No. 08-11117)
LANDSOURCE COMMUNITIES DEVELOPMENT SUB, LLC - (CASE No. 08-11118)
LENNAR MOORPARK, LLC - (CASE No. 08-11119)
LENNAR STEVENSON HOLDINGS, L.L.C. - (CASE No. 08-11120)
THE NEWMALL LAND AND FARMING COMPANY - CASE No. 08-11121
LANDSOURCE HOLDING COMPANY, LLC - (CASE No. 08-11122)
LNR-LENNAR WASHINGTON SQUARE, LLC - (CASE No. 08-11123)
LENNAR BRESSI RANCH VENTURE, LLC - (CASE No. 08-11124)
THE NEWMALL LAND AND FARMING COMPANY (A CALIFORNIA LIMITED PARTNERSHIP) - CASE No. 08-11125)
NMHL GP LLC - (CASE No. 08-11126)
TOURNAMENT PLAYERS CLUB AT VALENCIA, LLC - (CASE No. 08-11127)
SOUTHWEST COMMUNITIES DEVELOPMENT LLC - (CASE No. 08-11128)
VALENCIA CORPORATION - (CASE No. 08-11129)
STEVENSON RANCH VENTURE LLC - (CASE No. 08-11130)
VALENCIA REALTY COMPANY - (CASE No. 08-11131)

NOTE: Other than claims under 11 U.S.C. § 503(b)(9), this form should not be used to make a claim for administrative expenses arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503(a).

Name of Creditor (the person or other entity to whom the debtor owes money or property): Santa Clarita Organization For Planning the Environment
Name and address where notices should be sent: SCOPE PO Box 1182 Canyon Country CA 91386
Telephone number: 661 255-6899

Check this box to indicate that this claim amends a previously filed claim.
Court Claim Number:
Filed on:

Name and address where payment should be sent (if different from above): Same

Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
Check this box if you are the debtor or trustee in this case.

1. Amount of Claim as of Date Case Filed (June 8, 2008): \$1,000,000.00
If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.
If all or part of your claim is entitled to priority, complete item 5.
If all or part of your claim is entitled to administrative priority under 11 U.S.C. § 503(b)(9), complete item 6.
Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount. N/A
Specify the priority of the claim.

2. Basis for Claim: See attached 3 pages (See instruction #2 on reverse side.)

- Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).
Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtors business, whichever is earlier — 11 U.S.C. § 507(a)(4).
Contributions to an employee benefit plan — 11 U.S.C. § 507(a)(5).
Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use — 11 U.S.C. § 507(a)(7).
Taxes or penalties owed to governmental units — 11 U.S.C. § 507(a)(8).
Other - Specify applicable paragraph of 11 U.S.C. § 507(a)().
Amount entitled to priority: \$

3. Last four digits of any number by which creditor identifies debtor: N/A
3a. Debtor may have scheduled account as: N/A (See instruction #3a on reverse side.)

4. Secured Claim (See instruction #4 on reverse side.)
Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.
Nature of property or right of setoff: Real Estate Motor Vehicle Other
Describe:
Value of Property: \$ Annual Interest Rate %
Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ Basis for perfection:
Amount of Secured Claim: \$ Amount Unsecured: \$

*Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment

6. Section 503(b)(9) Claim (See instruction #6 on reverse side.)
Complete this section if your claim is for the value of goods received by the debtor within 20 days before the date of commencement of the case. Include or attach documentation identifying the particular invoices for which any such 503(b)(9) Claim is being asserted and any demand to reclaim goods sold to the Debtor under section 546(c) of the Bankruptcy Code.
Section 503(b)(9) Claim: \$ N/A

7. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

8. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See definition of "redacted" on reverse side.) A matter of public record in the DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING. If the documents are not available, please explain: above referenced case - see attachment

FOR COURT USE ONLY
RECEIVED
NOV 14 2008
KURTZMAN CARSON CONSULTANTS

Date: 11-13-08
Signature: the person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any. Only original proofs of claim will be deemed acceptable for purposes of claims administration.

Date Stamped Copy Returned Fine of up to \$500,000 or imprisonment for up to 5 years, or both.

- No self addressed stamped envelope
No copy to return



ATTACHMENT TO NOTICE OF CLAIM

FILED BY Santa Clarita Organization for Planning the Environment

Response to Question #2, "Basis of Claim"

The basis of this claim is a Breach of the Settlement Agreement duly executed between Santa Clarita Organization for Planning the Environment and the Newhall Land and Farming Company in exchange for not continuing an appeal in the matter of Untied Water Conservation District v. County of Los Angeles et al (with Newhall Land and Farming being the Real Party in Interest), Superior Court, State of California, County of Kern, Judge Roger Randall presiding, Case No. 239324 RDR (and related appellate Court filings). A ruling against the County of Los Angeles and Newhall Land and Farming was entered on July 30th 2000. The case was remanded back to Judge Randall in 2003 who, upon additional Court review, found in favor of the respondents. Some of the plaintiffs, including Santa Clarita Organization for Planning and Environment, then appealed. The appeal was dropped upon the signing of a settlement agreement between the complaining parties and the respondents on March 26th, 2004.

Nature of Breach

Purpose of Settlement "The purpose of this settlement is to set forth the Parties' agreement, which shall result in the final settlement of the Newhall Ranch Litigation (*United Water Conservation District v. County of Los Angeles, et al.*, Case No. 239324-RDR [Consolidated with Case Nos. 239325, 239326 and 239327-RDR] 5th Civil No. F044638) and abandonment of the pending appeal in that litigation, the effect of which will be a complete dismissal, with prejudice, of the appeal, pursuant to Rule 20 of the California Rules of Court." (Agreement at page 2)

"TERMS OF SETTLEMENT/DISMISSAL

A. AGRICULTURAL WATER SUPPLY

1. As stated in the Revised Additional Analysis (Volume VIII; May 2003), the actual amount of groundwater pumped from the basin to irrigate Newhall's agricultural lands is calculated by utilizing Southern California Edison ("SCE") pump test data.

For pumps powered by electricity, SCE pump tests are used to calculate the actual amount of water pumped from the basin. The actual water pumping is calculated by multiplying the total kilowatt-hours (kwh) of energy used per well per year, by the kilowatt-hours per acre foot (kwh/AF), which is derived from the annual pump tests performed by SCE, Hydrologic Services Division. These pump tests are performed by SCE on an annual basis, which is customary in the agricultural industry. Newhall also requests that SCE perform these well pump tests for purposes of monitoring well efficiency and energy costs.

For pumps powered by diesel and natural gas, the actual water pumping is calculated by multiplying the actual running hours from engine hour meters by the acre-feet pumped per hour. The acre-feet pumped per hour is determined by the gallons per minute that each unit is designed to pump.

The total water pumped from all Newhall agricultural wells, utilizing the SCE and other data, is summarized in Exhibit I to the letter report, dated March 7, 2003, from Underhill Engineering, Inc. The Underhill report, which was contained in **Appendix AB** in the Newhall

Ranch Final Additional Analysis (Volume IV; March 2003) included Los Angeles County agricultural water use data over a five-year period (1996-2000). In addition, actual results of pump tests from SCE were included as **Appendix AQ** in the Newhall Ranch Final Additional Analysis (Volume VII; May 2003). At page 2.5-136 - 2.5-139, the Revised Additional Analysis (Volume VIII; May 2003) was revised to clarify the above information. In addition, at page 2.5-140, the Revised Additional Analysis included revised **Table 2.5-32**, which depicted Newhall's water use for its agricultural lands in Los Angeles County.

As shown on revised **Table 2.5-32**, using the actual SCE pump test data, a five-year annual average of 7,246 acre-feet of water per year was pumped by Newhall and utilized for irrigation of its crops in Los Angeles County. In addition, the County and Newhall used adjusted data from the California Irrigation Management Information System ("CIMIS"), which is provided by the University of California. The adjusted CIMIS data was used as a "cross check" to corroborate Newhall's allocation of the total amount of water actually pumped, as calculated from the SCE pump test and other data. Using the adjusted CIMIS data to compare to actual pumpage, a total of 7,038 acre-feet of water per year was determined to be the average amount of water used on Newhall's agricultural lands in Los Angeles County from 1996-2000. The revised Additional Analysis used the lower (and more conservative) of the two methods to determine the actual amount of groundwater pumped and delivered to Newhall's agricultural lands in Los Angeles County (*i.e.*, 7,038 AFY).

2. Newhall shall do the following:

- (a) **Groundwater Use/Limitations.** Groundwater historically and presently used for crop irrigation on the Newhall Ranch Specific Plan site and elsewhere in Los Angeles County shall be made available by Newhall, or its assignee, to partially meet the potable water demands of the Newhall Ranch Specific Plan. The amount of groundwater pumped for this purpose shall not exceed 7,038 AFY. Newhall represents that this is the amount of groundwater pumped historically and presently by Newhall in Los Angeles County to support its agricultural operations, and that pumping this amount will not result in a net increase in groundwater use in the Santa Clarita Valley.
- (b) **Reporting.** To monitor groundwater use, Newhall, or its assignee, shall provide the County an annual report indicating the amount of groundwater used in Los Angeles County and the specific land upon which that groundwater was historically used for irrigation. After submitting the annual report to the County, Newhall, or its designee, will promptly provide the Appellants with a copy of such report, provided that the Appellants make a written request to Newhall for a copy of such report.
- (c) **Verification.** For agricultural land located off the Newhall Ranch Specific Plan site in Los Angeles County, at the time agricultural groundwater is transferred from agricultural uses on that land to Specific Plan uses, Newhall, or its assignee, shall provide a verified statement to the County's Department of Regional Planning and Appellants that Alluvial aquifer water rights on that land will now be used to meet Specific Plan demand.

- (d) **On-Going Documentation.** Beginning with the filing of the first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction, Newhall, or its designee, shall provide documentation to the County of Los Angeles and Appellants identifying the specific portion(s) of irrigated farmland in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. This documentation shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline five-year period 1996-2000. As a condition of subdivision approval, Newhall, or its designee, shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants." (Agreement pages 2-4)

Failure to provide the above specified information and reporting to the Appellants as specified in the Settlement Agreement in the Environmental Documents or otherwise for the Landmark Village entitlement proceedings before the County of Los Angeles constitutes a Breach of the Settlement Agreement Contract.

The amount of the claim is the Creditor's estimate of the funding required to hire a civil engineer specializing in water to analyze, monitor and report the required water supply information and data over a ten year period in order to comply with the terms of the Settlement Agreement Contract.

EXHIBIT B

5TH CIVIL NO. F044638

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
FIFTH APPELLATE DISTRICT

United Water Conservation District,)
)
Petitioner,)
v.)
)
County of Los Angeles, *et al.*,)
)
Respondents.)

The Newhall Land and Farming Company, *et al.*,)
)
Real Parties in Interest.)

And Related Cases.)

COURT OF APPEAL
FIFTH APPELLATE DISTRICT
FILED

APR - 1 2004

KAY FRAUENHOLTZ
CLERK/ADMINISTRATOR

By _____ Deputy

Appeal From The Judgment of The Kern County Superior Court
The Honorable Roger D. Randall, Presiding
(Kern County Superior Court No. 239324-RDR
[Consolidated with Case Nos. 239325, 239326 and 239327-RDR])

NOTICE OF SETTLEMENT AND DISMISSAL OF APPEAL

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Attorneys for Petitioners/Plaintiffs, Sierra Club,
Friends of the Santa Clara River, and Santa Clarita
Organization for Planning the Environment

**NOTICE OF SETTLEMENT
(APPELLATE COURT CASE NO. F044638)**

The parties to this settlement ("the Parties"), as defined below, through their respective counsel, have agreed as follows:

I. THE PARTIES AND PURPOSE

A. THE PARTIES/EFFECTIVE DATE

1. The Sierra Club, Friends of the Santa Clara River and Santa Clarita Organization for Planning the Environment ("Appellants") are represented by John T. Buse of the Environmental Defense Center and Jan Chatten-Brown of Chatten-Brown and Associates in the Newhall Ranch litigation and this appeal (*United Water Conservation District v. County of Los Angeles, et al.*, Case No. 239324-RDR [Consolidated with Case Nos. 239325, 239326 and 239327-RDR], 5th Civil No. F044638) ("Newhall Ranch Litigation").

2. The Appellants filed the "Notice Of Appeal From Order Granting Motion To Discharge Peremptory Writ Of Mandate" ("Notice of Appeal") on December 19, 2003 in connection with the Newhall Ranch Litigation. The Judgment appealed from disposed of all claims and causes of action between the Parties.

3. The County of Los Angeles and its Board of Supervisors ("the County") are represented in the Newhall Ranch Litigation by Lloyd W. Pellman, County Counsel, and Peter J. Gutierrez, Senior Deputy County Counsel. The County is not a party to this settlement, because there are no settlement provisions that require any action to be taken by the County to implement the settlement. Nonetheless, the County will benefit by this settlement due to the dismissal of this appeal, as discussed below. In addition, the counsel for the County has reviewed this Notice, and has no objection to the settlement.

4. The Newhall Land and Farming Company, a California limited partnership, Valencia Corporation, the Newhall Ranch Company, Newhall Management Limited Partnership and The Newhall Land and Farming Company, a California

corporation ("Newhall") are represented in the Newhall Ranch Litigation by Mark J. Dillon and Michael S. Haberkorn of Gatzke Dillon & Ballance LLP.

5. The effective date of this settlement will be March 29, 2004 ("Effective Date").

B. PURPOSE

1. The purpose of this settlement is to set forth the Parties' agreement, which shall result in the final settlement of the Newhall Ranch Litigation (*United Water Conservation District v. County of Los Angeles, et al.*, Case No. 239324-RDR [Consolidated with Case Nos. 239325, 239326 and 239327-RDR] 5th Civil No. F044638), the effect of which will be a complete dismissal, with prejudice, of the appeal, pursuant to Rule 20 of the California Rules of Court.

2. This settlement is a compromise of disputed claims, and neither this settlement nor any term thereof shall be construed as any type of admission on the part of any party to this settlement.

II. TERMS OF SETTLEMENT/DISMISSAL

A. AGRICULTURAL WATER SUPPLY

1. As stated in the Revised Additional Analysis (Volume VIII; May 2003), the actual amount of groundwater pumped from the basin to irrigate Newhall's agricultural lands is calculated by utilizing Southern California Edison ("SCE") pump test data.

For pumps powered by electricity, SCE pump tests are used to calculate the actual amount of water pumped from the basin. The actual water pumping is calculated by multiplying the total kilowatt-hours (kwh) of energy used per well per year, by the kilowatt-hours per acre foot (kwh/AF), which is derived from the annual pump tests performed by SCE, Hydrologic Services Division. These pump tests are performed by SCE on an annual basis, which is customary in the agricultural industry. Newhall also requests that SCE perform these well pump tests for purposes of monitoring well efficiency and energy costs.

For pumps powered by diesel and natural gas, the actual water pumping is calculated by multiplying the actual running hours from engine hour meters by the acre-

feet pumped per hour. The acre-feet pumped per hour is determined by the gallons per minute that each unit is designed to pump.

The total water pumped from all Newhall agricultural wells, utilizing the SCE and other data, is summarized in Exhibit I to the letter report, dated March 7, 2003, from Underhill Engineering, Inc. The Underhill report, which was contained in **Appendix AB** in the Newhall Ranch Final Additional Analysis (Volume IV; March 2003) included Los Angeles County agricultural water use data over a five-year period (1996-2000). In addition, actual results of pump tests from SCE were included as **Appendix AQ** in the Newhall Ranch Final Additional Analysis (Volume VII; May 2003). At page 2.5-136 - 2.5-139, the Revised Additional Analysis (Volume VIII; May 2003) was revised to clarify the above information. In addition, at page 2.5-140, the Revised Additional Analysis included revised **Table 2.5-32**, which depicted Newhall's water use for its agricultural lands in Los Angeles County.

As shown on revised **Table 2.5-32**, using the actual SCE pump test data, a five-year annual average of 7,246 acre-feet of water per year was pumped by Newhall and utilized for irrigation of its crops in Los Angeles County. In addition, the County and Newhall used adjusted data from the California Irrigation Management Information System ("CIMIS"), which is provided by the University of California. The adjusted CIMIS data was used as a "cross check" to corroborate Newhall's allocation of the total amount of water actually pumped, as calculated from the SCE pump test and other data. Using the adjusted CIMIS data to compare to actual pumpage, a total of 7,038 acre-feet of water per year was determined to be the average amount of water used on Newhall's agricultural lands in Los Angeles County from 1996-2000. The revised Additional Analysis used the lower (and more conservative) of the two methods to determine the actual amount of groundwater pumped and delivered to Newhall's agricultural lands in Los Angeles County (*i.e.*, 7,038 AFY).

2. Newhall shall do the following:

(a) **Groundwater Use/Limitations.** Groundwater historically and presently used for crop irrigation on the Newhall Ranch Specific Plan

site and elsewhere in Los Angeles County shall be made available by Newhall, or its assignee, to partially meet the potable water demands of the Newhall Ranch Specific Plan. The amount of groundwater pumped for this purpose shall not exceed 7,038 AFY. Newhall represents that this is the amount of groundwater pumped historically and presently by Newhall in Los Angeles County to support its agricultural operations, and that pumping this amount will not result in a net increase in groundwater use in the Santa Clarita Valley.

- (b) **Reporting.** To monitor groundwater use, Newhall, or its assignee, shall provide the County an annual report indicating the amount of groundwater used in Los Angeles County and the specific land upon which that groundwater was historically used for irrigation. After submitting the annual report to the County, Newhall, or its designee, will promptly provide the Appellants with a copy of such report, provided that the Appellants make a written request to Newhall for a copy of such report.
- (c) **Verification.** For agricultural land located off the Newhall Ranch Specific Plan site in Los Angeles County, at the time agricultural groundwater is transferred from agricultural uses on that land to Specific Plan uses, Newhall, or its assignee, shall provide a verified statement to the County's Department of Regional Planning and Appellants that Alluvial aquifer water rights on that land will now be used to meet Specific Plan demand.
- (d) **On-Going Documentation.** Beginning with the filing of the first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction, Newhall, or its designee, shall provide documentation to the County of Los Angeles and Appellants identifying the specific portion(s) of irrigated farmland in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. This documentation shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline five-year period 1996-2000. As a condition of subdivision approval, Newhall, or its designee, shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants.

B. AGRICULTURAL WATER QUALITY

1. The Newhall Ranch Final Additional Analysis (Volume IV; March 2003) included water quality data from one of Newhall's existing agricultural wells, along with a map depicting its location ("C-Well"). The water quality testing data was considered representative of Newhall's other existing agricultural wells. Additional agricultural water quality data was presented in the *2001 Update Report, Hydrogeologic Conditions in the Alluvial and Saugus Formation Aquifer Systems*, July 2002, prepared by Richard C. Slade & Associates. The *2001 Update Report* was included as **Appendix 2.5(I)** to the Newhall Ranch Revised Draft Additional Analysis (Volume II; November 2002).

In addition, in response to public comments, Newhall provided water quality sampling from six additional Newhall agricultural-supply wells. The data was taken from sampling that occurred in 2000 and 2001. The additional water quality data was included in the Newhall Ranch Additional Administrative Record (AAR 107:116214-276). The data was consistent with the prior sampling data from the C-Well location.

2. Newhall shall do the following:

- (a) **ASR Program.** The Saugus Groundwater Banking/ASR program injection water must meet the water quality requirements of the State Regional Water Quality Control Board, Los Angeles Region. The water extracted for use on the Specific Plan site shall meet the Title 22 drinking water standards of the State Department of Health Services.
- (b) **Title 22 Standards.** The agricultural groundwater used to meet the needs of the Specific Plan shall meet the drinking water quality standards required under Title 22 prior to use. As part of the CEQA review for the first tract map of Newhall Ranch, Newhall shall provide data showing that the agricultural groundwater will meet the Title 22 standards and describe the treatment measures, if any, necessary to meet these standards.

C. FEES/COSTS

1. Newhall shall pay Appellants' counsel a lump sum in the total amount of \$43,000.00, provided that this notice of settlement and a separate notice of abandonment of this appeal is filed and served with the appropriate courts, which results in the

dismissal of the pending appeal in the Newhall Ranch Litigation, consistent with Rule 20 of the California Rules of Court, within three court days from the Effective Date of this settlement.

2. Newhall's payment to Appellants' counsel shall be made within thirty days of the court's Order dismissing the pending appeal.

3. The County shall not be responsible for the payment of any fees or costs of any kind whatsoever arising from this settlement.

D. DISMISSAL

1. Pursuant to California Rules of Court, Rule 20, the Appellants request that this Court (5th Civil No. F044638) enter the Order, below, dismissing the appeal and the entire action with prejudice. Remittitur to be issued forthwith.

E. OTHER PROVISIONS

1. The execution of this settlement shall not be construed by any party as an admission of liability or an admission as to the truth or falsity of any claim, allegation, defense or fact, which is the subject of this settlement.

2. This settlement shall have no force or effect unless and until the court issues an order dismissing the pending appeal in the Newhall Ranch Litigation.

3. All Parties to this settlement represent and warrant that they are the owner of the claims which are the subject of this settlement, and that such claims have not been assigned or transferred to any person or entity, whether voluntarily or involuntarily, by operation of law or otherwise. This representation and warranty shall survive execution and performance of this settlement.

4. All Parties further warrant and represent that the individual executing this settlement on behalf of each party has full authority to bind the party to the terms and conditions of the settlement. The governing bodies, boards of directors or officers of the Parties to this settlement have approved the terms set forth in this settlement, to the extent such approval is required by the rules, regulations, articles of incorporation, by-laws and any other governing documents of any party to the settlement.

5. This settlement shall be construed and enforced in accordance with the laws of the State of California. The Kern County Superior Court shall be the appropriate venue for the resolution of any disputes arising from this settlement.

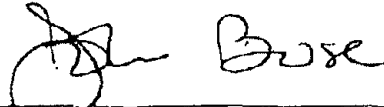
6. Except as provided in this settlement, the Parties shall bear their own attorneys' fees and costs in connection with the entire Newhall Ranch Litigation.

7. This settlement may be executed by facsimile signatures and in multiple counterparts, each of which shall be deemed to constitute an original, and all of which taken together shall constitute one in the same document. This settlement shall be effective on the Effective Date shown above.

Environmental Defense Center

March 30, 2004

By:



John T. Buse

Chatten-Brown and Associates

March __, 2004

By:

Jan Chatten-Brown

Attorneys for Appellants, Sierra Club, Friends of the Santa Clara River and Santa Clarita Organization for Planning the Environment

Gatzke Dillon & Ballance LLP

March __, 2004

By:

Mark J. Dillon

Attorneys for Real Parties in Interest, The Newhall Land and Farming Company, et al.

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Environmental Defense Center

March __, 2004

By: _____
John T. Buse

Chatten-Brown and Associates

March 30, 2004

By:  _____
Jan Chatten-Brown

Attorneys for Appellants, Sierra Club, Friends of the Santa Clara River and Santa Clarita Organization for Planning the Environment

Gatzke Dillon & Ballance LLP

March __, 2004

By: _____
Mark J. Dillon

Attorneys for Real Parties in Interest, The Newhall Land and Farming Company, *et al.*

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Environmental Defense Center

March __, 2004

By: _____
John T. Buse

Chatten-Brown and Associates

March __, 2004

By: _____
Jan Chatten-Brown

Attorneys for Appellants, Sierra Club, Friends
of the Santa Clara River and Santa Clarita
Organization for Planning the Environment

Gatzke Dillon & Ballance LLP

March 30, 2004

By:  _____
Mark J. Dillon

Attorneys for Real Parties in Interest, The
Newhall Land and Farming Company, *et al.*

ORDER

THE COURT:

Pursuant to the above Notice of Settlement, the appeal in this action (5th Civil No. F044638) is dismissed, with prejudice, and without appeal costs to any party. Remittitur to issue forthwith.

_____, 2004

Associate Justice

ATTORNEYS:

Mark J. Dillon (State Bar No. 108329)
Michael S. Haberkorn (State Bar No. 159266)
Heather S. Riley (State Bar No. 214482)
Gatzke Dillon & Ballance LLP
1921 Palomar Oaks Way, Suite 200
Carlsbad, California 92008
Telephone: (760) 431-9501
Facsimile: (760) 431-9512

Civil No. F 044638
(Superior Court No. 239324-RDR)

DECLARATION OF SERVICE BY OVERNIGHT MAIL
(C.C.P. Sections 1013a and 2015.5)

I am a resident of the County of San Diego; I am over the age of 18 years and not a party to the within entitled action; my business address: 1921 Palomar Oaks Way, Suite 200, Carlsbad, California 92008.

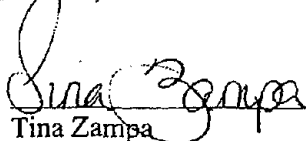
On March 30, 2004, I served the attached documents: **NOTICE OF SETTLEMENT AND DISMISSAL OF APPEAL** by placing a true copy thereof, enclosed in a sealed envelope, addressed as follows:

SEE ATTACHED SERVICE LIST

Service of the attached document was accomplished in the following manner: I placed such envelope(s) addressed as shown on the attached service list for collection and delivery by Golden State Overnight with delivery fees paid or provided for in accordance with this office's practice. I am readily familiar with this office's practice for processing correspondence for delivery the following day by Golden State Overnight.

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

Executed on March 30, 2004, at Carlsbad, California.


Tina Zampa

ATTACHMENT TO DECLARATION OF SERVICE BY OVERNIGHT MAIL

**Civil No. F 44638
(Superior Court No. 239324 - RDR)**

Lloyd W. Pellman, County Counsel
Peter J. Gutierrez, Sr. Deputy County Counsel
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Attorneys for Petitioners/Plaintiffs, Sierra Club, Friends of the Santa Clara River, and Santa Clarita Organization for Planning the Environment

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Telephone: (310) 314-8040
Fax: (310) 314-8050

Attorneys for Petitioners/Plaintiffs, Sierra Club, Friends of the Santa Clara River, and Santa Clarita Organization for Planning the Environment

The Honorable Roger D. Randall
Department 6
Kern County Superior Court
1415 Truxtun Avenue
Bakersfield, California 93301-5216

EXHIBIT C

SCOPE

Santa Clarita Organization for Planning and the Environment
TO PROMOTE, PROTECT AND PRESERVE THE ENVIRONMENT, ECOLOGY
AND QUALITY OF LIFE IN THE SANTA CLARITA VALLEY

POST OFFICE BOX 1182, SANTA CLARITA, CA 91386



7-7-09

Mr. Timothy P. Hogan
Mr. H. Lawrence Webb
Chief Restructuring Officers
Newhall Land & Farming Company
23823 W. Valencia Blvd.
Valencia, CA 91355

Mark Dillon, Esq.
1525 Faraday Avenue, Suite 150
Carlsbad, California 92008

RE: Second Request for Documentation Required Under Notice of Settlement and Dismissal of Appeal, Filed 4/1/04 Case No. F044638, *United Water Conservation District et al v. County of Los Angeles et al.*

Gentlemen:

As you know, Santa Clarita Organization for Planning the Environment ("SCOPE") was one of the plaintiff/appellants and Newhall Land & Farming Company ("Newhall") was one of the real parties in interest, in the Kern County Superior Court and California Court of Appeals case captioned *United Water Conservation District et al v. County of Los Angeles et al.* This case concerned the failure by the County of Los Angeles to prove, through the Environmental Impact Report ("EIR") for the Newhall Ranch project, (1) that there would be sufficient potable drinking water a/k/a ground water to supply future residents of the Newhall Ranch project without use of California State Water Project Water (a/k/a state aqueduct water) which is severely over-committed and over-utilized by current residents of the Santa Clarita Valley and (2) that use of ground water wells on the Newhall Ranch property in Los Angeles County, to supply potable drinking water to future Newhall Ranch residents, would not overdraft the ground water aquifer under Newhall's Los Angeles County property comprising Newhall Ranch to the detriment of existing agricultural water users in Ventura County who have prior rights to use that ground water for their orchards and farms.

In settlement of the litigation about the adequacy of the EIR for the Specific Plan for Newhall Ranch, Los Angeles County ("County"), Newhall and SCOPE entered into the Notice of Settlement and Dismissal dated and filed with the court on April 1, 2004 which is attached hereto as Exhibit "A" and called the "Settlement Agreement" herein. The court ordered compliance with that Settlement Agreement as shown in Exhibit "A".

Pursuant to the terms of the above described Settlement Agreement, if Newhall chose to rely

upon and implement the Newhall Ranch Specific Plan which was approved by the County, the County and Newhall and its successors in interest to fee title to the Newhall Ranch land were and are obligated as follows:

"A. Agricultural Water Supply.

2(b) To monitor ground water use. Newhall, or its assignee shall provide the County with annual report indicating the amount of ground water used in Los Angeles County and the specific land on which that ground water was historically used for irrigation. After submitting the report to the County, Newhall or its designee will promptly provide the Appellants with a copy of such report provided that the Appellants make a written request to Newhall for a copy of such report."

and

"d. Ongoing Documentation

Beginning with filing of first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction Newhall or its designee shall provide documentation to the County of Los Angeles and Appellants identifying the specific portions of irrigated farm land in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. This document shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline 5 year period 1996-2000. As a condition of subdivision approval, Newhall or its designee shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants."

During the course of monitoring Newhall's tentative tract map filings with the County of Los Angeles for the first village in Newhall Ranch, called "Landmark", SCOPE made inspections of the County's files looking for the annual reports in compliance with Paragraph A.2(b) and (d) of that 2004 Settlement Agreement. No annual reports as described in the two paragraphs above for 2004, 2005, 2006, 2007 or 2008 were found in the County's files.

As a result, on November 14, 2008, SCOPE directly communicated with Newhall by addressing a claim to Newhall's Bankruptcy Court appointed claims agent, Kurtzman Carson, specifically advising that the reports required by the Settlement Agreement had not been delivered to the County or to SCOPE. In its claim (#925) SCOPE indicated that Newhall's breach of the Settlement Agreement could be cured by SCOPE expending significant sums (e.g. \$1 Million over a 10 year period) to hire a state licensed hydrologist/geologist to do the ground water usage monitoring and reporting that the Settlement Agreement required. Obviously, if such annual reports then existed, in November 2008, under the terms of the Settlement Agreement Newhall would and should have sent them to SCOPE. Instead, Newhall was silent and unresponsive to SCOPE.

Since November 2008, SCOPE has reviewed additional California Environmental Quality Act ("CEQA") related documentation filed by Newhall with the County, concerning the Newhall Ranch project, but those annual reports required by the Settlement Agreement, as described

above, were not in the County's files.

Just this month, the County planning staff employee whose salary, to our understanding, is paid to Los Angeles County through an additional fee paid by Newhall, provided a copy of "Exhibit B" to SCOPE showing a document purportedly dated April 9, 2009. The County employee stated it had been sent to the County by Newhall. That document, Exhibit "B", is a letter and attachment which showed historical use of water by crop type. But Exhibit "B" did not comply with the express terms of the Settlement Agreement because it did not tie ground water usage to particular geographic locations on the Newhall Ranch land in Los Angeles County "indicating the amount of ground water used in Los Angeles County and the specific land on which that ground water was historically used for irrigation".

The County planning staff employee assigned to the Newhall Ranch file stated that he had no knowledge of the delivery of any other annual reports to the County.

As a result, Newhall's filing of LandSource Bankruptcy Court Docket Document 1905, claiming that Newhall has complied with the Settlement Agreement by filing with the County the documentation required by the Settlement Agreement is false. The fact that Newhall's defacto Chief Financial Officer, Donald Kimball, signed a declaration attached to Document 1905, under penalty of perjury, attesting to the truthfulness of the content of Document 1905's charts is shocking. Frankly, we are astounded that Newhall employees, attorneys or agents prepared such an inaccurate and false document for Mr. Kimball to sign for LandSource's benefit.

The purpose of this letter is to again bring to Newhall Land's attention that it is not in compliance with the terms of the Settlement Agreement, and to again ask for copies of the ground water well annual reports for 2004, 2005, 2006, 2007 and 2008 with the specific geographical information required by the Settlement Agreement:

"A. Agricultural Water Supply.

2(b) To monitor ground water use Newhall or its assignee shall provide the County with annual report indicating the amount of ground water used in Los Angeles County and the specific land on which that ground water was historically used for irrigation. After submitting the report to the County, Newhall or its designee will promptly provide the Appellants with a copy of such report provided that the Appellants make a written request to Newhall for a copy of such report."

and

"d. Ongoing Documentation

Beginning with filing of first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction Newhall or its designee shall provide documentation to the County of Los Angeles and Appellants identifying the specific portions of irrigated farm land in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. This document shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline 5 year period 1996-2000. As a

condition of subdivision approval. Newhall or its designee shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants."

Again, the document provided to SCOPE by the County, Exhibit "B" to this letter, does not comply with the quoted bold text provision of the Settlement Agreement.

The documentation described in the bold text from Paragraph D in the Settlement Agreement has not been provided to Appellants, even though Newhall has filed numerous tentative tract maps and related applications with the County's planning department, requesting approval after appropriate processing under CEQA and the California Subdivision Map Act. As you know, the County has not completed processing or approving those tentative tract maps. Again, as of late last week, SCOPE met with the County's planning employee, and he was unable to provide SCOPE with the original or a copy of documentation received by the County, as set forth in the settlement text in bold in the paragraph immediately above.

We have reviewed both the EIR/EIS prepared by Newhall in connection with its permit application to California Fish & Game Department, and CEQA related documents associated with those already filed subdivision map applications, and the information required by the bold text in Paragraph D of the Settlement Agreement quoted above is not there either.

As a result of Newhall's noncompliance with that portion of Paragraph D of the Settlement Agreement, Newhall's filing of LandSource Bankruptcy Court Docket Document 1905, claiming that Newhall has complied with the Settlement Agreement by filing documentation with the County is false and fraudulent, because Newhall has an independent obligation to provide that documentation directly to SCOPE, and because it appears that documentation has not been filed with the County in connection with the first subdivision maps either. We regret that Newhall's defacto Chief Financial Officer, Donald Kimball, signed a declaration attached to Document 1905, under penalty of perjury, attesting to the truthfulness of the content of Document 1905's charts that appears to be a false statement on his part.

As we are sure LandSource's bankruptcy counsel have made you aware, under the Tenth and Eleventh Amendments to the U.S. Constitution, and under 28 U.S.C. 959(b) and 11 U.S.C. 362(b)(4), Newhall as a debtor in bankruptcy has the obligation to comply with, and the Bankruptcy Court has no power to interfere, for the benefit of LandSource, New LandSource, Newhall or their creditors or successors in title to Newhall Ranch, with past, present or future legislative or administrative exercises of regulatory and police powers by the State of California or the County of Los Angeles as an agency of the State, such as CEQA and the Subdivision Map Act, or by California courts in enforcing those and similar State regulatory and police powers laws. For your reference, a copy of the relevant constitutional and federal code sections are attached to this letter as Exhibit "C".

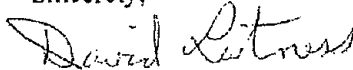
As a result, whether or not, in the bankruptcy proceeding, Newhall or New LandSource reject SCOPE's claim for money damages to hire a hydrologist/geologist to cure Newhall's breach of the Settlement Agreement, the County of Los Angeles and the ultimate owner of Newhall Ranch are still bound to comply with California regulatory police powers laws, such as CEQA and the Subdivision Map Act. Regardless of any action by the Bankruptcy Court, California courts still

have the authority to compel the County to comply with the Settlement Agreement by requiring the reports and documentation discussed above as a condition precedent to the County's exercise of the State's regulatory and police powers to approve future entitlements for Newhall Ranch. SCOPE fully intends to exercise its rights to enforce CEQA, the Subdivision Map Act, and all other California land use, endangered species, water and environmental laws with respect to past and future entitlement processing for Newhall Ranch.

SCOPE would be more than happy to resolve its Bankruptcy Court claim against debtor Newhall, for breach of the Settlement Agreement, if (a) the documentation strictly complying with the Settlement Agreement, in the manner expressly described above, is provided to SCOPE before July 2, 2009, and (b) Newhall, LandSource and New LandSource expressly assume Newhall's obligations under the Settlement Agreement as part of an amendment to Bankruptcy Court Document 1905. Should Newhall, LandSource and New LandSource fail to do so, SCOPE will pursue its remedies against the County, through appropriate California administrative and judicial proceedings against the County to enforce CEQA and the Settlement Agreement, since it was the County, and not Newhall, which actually violated CEQA during the processing of the Newhall Ranch Specific Plan.

Please direct any further correspondence concerning the Settlement Agreement, Newhall's compliance with it, or SCOPE's claim for breach thereof directly to our office at the address set forth on this letter. Again, SCOPE stands by its previous commitment to comply with the express terms of the Settlement Agreement, if debtor Newhall and its successors in interest do the same both before and after any Bankruptcy Court approval of a Chapter 11 Plan for LandSource.

Sincerely,



David Lutness

Secretary

Santa Clarita Organization for Planning the Environment
a California non-profit, public benefit corporation

cc:

Robert E. Kalunian, Esq.
Acting County Counsel
Los Angeles County
648 Kenneth Hahn Hall of Administration
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Bruce Zirinsky, Esq. (Counsel for Plan Proponent)
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Young Conaway et al.
P.O. Box 391
Wilmington, DE 19899-0391

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767 Fifth Avenue
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One Rodney Square
920 North Kings Street
Wilmington, DE 19801


ORIGINAL
IN THE
Court of Appeal of the State of California
IN AND FOR THE
Fifth Appellate District

Exhibit
A

COURT OF APPEAL
FIFTH APPELLATE DISTRICT
FILED

APR - 1 2004

KAY FRAUENHOLTZ
CLERK/ADMINISTRATOR

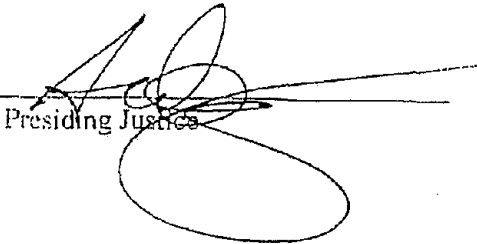
By  Deputy

SIERRA CLUB et al.,
Plaintiffs and Appellants,
v.
COUNTY OF LOS ANGELES et al.,
Defendants and Respondents,
THE NEWHALL LAND & FARMING COMPANY et al.,
Real Parties in Interest and Respondents.
F044638
Kern County No. 239324

BY THE COURT:

Pursuant to written stipulation of the parties hereto, IT IS HEREBY ORDERED
that the appeal in the above-entitled cause is dismissed.

1. Each party to bear his or her own costs.
 2. The remittitur shall issue forthwith.
 3. None of the above.


Presiding Justice

ORIGINAL

5TH CIVIL NO. F044638

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
FIFTH APPELLATE DISTRICT

United Water Conservation District,)
)
 Petitioner,)
)
 v.)
)
 County of Los Angeles, *et al.*,)
)
 Respondents.)
 _____)
 The Newhall Land and Farming Company, *et al.*,)
)
 Real Parties in Interest.)
 _____)
 And Related Cases.)

COURT OF APPEAL
FIFTH APPELLATE DISTRICT
FILED

APR - 1 2004

KAY FRAUENHOLTZ
CLERK/Administrator

By  Deputy

Appeal From The Judgment of The Kern County Superior Court
The Honorable Roger D. Randall, Presiding
(Kern County Superior Court No. 239324-RDR
[Consolidated with Case Nos. 239325, 239326 and 239327-RDR])

NOTICE OF SETTLEMENT AND DISMISSAL OF APPEAL

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Attorneys for Respondents, the County of Los Angeles and its Board of Supervisors

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Michael S. Haberkorn (State Bar No. 159266)
Heather S. Riley (State Bar No. 214482)
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Attorneys for Real Parties in Interest/Respondents,
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Attorneys for Petitioners/Plaintiffs, Sierra Club,
Friends of the Santa Clara River, and Santa Clarita
Organization for Planning the Environment

**NOTICE OF SETTLEMENT
(APPELLATE COURT CASE NO. F044638)**

The parties to this settlement ("the Parties"), as defined below, through their respective counsel, have agreed as follows:

I. THE PARTIES AND PURPOSE

A. THE PARTIES/EFFECTIVE DATE

1. The Sierra Club, Friends of the Santa Clara River and Santa Clarita Organization for Planning the Environment ("Appellants") are represented by John T. Buse of the Environmental Defense Center and Jan Chatten-Brown of Chatten-Brown and Associates in the Newhall Ranch litigation and this appeal (*United Water Conservation District v. County of Los Angeles, et al.*, Case No. 239324-RDR [Consolidated with Case Nos. 239325, 239326 and 239327-RDR], 5th Civil No. F044638) ("Newhall Ranch Litigation").

2. The Appellants filed the "Notice Of Appeal From Order Granting Motion To Discharge Peremptory Writ Of Mandate" ("Notice of Appeal") on December 19, 2003 in connection with the Newhall Ranch Litigation. The Judgment appealed from disposed of all claims and causes of action between the Parties.

3. The County of Los Angeles and its Board of Supervisors ("the County") are represented in the Newhall Ranch Litigation by Lloyd W. Pellman, County Counsel, and Peter J. Gutierrez, Senior Deputy County Counsel. The County is not a party to this settlement, because there are no settlement provisions that require any action to be taken by the County to implement the settlement. Nonetheless, the County will benefit by this settlement due to the dismissal of this appeal, as discussed below. In addition, the counsel for the County has reviewed this Notice, and has no objection to the settlement.

4. The Newhall Land and Farming Company, a California limited partnership, Valencia Corporation, the Newhall Ranch Company, Newhall Management Limited Partnership and The Newhall Land and Farming Company, a California

corporation ("Newhall") are represented in the Newhall Ranch Litigation by Mark J. Dillon and Michael S. Haberkorn of Gatzke Dillon & Ballance LLP.

5. The effective date of this settlement will be March 29, 2004 ("Effective Date").

B. PURPOSE

1. The purpose of this settlement is to set forth the Parties' agreement, which shall result in the final settlement of the Newhall Ranch Litigation (*United Water Conservation District v. County of Los Angeles, et al.*, Case No. 239324-RDR [Consolidated with Case Nos. 239325, 239326 and 239327-RDR] 5th Civil No. F044638), the effect of which will be a complete dismissal, with prejudice, of the appeal, pursuant to Rule 20 of the California Rules of Court.

2. This settlement is a compromise of disputed claims, and neither this settlement nor any term thereof shall be construed as any type of admission on the part of any party to this settlement.

II. TERMS OF SETTLEMENT/DISMISSAL

A. AGRICULTURAL WATER SUPPLY

1. As stated in the Revised Additional Analysis (Volume VIII; May 2003), the actual amount of groundwater pumped from the basin to irrigate Newhall's agricultural lands is calculated by utilizing Southern California Edison ("SCE") pump test data.

For pumps powered by electricity, SCE pump tests are used to calculate the actual amount of water pumped from the basin. The actual water pumping is calculated by multiplying the total kilowatt-hours (kwh) of energy used per well per year, by the kilowatt-hours per acre foot (kwh/AF), which is derived from the annual pump tests performed by SCE, Hydrologic Services Division. These pump tests are performed by SCE on an annual basis, which is customary in the agricultural industry. Newhall also requests that SCE perform these well pump tests for purposes of monitoring well efficiency and energy costs.

For pumps powered by diesel and natural gas, the actual water pumping is calculated by multiplying the actual running hours from engine hour meters by the acre-

feet pumped per hour. The acre-feet pumped per hour is determined by the gallons per minute that each unit is designed to pump.

The total water pumped from all Newhall agricultural wells, utilizing the SCE and other data, is summarized in Exhibit I to the letter report, dated March 7, 2003, from Underhill Engineering, Inc. The Underhill report, which was contained in Appendix AB in the Newhall Ranch Final Additional Analysis (Volume IV; March 2003) included Los Angeles County agricultural water use data over a five-year period (1996-2000). In addition, actual results of pump tests from SCE were included as Appendix AQ in the Newhall Ranch Final Additional Analysis (Volume VII; May 2003). At page 2.5-136 - 2.5-139, the Revised Additional Analysis (Volume VIII; May 2003) was revised to clarify the above information. In addition, at page 2.5-140, the Revised Additional Analysis included revised Table 2.5-32, which depicted Newhall's water use for its agricultural lands in Los Angeles County.

As shown on revised Table 2.5-32, using the actual SCE pump test data, a five-year annual average of 7,246 acre-feet of water per year was pumped by Newhall and utilized for irrigation of its crops in Los Angeles County. In addition, the County and Newhall used adjusted data from the California Irrigation Management Information System ("CIMIS"), which is provided by the University of California. The adjusted CIMIS data was used as a "cross check" to corroborate Newhall's allocation of the total amount of water actually pumped, as calculated from the SCE pump test and other data. Using the adjusted CIMIS data to compare to actual pumpage, a total of 7,038 acre-feet of water per year was determined to be the average amount of water used on Newhall's agricultural lands in Los Angeles County from 1996-2000. The revised Additional Analysis used the lower (and more conservative) of the two methods to determine the actual amount of groundwater pumped and delivered to Newhall's agricultural lands in Los Angeles County (*i.e.*, 7,038 AFY).

2. Newhall shall do the following:

(a) **Groundwater Use/Limitations.** Groundwater historically and presently used for crop irrigation on the Newhall Ranch Specific Plan

site and elsewhere in Los Angeles County shall be made available by Newhall, or its assignee, to partially meet the potable water demands of the Newhall Ranch Specific Plan. The amount of groundwater pumped for this purpose shall not exceed 7,038 AFY. Newhall represents that this is the amount of groundwater pumped historically and presently by Newhall in Los Angeles County to support its agricultural operations, and that pumping this amount will not result in a net increase in groundwater use in the Santa Clarita Valley.

- (b) **Reporting.** To monitor groundwater use, Newhall, or its assignee, shall provide the County an annual report indicating the amount of groundwater used in Los Angeles County and the specific land upon which that groundwater was historically used for irrigation. After submitting the annual report to the County, Newhall, or its designee, will promptly provide the Appellants with a copy of such report, provided that the Appellants make a written request to Newhall for a copy of such report.
- (c) **Verification.** For agricultural land located off the Newhall Ranch Specific Plan site in Los Angeles County, at the time agricultural groundwater is transferred from agricultural uses on that land to Specific Plan uses, Newhall, or its assignee, shall provide a verified statement to the County's Department of Regional Planning and Appellants that Alluvial aquifer water rights on that land will now be used to meet Specific Plan demand.
- (d) **On-Going Documentation.** Beginning with the filing of the first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction, Newhall, or its designee, shall provide documentation to the County of Los Angeles and Appellants identifying the specific portion(s) of irrigated farmland in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. This documentation shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline five-year period 1996-2000. As a condition of subdivision approval, Newhall, or its designee, shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants.

B. AGRICULTURAL WATER QUALITY

1. The Newhall Ranch Final Additional Analysis (Volume IV; March 2003) included water quality data from one of Newhall's existing agricultural wells, along with a map depicting its location ("C-Well"). The water quality testing data was considered representative of Newhall's other existing agricultural wells. Additional agricultural water quality data was presented in the *2001 Update Report, Hydrogeologic Conditions in the Alluvial and Saugus Formation Aquifer Systems*, July 2002, prepared by Richard C. Slade & Associates. The *2001 Update Report* was included as **Appendix 2.5(l)** to the Newhall Ranch Revised Draft Additional Analysis (Volume II; November 2002).

In addition, in response to public comments, Newhall provided water quality sampling from six additional Newhall agricultural-supply wells. The data was taken from sampling that occurred in 2000 and 2001. The additional water quality data was included in the Newhall Ranch Additional Administrative Record (AAR 107:116214-276). The data was consistent with the prior sampling data from the C-Well location.

2. Newhall shall do the following:

- (a) **ASR Program.** The Saugus Groundwater Banking/ASR program injection water must meet the water quality requirements of the State Regional Water Quality Control Board, Los Angeles Region. The water extracted for use on the Specific Plan site shall meet the Title 22 drinking water standards of the State Department of Health Services.
- (b) **Title 22 Standards.** The agricultural groundwater used to meet the needs of the Specific Plan shall meet the drinking water quality standards required under Title 22 prior to use. As part of the CEQA review for the first tract map of Newhall Ranch, Newhall shall provide data showing that the agricultural groundwater will meet the Title 22 standards and describe the treatment measures, if any, necessary to meet these standards.

C. FEES/COSTS

1. Newhall shall pay Appellants' counsel a lump sum in the total amount of \$43,000.00, provided that this notice of settlement and a separate notice of abandonment of this appeal is filed and served with the appropriate courts, which results in the

dismissal of the pending appeal in the Newhall Ranch Litigation, consistent with Rule 20 of the California Rules of Court, within three court days from the Effective Date of this settlement.

2. Newhall's payment to Appellants' counsel shall be made within thirty days of the court's Order dismissing the pending appeal.

3. The County shall not be responsible for the payment of any fees or costs of any kind whatsoever arising from this settlement.

D. DISMISSAL

1. Pursuant to California Rules of Court, Rule 20, the Appellants request that this Court (5th Civil No. F044638) enter the Order, below, dismissing the appeal and the entire action with prejudice. Remittitur to be issued forthwith.

E. OTHER PROVISIONS

1. The execution of this settlement shall not be construed by any party as an admission of liability or an admission as to the truth or falsity of any claim, allegation, defense or fact, which is the subject of this settlement.

2. This settlement shall have no force or effect unless and until the court issues an order dismissing the pending appeal in the Newhall Ranch Litigation.

3. All Parties to this settlement represent and warrant that they are the owner of the claims which are the subject of this settlement, and that such claims have not been assigned or transferred to any person or entity, whether voluntarily or involuntarily, by operation of law or otherwise. This representation and warranty shall survive execution and performance of this settlement.

4. All Parties further warrant and represent that the individual executing this settlement on behalf of each party has full authority to bind the party to the terms and conditions of the settlement. The governing bodies, boards of directors or officers of the Parties to this settlement have approved the terms set forth in this settlement, to the extent such approval is required by the rules, regulations, articles of incorporation, by-laws and any other governing documents of any party to the settlement.

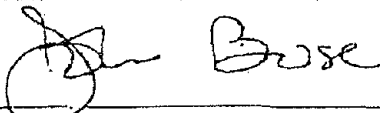
5. This settlement shall be construed and enforced in accordance with the laws of the State of California. The Kern County Superior Court shall be the appropriate venue for the resolution of any disputes arising from this settlement.

6. Except as provided in this settlement, the Parties shall bear their own attorneys' fees and costs in connection with the entire Newhall Ranch Litigation.

7. This settlement may be executed by facsimile signatures and in multiple counterparts, each of which shall be deemed to constitute an original, and all of which taken together shall constitute one in the same document. This settlement shall be effective on the Effective Date shown above.

Environmental Defense Center

March 30, 2004

By: 
John T. Buse

Chatten-Brown and Associates

March ____, 2004

By: _____
Jan Chatten-Brown

Attorneys for Appellants, Sierra Club, Friends of the Santa Clara River and Santa Clarita Organization for Planning the Environment

Gatzke Dillon & Ballance LLP

March ____, 2004

By: _____
Mark J. Dillon

Attorneys for Real Parties in Interest, The Newhall Land and Farming Company, *et al.*

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Environmental Defense Center

March __, 2004

By: _____
John T. Buse

Chatten-Brown and Associates

March 30, 2004

By:  _____
Jan Chatten-Brown

Attorneys for Appellants, Sierra Club, Friends of the Santa Clara River and Santa Clarita Organization for Planning the Environment

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Attorneys for Real Parties in Interest, The Newhall Land and Farming Company, et al.

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Jan Chatten-Brown

Attorneys for Appellants, Sierra Club, Friends
of the Santa Clara River and Santa Clarita
Organization for Planning the Environment

Gatzke Dillon & Ballance LLP

March 30, 2004

By:  _____
Mark J. Dillon

Attorneys for Real Parties in Interest, The
Newhall Land and Farming Company, *et al.*

ORDER

THE COURT:

Pursuant to the above Notice of Settlement, the appeal in this action (5th Civil No. F044638) is dismissed, with prejudice, and without appeal costs to any party. Remittitur to issue forthwith.

_____, 2004

Associate Justice

ATTORNEYS:

Mark J. Dillon (State Bar No. 108329)
Michael S. Haberkorn (State Bar No. 159266)
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Carlsbad, California 92008
Telephone: (760) 431-9501
Facsimile: (760) 431-9512

Civil No. F 044638
(Superior Court No. 239324-RDR)

DECLARATION OF SERVICE BY OVERNIGHT MAIL
(C.C.P. Sections 1013a and 2015.5)

I am a resident of the County of San Diego; I am over the age of 18 years and not a party to the within entitled action; my business address: 1921 Palomar Oaks Way, Suite 200, Carlsbad, California 92008.

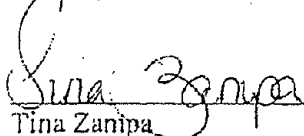
On March 30, 2004, I served the attached documents: **NOTICE OF SETTLEMENT AND DISMISSAL OF APPEAL** by placing a true copy thereof, enclosed in a sealed envelope, addressed as follows:

SEE ATTACHED SERVICE LIST

Service of the attached document was accomplished in the following manner: I placed such envelope(s) addressed as shown on the attached service list for collection and delivery by Golden State Overnight with delivery fees paid or provided for in accordance with this office's practice. I am readily familiar with this office's practice for processing correspondence for delivery the following day by Golden State Overnight.

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

Executed on March 30, 2004, at Carlsbad, California.


Tina Zanipa

ATTACHMENT TO DECLARATION OF SERVICE BY OVERNIGHT MAIL

Civil No. F 44638
(Superior Court No. 239324 - RDR)

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Fax: (213) 617-7182

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Attorneys for Petitioners/Plaintiffs, Sierra Club, Friends of the Santa Clara River, and Santa Clarita Organization for Planning the Environment

ATTACHMENT TO DECLARATION OF SERVICE BY OVERNIGHT MAIL

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Fax: (310) 314-8050

Attorneys for Petitioners/Plaintiffs, Sierra Club, Friends of the Santa Clara River, and Santa Clarita Organization for Planning the Environment

The Honorable Roger D. Randall
Department 6
Kern County Superior Court
1415 Truxtun Avenue
Bakersfield, California 93301-5216

Exhibit B

NEWHALL LAND

A LENNAR/LNR COMPANY

April 7, 2009
Sam Dea
Supervising Regional Planner
Los Angeles County Department of Regional Planning

Dear Mr. Dea

This correspondence and attachments are provided in compliance with the Newhall Ranch Specific Plan Final EIR Mitigation Measure 4.11-15 (below) to provide an annual report indicating the amount of groundwater used in Los Angeles County for irrigation.

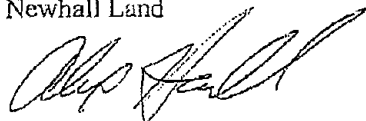
4.11-15. Groundwater historically and presently used for crop irrigation on the Newhall Ranch Specific Plan site and elsewhere in Los Angeles County shall be made available by the Newhall Land and Farming Company, or its assignee, to partially meet the potable water demands of the Newhall Ranch Specific Plan. The amount of groundwater pumped for this purpose shall not exceed 7,038 AFY. This is the amount of groundwater pumped historically and presently by the Newhall Land and Farming Company in Los Angeles County to support its agricultural operations. Pumping this amount will not result in a net increase in groundwater use in the Santa Clarita Valley. To monitor groundwater use, the Newhall Land and Farming Company, or its assignee, shall provide the County an annual report indicating the amount of groundwater used in Los Angeles County and the specific land upon which that groundwater was historically used for irrigation. For agricultural land located off the Newhall Ranch Specific Plan site in Los Angeles County, at the time agricultural groundwater is transferred from agricultural uses on that land to Specific Plan uses, The Newhall Land and Farming Company, or its assignee, shall provide a verified statement to the County's Department of Regional Planning that Alluvial aquifer water rights on that land will now be used to meet Specific Plan demand. (emphasis added)

The information provided in the attached chart depicts the amount of irrigation water historically and currently used on Newhall's Los Angeles County farm fields for crop seasons 2001-2008, using the same methodology from the FEIR. Revised Table 2.5-32 from the FEIR is also attached showing the original information for the years 1996 - 2000 that served as the baseline for determining the estimated annual average usage of 7,038 acre feet. A map is also attached showing the specific land in Los Angeles County upon which the groundwater has historically been used.

Newhall's annual water use varies based upon the amount of irrigated acres, the type of irrigated crops and their water demand as determined by California Irrigation Management Information System.

If you have any questions regarding this letter or the attached exhibits please contact me at (661) 255-4449.

Newhall Land



Alex Herrell
Director, Community Development

THE NEWHALL LAND AND FARMING COMPANY

23823 VALENCIA BOULEVARD, VALENCIA, CALIFORNIA 91355-2194 • PHONE 661.255.4000 FAX 661.255.3960 WWW.NEWHALL.COM

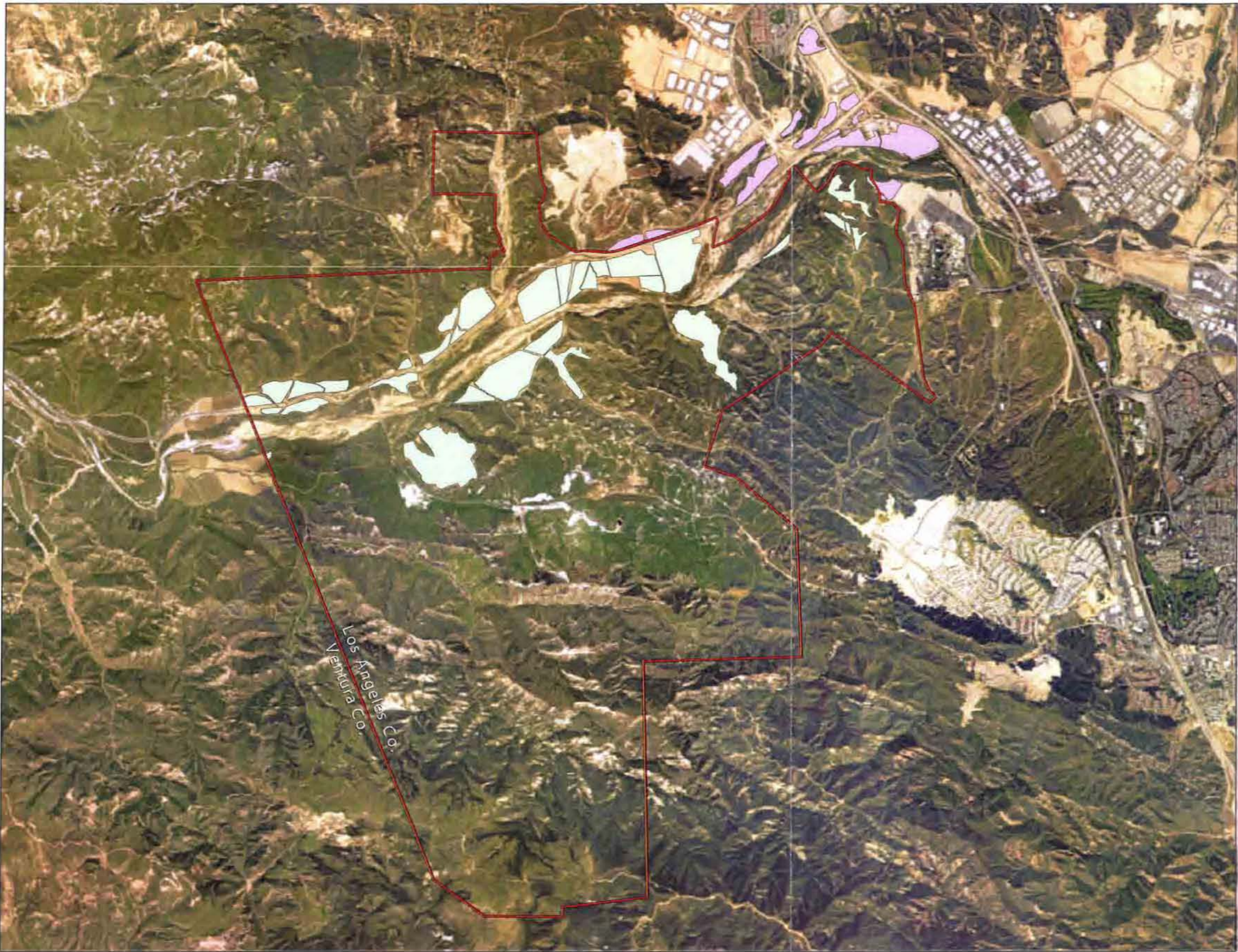
Revised Table 2.5-32
Los Angeles County Agricultural Water Use
Using Adjusted CIMIS ET Data to Allocate Actual Water Pumped

Year	Crop Type	Acres	Adjusted Irrigated Water Use (af/yr)	Adjusted CIMIS Water Use (af/yr)	Share of Water Use by Crop (%)	Total Water Pumped (AF)	Allocation of Total Pumped Water by Crop (af/yr)	Acres of Crop	Share of Actual Pumped Water (AF/yr)	Share Using Adjusted CIMIS (af/yr)	
2000	Citrus (furrow)	291	6.05	1,761	12.35%	13,798	1,704	927	5.86	7,476	
	Citrus (micro)	811	4.54	3,682	25.83%		3,565		4.40		
	Alfalfa (flood)	55	10.37	570	4.00%		552		10.04		552
	Sudan/pasture (flood)	150	10.37	1,556	10.91%		1,506		10.04		1,506
	Isd. Vegetables (sprinkler)	902	7.41	6,684	46.90%		6,471		7.17		5,180
				100.00%		13,798		7,238			
1999	Citrus (furrow)	291	6.13	1,784	12.56%	16,131	2,025	914	6.96	7,479	
	Citrus (micro)	781	4.6	3,593	25.29%		4,079		5.22		
	Alfalfa (flood)	55	10.51	578	4.07%		656		11.93		656
	Sudan/pasture (flood)	150	10.51	1,577	11.10%		1,790		11.93		1,790
	Isd. Vegetables (sprinkler)	889	7.51	6,676	46.99%		7,580		8.53		6,046
				100.00%		16,131		8,492			
1996	Citrus (furrow)	291	5.48	1,595	13.47%	11,477	1,546	805	5.31	5,980	
	Citrus (micro)	743	4.11	3,054	25.80%		2,961		3.99		
	Alfalfa (flood)	115	9.4	1,081	9.13%		1,048		9.11		1,048
	Sudan/pasture (flood)	100	9.4	940	7.94%		911		9.11		911
	Isd. Vegetables (sprinkler)	770	6.71	5,167	43.65%		5,010		6.51		3,839
				100.00%		11,477		5,798			
1997	Citrus (furrow)	291	5.96	1,734	12.12%	14,862	1,801	926	6.19	7,528	
	Citrus (micro)	803	4.47	3,589	25.08%		3,727		4.64		
	Walnuts (micro)	33	4.47	148	1.03%		153		4.64		
	Alfalfa (flood)	160	10.22	1,635	11.42%		1,698		10.61		1,698
	Sudan/pasture (flood)	103	10.22	1,053	7.35%		1,093		10.61		1,093
	Isd. Vegetables (sprinkler)	843	7.3	6,154	43.00%		6,390		7.58		5,026
					100.00%				14,862		
1996	Citrus (furrow)	291	5.96	1,734	12.84%	13,702	1,760	812	6.05	6,728	
	Citrus (micro)	801	4.47	3,580	26.51%		3,633		4.54		
	Walnuts (micro)	33	4.47	148	1.09%		150				
	Alfalfa (flood)	105	10.21	1,072	7.94%		1,088		10.36		1,088
	Sudan/pasture (flood)	170	10.21	1,736	12.85%		1,761		10.36		1,761
	Isd. Vegetables (sprinkler)	717	7.3	5,234	38.76%		5,311		7.41		3,978
					100.00%				13,702		
Average					13,994	13,994	877	7,234	7,038		

CIMIS = California Irrigation Management Information System. Does not include dryland farming or Christmas tree use.
af = acre-feet; ac = acres; yr = year.

Los Angeles County Agriculture Water Use
Using Adjusted CIMIS ET Data to Allocate Actual Water Pumped

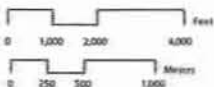
Year	Crop Type	Total Irrigation	Adjusted CIMIS Water Use (Ac/yr)	Adjusted CIMIS Water Use (Cm/yr)	% of Water	Total Pumped (Ac/yr)	Allocation to Total Pumped (Ac/yr)	Yearly Actual Crop Acreage	LA Co. Share of Actual Pumped Water (Ac/yr)	LA Co. Crop Share of Actual Pumped Water (%)	LA Co. Crop Share of Adjusted CIMIS Water Use (%)			
2008	Citrus	273	4.63	1264	10.31%	10,633	1,096	4.01	623	53%	62%			
	Alfalfa	82	7.57	621	5.08%		538	5.56						
	Irrigated Hay	28	7.57	212	1.73%		184	5.58						
	Irrigated Pasture	231	8.83	2040	16.63%		1,769	7.66				231	1.59	2,040
	Vegetables	825	7.57	6245	50.93%		5,416	6.56				142	832	1.07%
	Sod	168	7.27	1221	8.86%		1,059	5.30				168	1,253	1.22%
	Nursery	159	3.31	659	5.37%		571	2.87				-	-	-
					100.00%			10,633					4,298	4,657
2007	Citrus	278	4.45	1237	8.68%	11,781	1,046	3.76	310	1,251	1,490			
	Alfalfa	205	7.27	1490	10.70%		1,261	6.15				205		
	Irrigated Hay	28	7.27	204	1.46%		172	5.15						
	Irrigated Pasture	231	8.48	1959	14.07%		1,657	7.17				231	1,657	1,959
	Vegetables	1,037	7.27	7539	54.13%		6,377	6.15				355	2,183	2,581
	Sod	119	7.27	865	6.21%		732	6.15				119	732	865
	Nursery	159	3.18	633	4.54%		535	2.69				-	-	-
					100.00%			11,781					5,833	6,895
2006	Citrus	278	4.07	1131	9.44%	13,709	1,295	4.66	840	1,260	1,363			
	Irrigated Hay	233	6.65	1549	12.93%		1,773	7.51						
	Irrigated Pasture	231	7.76	1783	14.96%		2,051	8.88				231	2,051	1,753
	Vegetables	923	6.65	6138	51.23%		7,023	7.61				285	2,165	1,585
	Sod	119	6.65	791	6.60%		905	7.61				119	905	791
	Nursery	189	2.91	679	4.83%		663	3.33				-	-	-
					100.00%			13,709					6,685	5,842
	2005	Citrus	308	3.69	1137		12.61%	8,800				1,110	3.60	613
Irrigated Hay		189	6.03	965	10.70%	942	5.89							
Irrigated Pasture		174	7.03	1223	13.57%	1,194	6.36		175	1,201	1,250			
Vegetables		907	6.03	5469	60.66%	5,340	5.86		276	1,637	1,675			
Nursery		53	2.64	219	2.43%	214	2.58		-	-	-			
					100.00%		8,800			3,780	3,871			
2004	Citrus	340	4.92	1673	10.85%	12,828	1,393	4.10	961	160	472			
	Irrigated Hay	160	2.95	472	3.06%		393	2.46						
	Irrigated Pasture	174	11.26	1859	12.72%		1,632	9.38				174	1,832	1,859
	Vegetables	1,562	8.04	11192	72.67%		9,322	6.70				627	4,196	5,641
	Nursery	30	3.52	106	0.69%		88	2.93				-	-	-
					100.00%			12,828					6,224	7,472
2003	Citrus (trow)	59	6.31	372	2.64%	12,286	325	5.51	969	3,060	4,194			
	Citrus (micro)	482	4.73	2327	16.53%		2,030	4.13						
	Sudan Grass	388	10.81	4194	29.79%		3,650	9.43				388	3,650	4,465
	Vegetables	931	7.72	7187	51.04%		6,271	5.74				561	3,514	4,465
					100.00%			12,286					7,973	8,680
2002	Citrus (trow)	171	6.62	1132	7.57%	15,135	1,146	6.70	900	2,011	1,965			
	Citrus (micro)	545	4.97	2709	18.12%		2,742	5.05						
	Sudan Grass	175	11.35	1986	13.29%		2,011	11.49				175	2,011	1,965
	Vegetables	1,125	6.11	9124	61.03%		9,235	8.21				600	6,566	6,485
					100.00%			15,135					8,579	8,474
2001	Citrus (trow)	288	5.49	1581	13.47%	14,188	1,911	6.63	869	1,706	1,410			
	Citrus (micro)	557	4.12	3707	23.06%		3,271	4.58						
	Sudan Grass	150	9.41	1412	12.02%		1,706	11.37				150	1,706	1,410
	Vegetables	899	5.72	6041	51.46%		7,301	8.12				719	5,356	4,557
					100.00%			14,188					7,545	6,243



L E G E N D

-  Newhall Ranch Specific Plan Boundary
-  Irrigated Agricultural Lands - NRSP
-  Irrigated Agricultural Lands - outside NRSP

Los Angeles Co.
Ventura Co.



FORMA
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Newhall Land Historically Irrigated
Agricultural Areas within
Los Angeles County

SCOPE Letter to Newhall regarding compliance with the Settlement Agreement

Exhibit "C"

The Tenth Amendment to the U.S. Constitution specifically provides: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

The Eleventh Amendment to the U.S. Constitution specifically provides: "The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by citizens of another state, or by citizens or subjects of any foreign state. "

28 U.S.C. Section 959(b) specifically provides: "Except as provided in section 1166 of title 11, a trustee, receiver or manager appointed in any cause pending in any court of the United States, including a debtor in possession, shall manage and operate the property in his possession as such trustee, receiver or manager according to the requirements of the valid laws of the State in which such property is situated, in the same manner that the owner or possessor thereof would be bound to do if in possession thereof."

11 U.S.C. Section 362(b)(4) specifically acknowledges that the bankruptcy court judges have no ability to interfere with State police powers enforcement proceedings: "The filing of a petition...does operate as a stay of...(4) ...commencement or continuation of an action or proceeding by a governmental unit...to enforce such governmental unit's or organization's police and regulatory power, including the enforcement of a judgment other than a money judgment, obtained in an action or proceeding by the governmental unit to enforce such governmental unit's or organization's police or regulatory power;"

EXHIBIT D

GATZKE DILLON & BALLANCE LLP

ATTORNEYS & COUNSELORS AT LAW

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OF COUNSEL

MICHAEL SCOTT GATZKE
ANTHONY T. DITTY

July 24, 2009

David Lutness
Santa Clarita Organization for Planning and the Environment
P.O. Box 1182
Santa Clarita, California 91386

Re: Letter Request for Documentation

*United Water Conservation District, et al. v. County of Los Angeles, et al.
(Newhall Ranch)*

Dear Mr. Lutness:

On behalf of The Newhall Land and Farming Company ("Newhall"), I have been asked to respond to your letter of July 7, 2009. While you ask that we direct any further correspondence to the office of the Santa Clarita Organization for Planning and the Environment ("SCOPE") at the address shown on your letter, we also have copied one of your counsel, John T. Buse, with this letter response. By copy to Mr. Buse, we are responding to SCOPE and all other parties to the referenced litigation.

At the outset, your letter provides a copy of the "Notice of Settlement and Dismissal of Appeal" filed with the Court of Appeal for the Fifth District on April 1, 2004 ("Notice of Settlement"). The Notice of Settlement, which was signed by me on behalf of Newhall, and your counsel (John T. Buse and Jan Chatten-Brown) on behalf of SCOPE (and others), was in connection with the final settlement and dismissal, with prejudice, of the appeal then pending in the above-referenced Newhall Ranch litigation. As to the Notice of Settlement, we disagree with your letter in two important respects.

First, in your letter (page 1), you claim that the "court ordered compliance" with the Notice of Settlement; however, that is not what happened. The Notice of Settlement was just that -- it was a notice to the Court of Appeal of the parties' settlement and the Order portion of the Notice of Settlement simply acknowledged the settlement and directed that the appeal be dismissed, with prejudice, and without appeal costs to any party. On April 1, 2004, pursuant to the Notice of Settlement, the Court of Appeal ordered that the appeal be dismissed.

Second, in your letter (pages 2 and 3), you state that, pursuant to the terms of the Notice of Settlement, if Newhall implements the Newhall Ranch Specific Plan, then "the County and Newhall and its successors in interest . . . were and are obligated" to the specified terms of the Notice of Settlement. The statements are not correct. As you know, pursuant to the terms of the

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David Lutness

July 24, 2009

Page 2

Notice of Settlement, the County of Los Angeles (County) "is not a party to this settlement, because there are no settlement provisions that require any action to be taken by the County to implement this settlement." (Notice of Settlement, p. 1.) SCOPE's claim that it will "pursue its remedies against the County" should Newhall fail to abide by the Notice of Settlement, therefore, is incorrect because the County is not a party to the Notice of Settlement. In addition, there are no provisions in the Notice of Settlement that binds Newhall's "successors in interest." As noted below, however, Newhall remains committed to the Notice of Settlement and believes it has complied with its terms.

There are two other threshold issues that require clarification. First, in your letter (page 1, first paragraph), you characterize the nature of the Newhall Ranch litigation. We disagree with that characterization, and point out that in 2004, when the parties were negotiating the Notice of Settlement, they were careful to avoid argumentative characterizations of the Newhall Ranch litigation; and, for that reason, there are no such characterizations in the Notice of Settlement.

Second, on page 1, you characterize your letter as a "second" request for documentation required under the Notice of Settlement. We disagree with this statement as well. Your letter is the *first* request for documentation that Newhall has received pursuant to the term of the Notice of Settlement. Later in your letter (pages 2 and 4), you infer that SCOPE sent its first request for documentation arising under the Notice of Settlement when SCOPE filed a claim with the Bankruptcy Court. We do not believe that SCOPE's filing of such a claim will be fairly characterized as making a request for documentation arising under the Notice of Settlement. As a result, we are treating your letter as SCOPE's *first* request for documentation arising under the Notice of Settlement.

As to the substantive portions of your letter, Newhall acknowledges its obligation under the Notice of Settlement. Specifically, you claim that Newhall is not in compliance with two provisions of the Notice of Settlement -- Section II.A.2(b) and Section II.A.2(d). We address each of these provisions below.

Section II.A.2(b) provision of Notice of Settlement

Section II.A.2(a) and (b) of the Notice of Settlement provide as follows:

- (a) **Groundwater Use/Limitations.** Groundwater historically and presently used for crop irrigation on the Newhall Ranch Specific Plan site and elsewhere in Los Angeles County shall be made available by Newhall, or its assignee, to partially meet the potable water demands of the Newhall Ranch Specific Plan. The amount of groundwater pumped for this purpose shall not exceed 7,038 AFY. Newhall represents that this is the amount of groundwater pumped historically and presently by Newhall in Los Angeles County to support its agricultural operations, and that pumping this amount will not result in a net increase in groundwater use in the Santa Clarita Valley.

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David Lutness

July 24, 2009

Page 3

- (b) **Reporting.** To monitor groundwater use, Newhall, or its assignee, shall provide the County an annual report indicating the amount of groundwater used in Los Angeles County and the specific land upon which that groundwater was historically used for irrigation. After submitting the annual report to the County, Newhall, or its designee, will promptly provide the Appellants with a copy of such report, provided that the Appellants make a written request to Newhall for a copy of such report.

Section II.A.2(b) is the reporting and monitoring requirement for groundwater use on the Newhall Ranch Specific Plan. The reporting/monitoring provision does not yet apply. It applies only when Newhall or its assignee, use groundwater to meet the potable water demand of the Specific Plan; at which time, the amount of groundwater pumped to meet potable demand shall not exceed 7,038 acre-feet per year (afy). When groundwater is used in that manner, Newhall, or its assignee, must provide the County with an annual report indicating the amount of groundwater used in Los Angeles County and the specific land upon which that groundwater was historically used for irrigation. After submitting this annual report to the County, Newhall, or its designee, is to promptly provide SCOPE and other appellants with a copy of such report, provided that they make a written request to Newhall for a copy of such report. Newhall did not receive a written request from SCOPE for a copy of such report until your July 7, 2009 letter; and, in any case, the request is premature under the provisions of the Notice of Settlement.

Nonetheless, for your information, Newhall's agricultural groundwater usage is reported annually in the Santa Clarita Valley Water Reports that are prepared for Castaic Lake Water Agency (CLWA), CLWA Santa Clarita Water Division, Los Angeles County Water Work District 36, Newhall County Water District, and Valencia Water Company. As you know, each annual report is provided to both the County of Los Angeles and the City of Santa Clarita. It is also my understanding that copies are routinely provided to SCOPE and other organizations. (For example, upon request, Newhall provided information in this regard to Ron Bottorff of the Friends of the Santa Clara River on March 27, 2007.)

In addition, because Newhall is processing the tentative map and other permits for Landmark Village, the first subdivision within Newhall Ranch Specific Plan, County staff asked that we provide an annual report indicating the amount of groundwater used in Los Angeles County for irrigation, consistent with the Specific Plan EIR Mitigation Measure 4.11-15. This mitigation measure contains the very same reporting/monitoring provision for groundwater use on the Newhall Ranch Specific Plan. We provided County staff with the requested letter report on April 7, 2009, a copy of which is already attached to your July 7, 2009 letter; as a result, you have been provided with a copy of that letter report. In addition, Newhall has provided annual reports for 2003 through 2008 in response to the County's request for such information in conjunction with Mitigation Measure 4.11-15. This information to the County also included a figure depicting the "Newhall Land Historically Irrigated Agricultural Areas within Los Angeles County." These annual reports and the accompanying figure also are enclosed with this letter.

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David Lutness
July 24, 2009
Page 4

In your letter (page 4), you acknowledge Newhall's letter report to the County, but claim it "does not comply with the quoted bolded text provision" of the Notice of Settlement. In making that claim, however, you appear to concede that we have more than complied with the reporting/monitoring provision, because the provision that is in "quoted bold text" is *not* the reporting/monitoring provision but rather the *separate* Section II.A.2(d) provision. The applicability of this provision is discussed further below.

Section II.A.2(d) provision of Notice of Settlement

Section II.A.2(d) of the Notice of Settlement provides as follows:

- (d) **On-Going Documentation.** Beginning with the filing of the first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction, Newhall, or its designee, shall provide documentation to the County of Los Angeles and Appellants identifying the specific portion(s) of irrigated farmland in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. This documentation shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline five-year period 1996-2000. As a condition of subdivision approval, Newhall, or its designee, shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants.

Section II.A.2(d) requires Newhall, or its designee, to provide documentation to the County identifying the specific portion(s) of irrigated farmland in the County of Los Angeles proposed to be retired from irrigated production to make agricultural water available to serve the first subdivision map on the Specific Plan site. This documentation must be provided to the County beginning with the filing of the first subdivision map allowing construction on the Specific Plan site. It also must include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline five-year period 1996-2000. A copy of the information provided to the County also must be provided to appellants in the Newhall Ranch litigation, including SCOPE.

Based on Section II.A.2(d), the first subdivision map allowing construction on the Specific Plan site is the filing of a final subdivision map – the only map allowing construction in the Specific Plan site. As you know, however, there are no such maps in place at this time. Instead, for example, Newhall has begun to process tentative maps for Landmark Village, which is the first subdivision within the Newhall Ranch Specific Plan. As stated in your letter (page 4), the County has not yet completed processing or approval of Landmark Village's tentative map. As a result, the documentation required by Section II.A.2(d) has yet to be provided to the County, which makes sense because we do not yet know if the tentative map will be approved, or if it will be revised during the County's review process. Nonetheless, in light of your request,

GATZKE DILLON & BALLANCE LLP

David Lutness

July 24, 2009

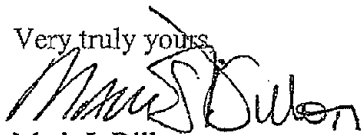
Page 5

Newhall has elected to provide the required documentation to the County, and that documentation is also enclosed with this letter. The documentation consists of the "Retired Irrigated Farmland" write-up, followed by the "Newhall Ranch Irrigated Farmland Proposed to be Retired" graphic, and related spreadsheet for the Landmark Village, Mission Village, and Homestead projects within the Newhall Ranch Specific Plan.

Based on the information provided, we do not believe that SCOPE has *any* legitimate basis for claiming, as it does on page 2 of its letter, that Newhall has "breached" the Notice of Settlement, and to then state that one million dollars is required to "cure" the so-called breach. Suffice it to say that the Notice of Settlement never contemplated that a party would claim a "breach" for not providing information that is otherwise already part of a land use regulatory process that ensures the information will be provided during such proceedings. Because Newhall believes it has complied with the terms of the Section II.A.2(d) of the Notice of Settlement, Newhall's filings with the Bankruptcy Court are also consistent with Newhall's position outlined in this letter.

Finally, we urge you to reconsider your threats (page 5) about pursuing remedies "through appropriate California administrative and judicial proceedings." There was no material breach, and you have no legitimate remedies.

Very truly yours,



Mark J. Dillon

of

Gatzke Dillon & Ballance LLP

MJD:kku

Enclosures

cc: Mark Subbotin
Timothy P. Hogan
H. Lawrence Webb
Robert E. Kalunian
Bruce Zirinsky
Edwin Harron
Debra Dandeneau
Mark D. Collins
John T. Buse

EXHIBIT E

Newhall Ranch Specific Plan
 2003 Annual Report
 Los Angeles County Agriculture Water Use
 Mitigation Measure 4.11 -15

Crop Type	Total Irrigated Acres	Adjusted CIMIS Water Use (af/ac)	Adjusted CIMIS Water Use (af/yr)	% of Water use by Crop	Total Pumped Water Based on SCE (af)	Allocation of Total Pumped Water By Crop (af/yr)	Acre Feet/Year per Acre of Crop	LA Co. Irrigated Crops (acres)	LA Co. Crop Share Of Actual Pumped Water (af/yr)	LA Co. Crop Share Using Adjusted CIMIS (af/yr)
Citrus(furrow)	59	6.31	372	2.64%	12,286	325	5.51			
Citrus(micro)	492	4.73	2327	16.53%		2,030	4.13			
Sudan Grass	388	10.81	4194	29.79%		3,660	9.43	388	3,660	4,194
Vegetables	931	7.72	7187	51.04%		6,271	6.74	581	3,914	4,485
Totals				100.00%		12,286		969	7,573	8,680

Newhall Ranch Specific Plan
 2004 Annual Report
 Los Angeles County Agriculture Water Use
 Mitigation Measure 4.11 -15

Crop Type	Total Irrigated Acres	Adjusted CIMIS Water Use (af/ac)	Adjusted CIMIS Water Use (af/yr)	% of Water use by Crop	Total Pumped Water Based on SCE (af)	Allocation of Total Pumped Water By Crop (af/yr)	Acre Feet/ Year per Acre of Crop	LA Co. Irrigated Crops (acres)	LA Co. Crop Share Of Actual Pumped Water (af/yr)	LA Co. Crop Share Using Adjusted CIMIS (af/yr)
Citrus	340	4.92	1673	10.86%	12,828	1,393	4.10			
Irrigated Hay	160	2.95	472	3.06%		393	2.46	160	393	472
Irrigated Pasture	174	11.26	1959	12.72%		1,632	9.38	174	1,632	1,959
Vegetables	1,392	8.04	11192	72.67%		9,322	6.70	627	4,199	5,041
Nursery	30	3.52	106	0.69%		88	2.93		-	-
Totals				100.00%		12,828		961	6,224	7,472

Newhall Ranch Specific Plan
 2005 Annual Report
 Los Angeles County Agriculture Water Use
 Mitigation Measure 4.11 -15

Crop Type	Total Irrigated Acres	Adjusted CIMIS Water Use (af/ac)	Adjusted CIMIS Water Use (af/yr)	% of Water use by Crop	Total Pumped Water Based on SCE (af)	Allocation of Total Pumped Water By Crop (af/yr)	Acre Feet/Year per Acre of Crop	LA Co. Irrigated Crops (acres)	LA Co. Crop Share Of Actual Pumped Water (af/yr)	LA Co. Crop Share Using Adjusted CIMIS (af/yr)
Citrus	308	3.69	1137	12.61%	8,800	1,110	3.60			
Irrigated Hay	160	6.03	965	10.70%		942	5.89	160	942	965
Irrigated Pasture	174	7.03	1223	13.57%		1,194	6.86	175	1,201	1,230
Vegetables	907	6.03	5469	60.68%		5,340	5.89	278	1,637	1,676
Nursery	83	2.64	219	2.43%		214	2.58			-
Totals				100.00%		8,800		613	3,780	3,871

Newhall Ranch Specific Plan
 2006 Annual Report
 Los Angeles County Agriculture Water Use
 Mitigation Measure 4.11 -15

Crop Type	Total Irrigated Acres	Adjusted CIMIS Water Use (af/ac)	Adjusted CIMIS Water Use (af/yr)	% of Water use by Crop	Total Pumped Water Based on SCE (af)	Allocation of Total Pumped Water By Crop (af/yr)	Acre Feet/Year per Acre of Crop	LA Co. Irrigated Crops (acres)	LA Co. Crop Share Of Actual Pumped Water (af/yr)	LA Co. Crop Share Using Adjusted CIMIS (af/yr)
Citrus	278	4.07	1131	9.44%	13,709	1,295	4.66			
Irrigated Hay	233	6.65	1549	12.93%		1,773	7.61	205	1,560	1,363
Sudan Grass (double Crop)		0	0	0.00%		-				
Irrigated Pasture	231	7.76	1793	14.96%		2,051	8.88	231	2,051	1,793
Vegetables	923	6.65	6138	51.23%		7,023	7.61	285	2,168	1,895
Sod	119	6.65	791	6.60%		905	7.61	119	905	791
Nursery	199	2.91	579	4.83%		663	3.33			-
Totals				100.00%		13,709		840	6,685	5,842

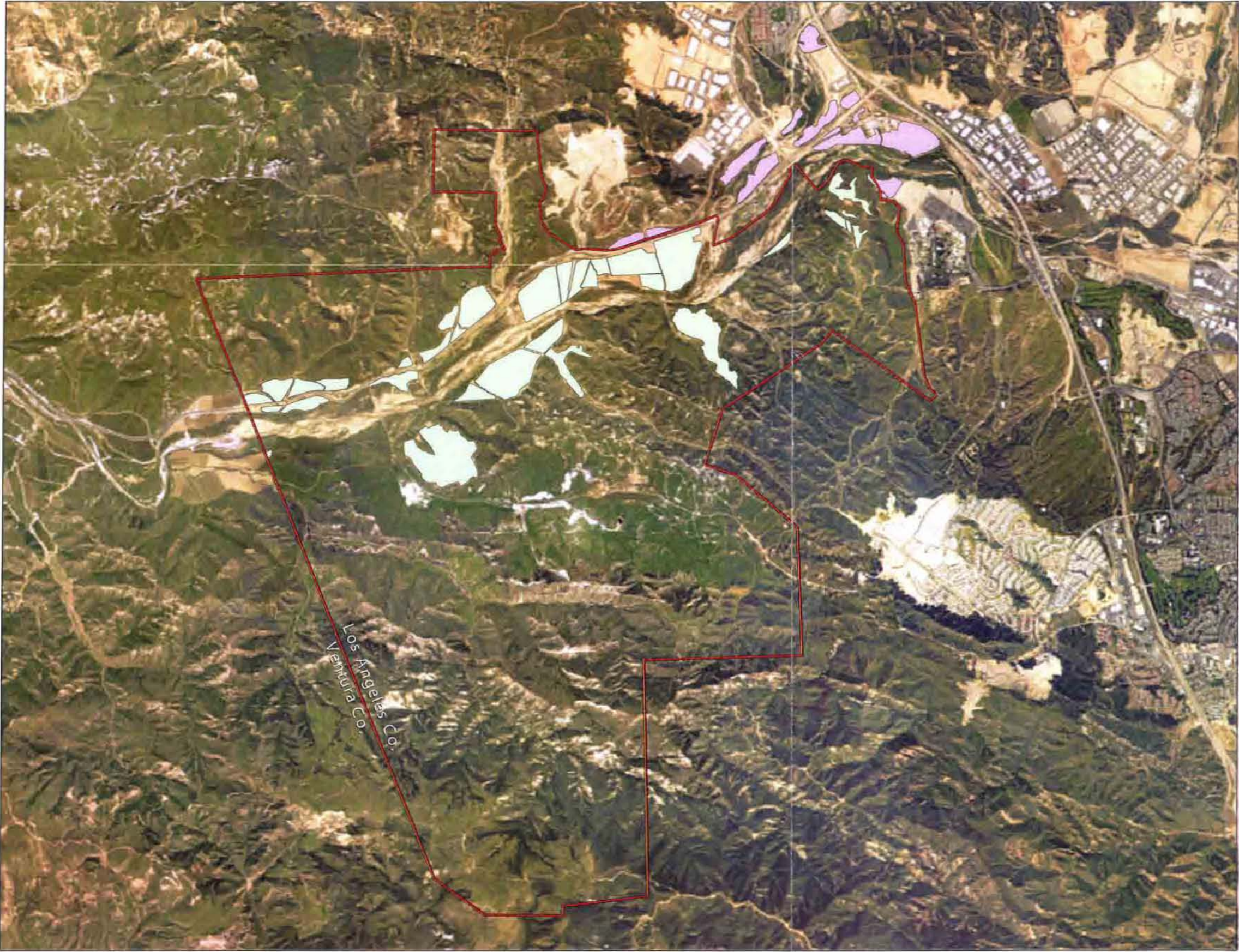
Newhall Ranch Specific Plan
2007 Annual Report
Los Angeles County Agriculture Water Use
Mitigation Measure 4.11 -15

Crop Type	Total Irrigated Acres	Adjusted CIMIS Water Use (af/ac)	Adjusted CIMIS Water Use (af/yr)	% of Water use by Crop	Total Pumped Water Based on SCE (af)	Allocation of Total Pumped Water By Crop (af/yr)	Acre Feet/ Year per Acre of Crop	LA Co. Irrigated Crops (acres)	LA Co. Crop Share Of Actual Pumped Water (af/yr)	LA Co. Crop Share Using Adjusted CIMIS (af/yr)
Citrus	278	4.45	1237	8.88%	11,781	1,046	3.76			
Alfalfa	205	7.27	1490	10.70%		1,261	6.15	205	1,261	1,490
Irrigated Hay	28	7.27	204	1.46%		172	6.15			
Sudan Grass (double Crop)		0	0	0.00%		-				
Irrigated Pasture	231	8.48	1959	14.07%		1,657	7.17	231	1,657	1,959
Vegetables	1,037	7.27	7539	54.13%		6,377	6.15	355	2,183	2,581
Sod	119	7.27	865	6.21%		732	6.15	119	732	865
Nursery	199	3.18	633	4.54%		535	2.69			
Totals				100.00%		11,781		910	5,833	6,895

Newhall Ranch Specific Plan
 2008 Annual Report
 Los Angeles County Agriculture Water Use
 Mitigation Measure 4.11 -15

Crop Type	Total Irrigated Acres	Adjusted CIMIS Water Use (af/ac)	Adjusted CIMIS Water Use (af/yr)	% of Water use by Crop	Total Pumped Water Based on SCE (af)	Allocation of Total Pumped Water By Crop (af/yr)	Acre Feet/Year per Acre of Crop	LA Co. Irrigated Crops (acres)	LA Co. Crop Share Of Actual Pumped Water (af/yr)	LA Co. Crop Share Using Adjusted CIMIS (af/yr)
Citrus	273	4.63	1264	10.31%	10,633	1,096	4.01			
Alfalfa	82	7.57	621	5.06%		538	6.56	82	538	621
Irrigated Hay	28	7.57	212	1.73%		184	6.56			
Sudan Grass (double Crop)		0	0	0.00%		-				
Irrigated Pasture	231	8.83	2040	16.63%		1,769	7.66	231	1,769	2,040
Vegetables	825	7.57	6245	50.93%		5,416	6.56	142	932	1,075
Sod	168	7.27	1221	9.96%		1,059	6.30	168	1,059	1,221
Nursery	199	3.31	659	5.37%		571	2.87		-	
Totals				100.00%		10,633		623	4,298	4,957

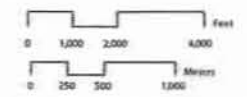
EXHIBIT F



Los Angeles Co.
Ventura Co.

L E G E N D

-  Newhall Ranch Specific Plan Boundary
-  Irrigated Agricultural Lands - NRSP
-  Irrigated Agricultural Lands - outside NRSP



FORMA
04-07-2003
agricultural_areas_040703.mxd

Newhall Land Historically Irrigated
Agricultural Areas within
Los Angeles County

RETIRED IRRIGATED FARMLAND – LANDMARK VILLAGE
Tentative Tract Map No. TR53108
County Project No. 00-196
2008

The Newhall Land and Farming Company (Newhall) has submitted an application to Los Angeles County for approval of the Landmark Village Vesting Tentative Tract Map No. 53108, which is the first tentative map within the Newhall Ranch Specific Plan. As part of the approval of the Specific Plan in 2003, the County required the following Specific Plan mitigation measure (Mitigation Measure 4.11-22):

“4.11-22. Beginning with the filing of the first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction, the Specific Plan applicant, or its designee, shall provide documentation to the County of Los Angeles identifying the specific portion(s) of irrigated farmland in the County of Los Angeles proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. As a condition of subdivision approval, the applicant, or its designee, shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision.”

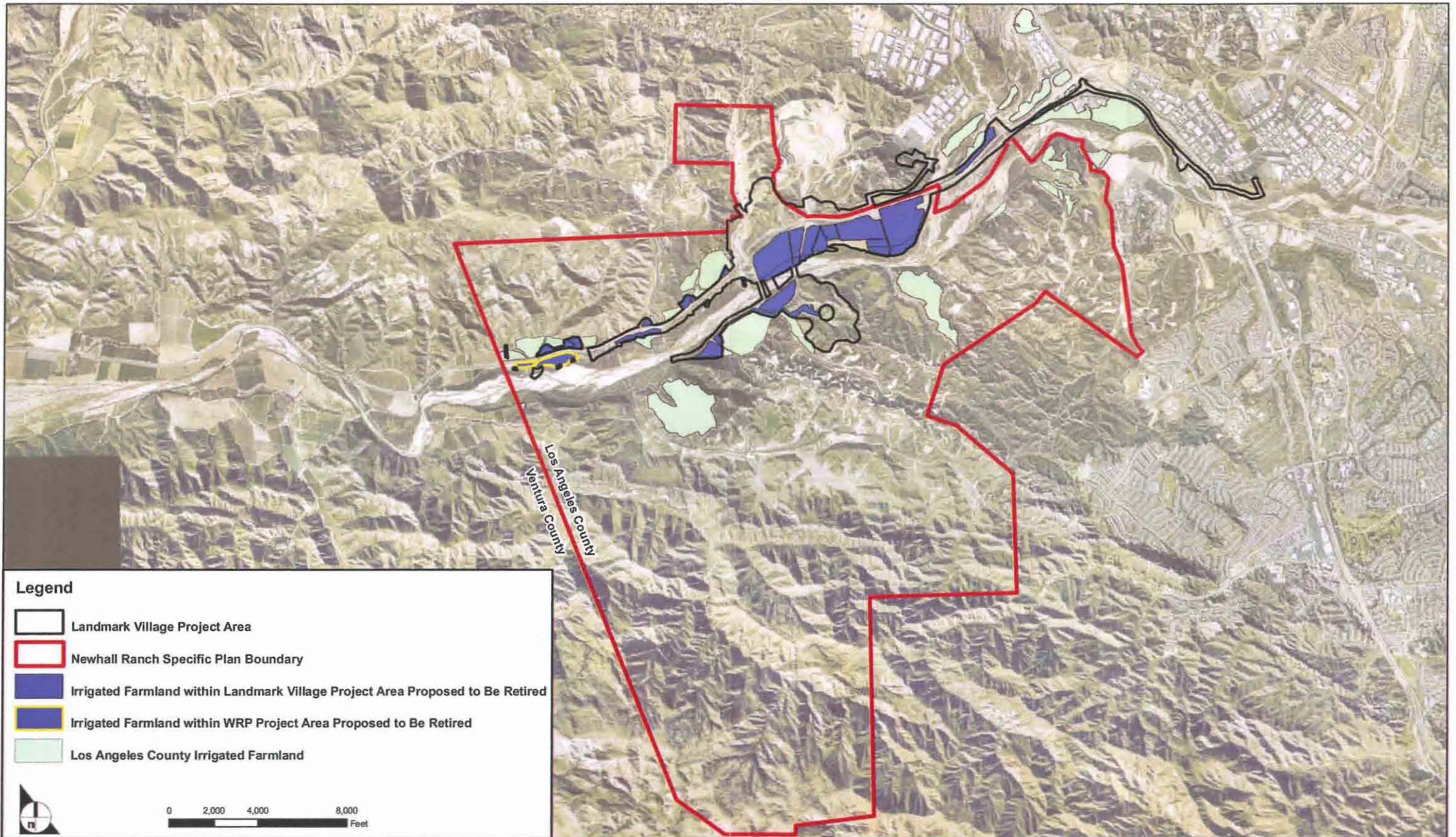
The attached illustration, entitled “Exhibit A - Newhall Ranch Irrigated Farmland Proposed to Be Retired - Landmark Village / WRP,” shows irrigated agricultural lands on and near the Specific Plan site, including Landmark Village and the site for the Newhall Water Reclamation Plant (WRP).¹ In association with the Landmark Village project, Newhall proposes to retire irrigated agricultural lands on the Landmark Village site. As shown on Exhibit B entitled, “Landmark Village Irrigated Farmlands to be Retired,” this action would allow for the transfer of 2,940 acre-feet per year (afy) of groundwater historically and presently used for irrigation on the Landmark Village site to the Municipal and Industrial (M&I) uses. As also shown on Exhibit B, another 141 afy would be available for M&I uses proposed for the Specific Plan site. As a result of this land conversion, a total of 3,080 afy would be transferred to proposed M&I uses on the

¹ The Newhall Water Reclamation Plant is not part of the Landmark Village project. It is a previously approved project that will serve the Newhall Ranch Specific Plan. It is being addressed in this report because the development of the WRP site will also result in the transfer of agricultural land to WRP uses and, hence, result in the transfer of agricultural water to M&I uses.






Specific Plan site, including the Landmark Village project and the WRP. As shown, the potable water demand for the Landmark Village project is 608 acre-feet per year (afy). The potable water demand for the WRP is 13 afy. After subtracting these demands from the total amount of water that would become available once the agricultural land on the Landmark Village site and WRP site is retired, a total of 6,417 afy will still be available to future subdivision maps on the Specific Plan site.


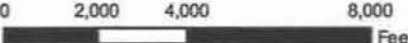
Prior to the issuance of building permits for the Landmark Village project, Newhall, or its designee, will provide evidence that irrigated agricultural land on the Landmark Village site has been retired to make agricultural water available to serve the subdivision.

Exhibits A and B



Legend

-  Landmark Village Project Area
-  Newhall Ranch Specific Plan Boundary
-  Irrigated Farmland within Landmark Village Project Area Proposed to Be Retired
-  Irrigated Farmland within WRP Project Area Proposed to Be Retired
-  Los Angeles County Irrigated Farmland

  0 2,000 4,000 8,000 Feet

SOURCE: Forma 2003

Exhibit A

Newhall Ranch Irrigated Farmland Proposed to Be Retired - Landmark Village / WRP

**EXHIBIT B
LANDMARK VILLAGE
IRRIGATED FARMLANDS TO BE RETIRED**

(Mitigation Measure 4.11-22)
(all numbers in acre feet)

Proposed Subdivision	A Starting Agricultural Water Supply Available for Conversion to Potable	B Location of Agricultural Fields to be Retired	Types of Planted Crops Retired	C Retired Fields Water Useage	D Subdivision Potable Water Demand	E Ending Agricultural Water Supply Available for Next Subdivision (A-D)
1 Landmark Village TTM 53108*	7038	See Exhibit A	Alfalfa, sudan/pasture,	2940	608	6430
2 WRP	6430 ←	See Exhibit A	Leased vegetables	141	13	6417
Total All Projects				3080	621	

RETIRED IRRIGATED FARMLAND – MISSION VILLAGE
Tentative Tract Map No. TR61105
County Project No. 04-181
2008

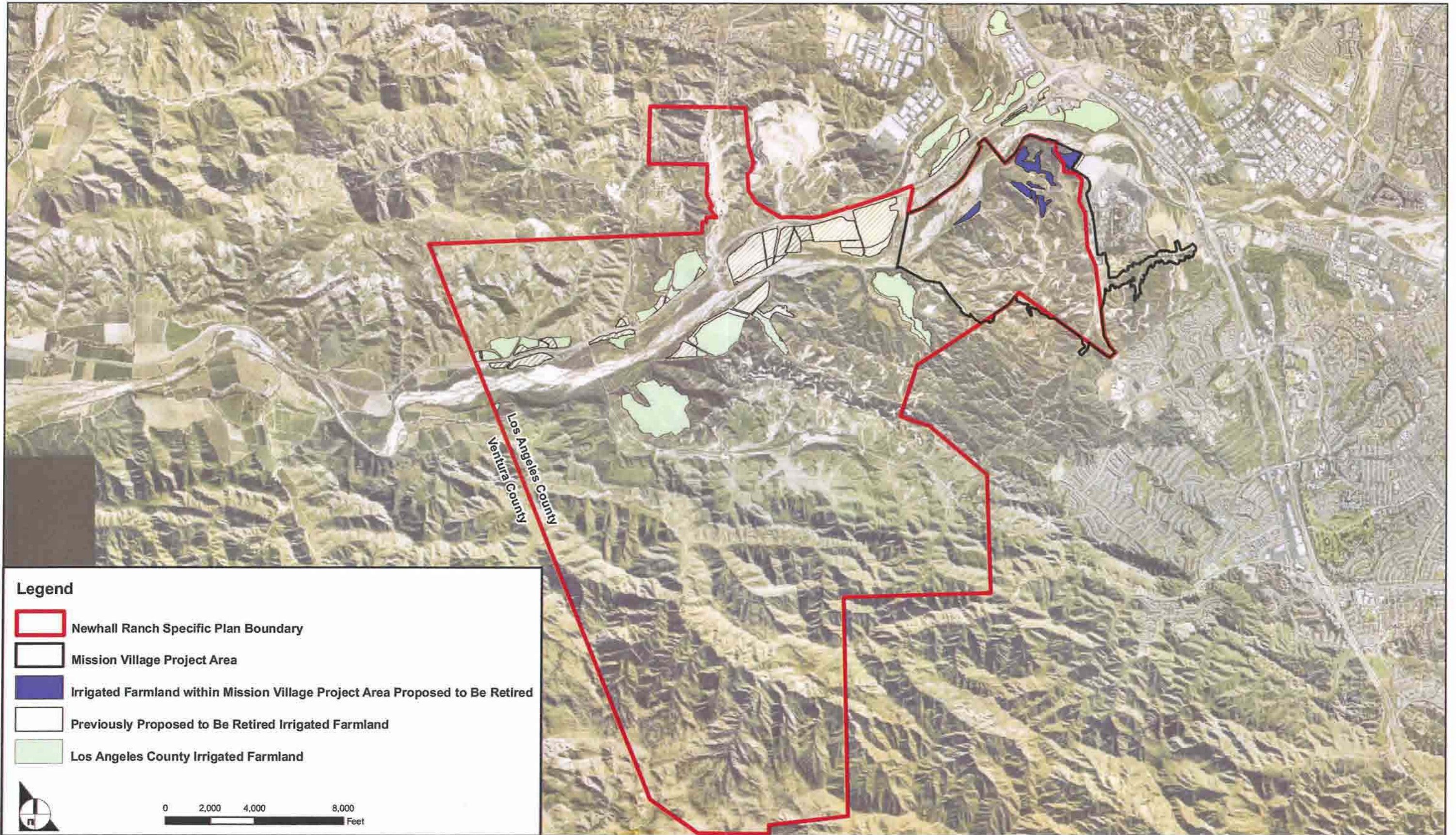
The Newhall Land and Farming Company (Newhall) has submitted an application to Los Angeles County for approval of the Mission Village Vesting Tentative Tract Map No. 61105, which is the second tentative map within the Newhall Ranch Specific Plan. As part of the approval of the Specific Plan in 2003, the County required the following Specific Plan mitigation measure (Mitigation Measure 4.11-22):

“4.11-22. Beginning with the filing of the first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction, the Specific Plan applicant, or its designee, shall provide documentation to the County of Los Angeles identifying the specific portion(s) of irrigated farmland in the County of Los Angeles proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. As a condition of subdivision approval, the applicant, or its designee, shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision.”

The attached illustration, entitled “Exhibit A - Newhall Ranch Irrigated Farmland Proposed to Be Retired - Mission Village,” shows irrigated agricultural lands on and near the Specific Plan site, including Mission Village. In association with the Mission Village project, Newhall proposes to retire irrigated agricultural lands on the Mission Village site. As shown on Exhibit B entitled, “Mission Village Irrigated Farmlands to be Retired,” this action would allow for the transfer of 529 acre-feet per year (afy) of groundwater historically and presently used for irrigation on the Mission Village site to the Municipal and Industrial (M&I) uses for the Specific Plan site. As shown, the potable water demand for the Mission Village project is 1,961 afy. After subtracting this demand from the total amount of water that would become available once the agricultural land on the Mission Village site is retired, a total of 4,456 afy will still be available to future subdivision maps on the Specific Plan site.

Prior to the issuance of building permits for the Mission Village project, Newhall, or its designee, will provide evidence that irrigated agricultural land on the Mission Village site has been retired to make agricultural water available to serve the subdivision.

Exhibits A and B



SOURCE: Forma 2003

Exhibit A

Newhall Ranch Irrigated Farmland Proposed to Be Retired - Mission Village

**EXHIBIT B
MISSION VILLAGE
IRRIGATED FARMLANDS TO BE RETIRED**

(Mitigation Measure 4.11-22)
(all numbers in acre feet)

Proposed Subdivision	A Starting Agricultural Water Supply Available for Conversion to Potable	B Location of Agricultural Fields to be Retired	Types of Planted Crops Retired	C Retired Fields Water Useage	D Subdivision Potable Water Demand	E Ending Agricultural Water Supply Available for Next Subdivision (A-D)
1 Landmark Village TTM 53108*	7038	See Exhibit A	Alfalfa, sudan/pasture,	2940	608	6430
2 WRP *	6430	See Exhibit A	Leased vegetables	141	13	6417
3 Mission Village	6417	See Exhibit A	Leased vegetables	529	1961	4456
Total All Projects				3610	2582	

* Landmark + WRP Potable Demand is 621 afy

RETIRED IRRIGATED FARMLAND – HOMESTEAD VILLAGE
Tentative Tract Map No. TR060678
2008

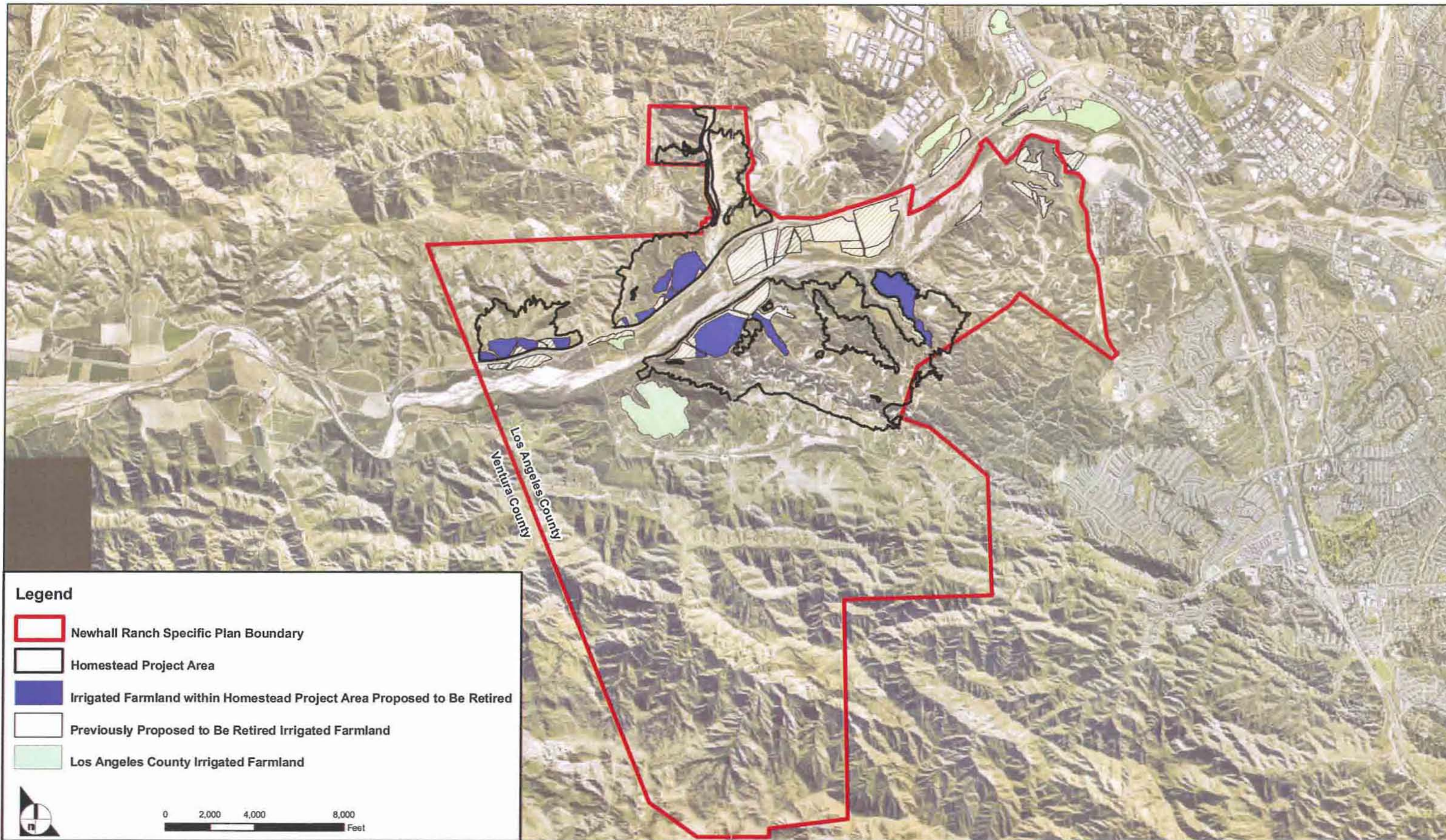
The Newhall Land and Farming Company (Newhall) has submitted an application to Los Angeles County for approval of the Homestead Village Vesting Tentative Tract Map No. 060678, which is the third tentative map within the Newhall Ranch Specific Plan. As part of the approval of the Specific Plan in 2003, the County required the following Specific Plan mitigation measure (Mitigation Measure 4.11-22):

“4.11-22. Beginning with the filing of the first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction, the Specific Plan applicant, or its designee, shall provide documentation to the County of Los Angeles identifying the specific portion(s) of irrigated farmland in the County of Los Angeles proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. As a condition of subdivision approval, the applicant, or its designee, shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision.”

The attached illustration, entitled “Exhibit A - Newhall Ranch Irrigated Farmland Proposed to Be Retired - Homestead Village,” shows irrigated agricultural lands on and near the Specific Plan site, including Homestead Village. In association with the Homestead Village project, Newhall proposes to retire irrigated agricultural lands on the Homestead Village site. As shown on Exhibit B entitled, “Homestead Village Irrigated Farmlands to be Retired,” this action would allow for the transfer of 1,726 acre-feet per year (afy) of groundwater historically and presently used for irrigation on the Homestead Village site to the Municipal and Industrial (M&I) uses for the Specific Plan site. As shown, the potable water demand for the Homestead Village project is 2,462 afy. After subtracting this demand from the total amount of water that would become available once the agricultural land on the Homestead Village site is retired, a total of 1,994 afy will still be available to future subdivision maps on the Specific Plan site.

Prior to the issuance of building permits for the Homestead Village project, Newhall, or its designee, will provide evidence that irrigated agricultural land on the Homestead Village site has been retired to make agricultural water available to serve the subdivision.

Exhibits A and B



SOURCE: Forma 2003

Exhibit A

Newhall Ranch Irrigated Farmland Proposed to Be Retired - Homestead

**EXHIBIT B
HOMESTEAD
IRRIGATED FARMLANDS TO BE RETIRED**

(Mitigation Measure 4.11-22)
(all numbers in acre feet)

Proposed Subdivision	A Starting Agricultural Water Supply Available for Conversion to Potable	B Location of Agricultural Fields to be Retired	Types of Planted Crops Retired	C Retired Fields Water Useage	D Subdivision Potable Water Demand	E Ending Agricultural Water Supply Available for Next Subdivision (A-D)
1 Landmark Village TTM 53108*	7038	See Exhibit A	Alfalfa, sudan/pasture,	2940	608	6430
2 WRP *	6430	← See Exhibit A	Leased vegetables	141	13	6417
3 Mission Village	6417	← See Exhibit A	Leased vegetables	529	1961	4456
4 Homestead **	4456	← See Exhibit A	Leased vegetables	1726	2462	1994
Total All Projects				5336	5044	

* Landmark + WRP Potable Demand is 621 afy

** Homestead potable demand reflects the 13 afy of WRP which is accounted for separately in line #2 above.

EXHIBIT G

SCOPE

Santa Clarita Organization for Planning and the Environment
TO PROMOTE, PROTECT AND PRESERVE THE ENVIRONMENT, ECOLOGY
AND QUALITY OF LIFE IN THE SANTA CLARITA VALLEY

POST OFFICE BOX 1182, SANTA CLARITA, CA 91386



8-27-09

Mr. Gabriel Morgan
Weil, Gotshal & Manges LLP
767 Fifth Ave
New York, NY 10137

Mr. Mark Dillon, Esq.
1525 Faraday Avenue, Suite 150
Carlsbad, California 92008

RE: Third Request for Documentation Required Under Notice of Settlement and Dismissal of Appeal, Filed 4/1/04 Case No. F044638, *United Water Conservation District et al v. County of Los Angeles et al.*

Gentlemen:

This letter is written in response to Mr. Gabriel Morgan's telephone call to Lynne Plambeck and subsequent email wanting to know if the documentation Mark Dillon, Esq, as attorney for Newhall Land & Framing Co., a California Limited Partnership "Newhall", complied with the Settlement and Dismissal dated April 1, 2004 as described below "the Settlement Agreement". Mr. Dillon's cover letter of 7-24-09 enclosed the documents, which we will attach to the hard copy of this letter as Exhibit "A" and mail to Mr. Gabriel Morgan and the parties copied on this letter via regular US Mail.

I am emailing you this letter as a matter of convenience.

The bottom line is that while the documents sent to us by Mr., Dillon where informative, they do not fully comply with the terms of the settlement agreement. As you will see below, we suggest to possible approaches in Newhall completing its compliance with the settlement agreement.

I. History of Settlement Agreement

As you know, Santa Clarita Organization for Planning the Environment ("SCOPE") was one of the plaintiff/appellants and "Newhall" was one of the real parties in interest, in the Kern County Superior Court and California Court of Appeals case captioned *United Water Conservation District et al v. County of Los Angeles et al.* This case concerned the failure by the County of Los Angeles to prove, through the Environmental Impact Report ("EIR") for the Newhall Ranch project, (1) that there would be sufficient potable drinking water a/k/a ground water to supply future residents of the Newhall Ranch project without use of California State Water Project Water (a/k/a state aqueduct water) which is severely over-committed and over-utilized by current residents of the Santa Clarita Valley and (2) that use of ground water wells on the Newhall Ranch

property in Los Angeles County, to supply potable drinking water to future Newhall Ranch residents, would not overdraft the ground water aquifer under Newhall's Los Angeles County property comprising Newhall Ranch to the detriment of existing agricultural water users in Ventura County who have prior rights to use that ground water for their orchards and farms.

In settlement of the litigation about the adequacy of the EIR for the Specific Plan for Newhall Ranch, Los Angeles County ("County"), Newhall and SCOPE entered into the Notice of Settlement and Dismissal dated and filed with the court on April 1, 2004 which was attached as Exhibit "A" to SCOPE's 7-7-09 letter to Mr. Dillon and to the then Chief Restructuring Officers of Newhall, "the Settlement Agreement" herein.

Pursuant to the terms of the above described Settlement Agreement, if Newhall chose to rely upon and implement the Newhall Ranch Specific Plan which was approved by the County, the County and Newhall and its successors in interest to fee title to the Newhall Ranch land were and are obligated as follows:

"A. Agricultural Water Supply.

2(b) To monitor ground water use, Newhall, or its assignee shall provide the County with annual report indicating the amount of ground water used in Los Angeles County and the specific land on which that ground water was historically used for irrigation. After submitting the report to the County, Newhall or its designee will promptly provide the Appellants with a copy of such report provided that the Appellants make a written request to Newhall for a copy of such report."

and

"d. Ongoing Documentation

Beginning with filing of first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction Newhall or its designee shall provide documentation to the County of Los Angeles and Appellants identifying the specific portions of irrigated farm land in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. This document shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline 5-year period 1996-2000. As a condition of subdivision approval, Newhall or its designee shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants."

As per our previous correspondence on 7-7-09, SCOPE made requests to receive the information precisely complying with those two paragraphs of the Settlement Agreement without success. No annual reports as described in the two paragraphs above for 2004, 2005, 2006, 2007 or 2008 were found in the County's files. Nor were crops to be retired from "specific portions of irrigated farm land in the County" made available and reported with particularity.

As a result, on November 14, 2008, SCOPE directly communicated with Newhall by addressing a claim to Newhall's Bankruptcy Court appointed claims agent, Kurtzman Carson, specifically advising that the reports required by the Settlement Agreement had not been delivered to the

County or to SCOPE. In its claim (#925) SCOPE indicated that Newhall's breach of the Settlement Agreement could be cured by SCOPE expending significant sums (e.g. \$1 Million over a 10 year period) to hire a state licensed hydrologist/geologist to do the ground water usage monitoring and reporting that the Settlement Agreement required. Obviously, if such annual reports then existed, in November 2008, under the terms of the Settlement Agreement Newhall would and should have sent them to SCOPE. Instead, Newhall was silent and unresponsive to SCOPE.

II. Mark Dillon's response on behalf of Newhall

To re-iterate, these are the precise and relevant requirements in the settlement agreement with which Newhall must comply in order to satisfy its obligation to SCOPE:

"A. Agricultural Water Supply.

"2(b) To monitor ground water use Newhall or its assignee shall provide the County with annual report indicating the amount of ground water used in Los Angeles County and the specific land on which that ground water was historically used for irrigation. After submitting the report to the County, Newhall or its designee will promptly provide the Appellants with a copy of such report provided that the Appellants make a written request to Newhall for a copy of such report."

and

"d. Ongoing Documentation

Beginning with filing of first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction Newhall or its designee shall provide documentation to the County of Los Angeles and Appellants identifying the specific portions of irrigated farm land in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. **This document shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land** for the baseline 5-year period 1996-2000. As a condition of subdivision approval, Newhall or its designee shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants."

The documents provided to SCOPE by Mark Dillon, as attorney for Newhall, dated 7-24-09, while providing greater detail than the original document SCOPE obtained from the County of Los Angeles, still does not comply with the quoted text provisions of the Settlement Agreement because:

- 1) The settlement agreement at Agricultural Water Section A. 1. discusses in detail the method used to calculate water usage. However, the reports provided to SCOPE on 7-24-09 do not calculate water usage by that same method, but instead use an "adjusted CIMIS water use", a method of estimating water usage, rather than using actual water well pump electricity use data as referred to at Agricultural Water Section A.1. As a result, the information delivered

does not comply with paragraph A. 2.b. above because Newhall is not using the agricultural water use calculation methodology described in The Settlement Agreement.

- 2) The documents described in the bold text from Paragraph D in the Settlement Agreement quoted above were not provided to SCOPE by Mr. Dillon. Information sent by Newhall by Mr. Dillon attached to his 7-24-09 letter did include the land that would be fallowed for each tract, but did NOT include which crops were grown on the land to be fallowed during the time period specified in paragraph d quoted above. Instead, only a general description of all crops and their total water usage was included without the actual locations of each crop on the land to be fallowed and when each crop was grown as required in paragraph D above.

As we are sure LandSource's bankruptcy counsel have made you aware, under the Tenth and Eleventh Amendments to the U.S. Constitution, and under 28 U.S.C. 959(b) and 11 U.S.C. 362(b)(4), Newhall as a debtor in bankruptcy has the obligation to comply with, and the Bankruptcy Court has no power to interfere, for the benefit of LandSource, New LandSource, Newhall or their creditors or successors in title to Newhall Ranch, with past, present or future legislative or administrative exercises of regulatory and police powers by the State of California or the County of Los Angeles as an agency of the State, such as CEQA and the Subdivision Map Act, or by California courts in enforcing those and similar State regulatory and police powers laws. For your reference, a copy of the relevant constitutional and federal code sections are attached to this letter as Exhibit "B".

As a result, whether or not, in the bankruptcy proceeding, Newhall or Newhall Land and Development Co. reject SCOPE's claim for money damages to hire a hydrologist/geologist to cure Newhall's breach of the Settlement Agreement, the County of Los Angeles and the ultimate owner of Newhall Ranch are still bound to comply with California regulatory police powers laws, such as CEQA and the Subdivision Map Act. Regardless of any action by the Bankruptcy Court, California courts still have the authority to compel the County to comply with the Settlement Agreement by requiring the reports and documentation discussed above as a condition precedent to the County's exercise of the State's regulatory and police powers to approve future entitlements for Newhall Ranch. SCOPE fully intends to exercise its rights to enforce CEQA, the Subdivision Map Act, and all other California land use, endangered species, water and environmental laws with respect to past and future entitlement processing for Newhall Ranch.

The purpose of this letter is to now make our third request, bringing again to Newhall's attention that it is not in compliance with the terms of the Settlement Agreement, and to again ask for copies of the ground water annual reports for 2003, 2004, 2005, 2006, 2007, 2008 and 2009 in compliance with paragraphs B and D with the specific geographical information required by the Settlement Agreement per our previous requests:

III. Possible Resolution of Problem of Missing Information

We believe that Mr. Dillon was and is well informed as to the nature and information required to be supplied by the Settlement Agreement paragraphs described above. Therefore, we are unsure as to why Newhall has not cooperated with Mr. Dillon in complying with the Settlement Agreement paragraphs as described above.

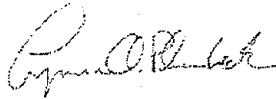
SCOPE continues to wish to resolve its Bankruptcy Court claim against debtor Newhall, for breach of the Settlement Agreement.

As a result, it is our intention to withdraw this claim if (a) the documentation strictly complying with the Settlement Agreement, in the manner expressly described above, is provided to SCOPE before Sept.3rd, 2009, and Weil, Gotshal continue any hearing on that date to the next regularly scheduled omnibus hearing which we believe is in October, 2009, to allow Newhall to provide the missing information described above before that October date and (b) prior to that October date, Reorganized Newhall assume Newhall's obligations under the Settlement Agreement as part of an amendment to Bankruptcy Court Document 1905. Should Reorganized Newhall fail to do so, SCOPE will pursue its remedies against the County, through appropriate California administrative and judicial proceedings against the County to enforce CEQA and the Settlement Agreement, since it was the County, and not Newhall or Reorganized Newhall, which actually violated CEQA during the processing of the Newhall Ranch Specific Plan.

We believe that this matter can be resolved and ask that you 1) continue the hearing so that the required information can be provided and 2) provide the information by the date indicated above.

Please direct any further correspondence concerning the Settlement Agreement, Newhall's compliance with it, or SCOPE's claim for breach thereof directly to our office at the address set forth on this letter. Again, SCOPE stands by its previous commitment to comply with the express terms of the Settlement Agreement, if debtor Newhall and its successors in interest do the same both before and after any Bankruptcy Court approval of a Chapter 11 Plan for LandSource.

Sincerely,



Lynne Plambeck, President
Santa Clarita Organization for Planning the Environment
a California non-profit, public benefit corporation

ENCS: by regular mail
cc's with ENCS by regular mail:

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Acting County Counsel
Los Angeles County
648 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Bruce Zirinsky, Esq. (Counsel for Plan Proponent)
Greenberg Traurig
200 Park Avenue
New York, New York 10166

Exhibit "B"

The Tenth Amendment to the U.S. Constitution specifically provides: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

The Eleventh Amendment to the U.S. Constitution specifically provides: "The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by citizens of another state, or by citizens or subjects of any foreign state. "

28 U.S.C. Section 959(b) specifically provides: "Except as provided in section 1166 of title 11, a trustee, receiver or manager appointed in any cause pending in any court of the United States, including a debtor in possession, shall manage and operate the property in his possession as such trustee, receiver or manager according to the requirements of the valid laws of the State in which such property is situated, in the same manner that the owner or possessor thereof would be bound to do if in possession thereof."

11 U.S.C. Section 362(b)(4) specifically acknowledges that the bankruptcy court judges have no ability to interfere with State police powers enforcement proceedings: "The filing of a petition...does operate as a stay of...(4) ...commencement or continuation of an action or proceeding by a governmental unit...to enforce such governmental unit's or organization's police and regulatory power, including the enforcement of a judgment other than a money judgment, obtained in an action or proceeding by the governmental unit to enforce such governmental unit's or organization's police or regulatory power;"

GATZKE DILLON & BALLANCE LLP

ATTORNEYS & COUNSELORS AT LAW

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OF COUNSEL

MICHAEL SCOTT GATZKE

ANTHONY T. DITTY

October 28, 2009

Lynne Plambeck, President
Santa Clarita Organization for Planning and the Environment
P.O. Box 1182
Santa Clarita, California 91386

Re: Letter Request for Documentation

*United Water Conservation District, et al. v. County of Los Angeles, et al.
(Newhall Ranch)*

Dear Ms. Plambeck:

On behalf of Newhall Land Development LLC ("Newhall"), I have been asked to respond to your letter of August 27, 2009. In the letter, you ask that we direct any further correspondence to the Santa Clarita Organization for Planning and the Environment ("SCOPE") at the address shown on your letter; however, we also have copied one of your counsel, John T. Buse, with this letter response. By copy to Mr. Buse, we are responding further to SCOPE and all other parties to the referenced litigation.

As a threshold matter, we already have responded to your letter, which essentially reiterates the letter SCOPE sent to me and others, dated July 7, 2009. (*See*, my letter to David Lutness, SCOPE, dated July 24, 2009.) Nonetheless, we are forced to respond again to certain misstatements contained in your letter. For example, we disagree with your characterization of the nature of the prior Newhall Ranch litigation. We also dispute your statement that this letter represents a "third" request for documentation required under the Notice of Settlement in connection with the Newhall Ranch litigation. As you know, your letter constitutes a "second" request and we responded fully to SCOPE's *first* request in our letter of July 24, 2009, which you acknowledge receiving on page 3 of your letter.

In addition, you continue to assert that SCOPE will pursue remedies against the County of Los Angeles ("County") under the Notice of Settlement, despite knowing that the County "is not a party to [the] settlement, because there are no settlement provisions that require any action to be taken by the County to implement [the] settlement." (*See*, Notice of Settlement, p. 1.) There also were no County representatives that signed the Notice of Settlement. (*See*, Notice of Settlement, p. 7.) Several other misstatements are made in your letter; however, we will not repeat each of them in this letter. Suffice it to say we disagree with most of the remaining portions of your letter.

GATZKE DILLON & BALLANCE LLP

Lynne Plambeck, President

October 28, 2009

Page 2

The balance of this letter will focus on your claims that Newhall is "still" not complying with the provisions of the Notice of Settlement. We disagree with that statement as well, and will respond to each claim below.

On page 3 of your letter, you state that the Notice of Settlement describes in detail the method used to calculate water use, but assert that the reports provided to SCOPE in my July 24, 2009 letter do not calculate water usage "using the same method, but instead use an 'adjusted CIMIS water use' method." On that basis, you claim that Newhall is not complying with Section II.A.2(b) of the Notice of Settlement "*because Newhall is not using the agricultural water use calculation methodology*" described in the Notice of Settlement. (SCOPE letter, p. 4, italics added.) SCOPE is misconstruing the Notice of Settlement and the certified Newhall Ranch environmental documentation.

The Notice of Settlement summarizes the manner in which Newhall's agricultural water supply was calculated in the Newhall Ranch Revised Additional Analysis (Volume VIII, Section 2.5, Water Resources, pp. 2.5-135-140, May 2003). As stated in the Notice of Settlement, the actual amount of groundwater pumped from the basin to irrigate Newhall's agricultural lands was calculated by first utilizing Southern California Edison's ("SCE") pump test data. This data was based on a letter report prepared by Underhill Engineering, Inc., dated March 7, 2003. (The Underhill report was contained in Appendix AB to the Newhall Ranch Final Additional Analysis, Volume IV, March 2003.) As stated in the Notice of Settlement, at page 3, using the actual SCE pump test data, a five-year annual average of 7,246 acre-feet of water per year was pumped by Newhall and utilized for irrigation of its crops in Los Angeles County.

In addition, however, the County and Newhall used "adjusted data from the California Irrigation Management Information System ("CIMIS"), which is provided by the University of California." (See, Notice of Settlement, p. 3.) As stated in the Notice of Settlement, "[t]he adjusted CIMIS data was used as a 'cross check' to corroborate Newhall's allocation of the total amount of water actually pumped, as calculated from the SCE pump test and other data." (*Ibid.*) The Notice of Settlement further states:

Using the adjusted CIMIS data to compare to actual pumpage, a total of 7,038 acre-feet of water per year was determined to be the average amount of water used on Newhall's agricultural lands in Los Angeles County from 1996-2000. The revised Additional Analysis used the lower (and more conservative) of the two methods to determine the actual amount of groundwater pumped and delivered to Newhall's agricultural lands in Los Angeles County (*i.e.*, 7,038 AFY). (*Ibid.*)

Based on the above, and as stated in the Notice of Settlement, Newhall used the "adjusted CIMIS data" to calculate its agricultural water usage in Los Angeles County to corroborate its SCE pump test data. Newhall used the adjusted CIMIS data because it was the lower and more conservative water usage derived from the two methods (*i.e.*, SCE pump test data and adjusted

GATZKE DILLON & BALLANCE LLP

Lynne Plambeck, President

October 28, 2009

Page 3

CIMIS data). The result of using the adjusted CIMIS data was that the actual amount of groundwater pumped and delivered to Newhall's agricultural lands in Los Angeles County was determined to be *lower* (7,038 AFY) than the amount actually pumped (7,246 AFY).


Importantly, the 2003-2008 reports attached to my prior July 24, 2009 letter to SCOPE used the *very same* methodology as described in the Notice of Settlement and the Newhall Ranch environmental documentation. In short, Newhall *is* using the correct agricultural water use calculation methodology, and it is the method described in the Notice of Settlement.

On page 4 of your letter, you concede that the information attached to my July 24, 2009 letter to SCOPE included the land in the County proposed to be retired from irrigation production to make agricultural water available for Newhall Ranch, but you claim that the information did not include "which crops were grown on the land to be fallowed." Again, however, SCOPE has misconstrued the Notice of Settlement and the information provided.

The annual reports (2003-2008) attached to my July 24, 2009 letter follow the exact same approach required by the County in the data used in Revised Table 2.5-32 of the Newhall Ranch Revised Additional Analysis (Volume VIII, Section 2.5, Water Resources, p. 2.5-140, May 2003). In that table and in the annual reports provided, Newhall described the year and the crop type, along with the total irrigated acreage and water usage under both the SCE and the CIMIS methodology. SCOPE concedes as much when it states on page 4 of its letter that "only a general description of all crops and their total water usage was included." SCOPE goes on to state that the Notice of Settlement requires the annual reports to state "when each crop was grown." First, nothing in the Notice of Settlement requires Newhall to identify when each crop shown on the annual reports were grown. Nonetheless, each annual report identifies the crop type grown on the total irrigated acres in that year. Based on the above, Newhall believes it has complied with the provisions of the Notice of Settlement and that there is no "breach."

In closing, based on the two letters provided to date, on behalf of Newhall Land Development LLC, we will request that the Bankruptcy Court deny SCOPE's claim.

Very truly yours,


Mark J. Dillon

of

Gatzke Dillon & Ballance LLP

MJD/tek

cc: Mark Subbotin
Robert E. Kalunian
Gabriel Morgan
Bruce Zirinsky
Debra Dandeneau
John T. Buse

SCOPE

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AND QUALITY OF LIFE IN THE SANTA CLARITA VALLEY

POST OFFICE BOX 1182, SANTA CLARITA, CA 91386



11-14-09

Ms. Miriam Khatablou
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San Francisco, CA 94111

Mr. Mark Dillon, Esq.
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Carlsbad, California 92008

RE: Fourth Request for Documentation Required Under Notice of Settlement and Dismissal of Appeal, Filed 4/1/04 Case No. F044638, *United Water Conservation District et al v. County of Los Angeles et al.*

Ladies and Gentlemen:

This letter is written in response to Ms. Miriam Khatablou's telephone call to SCOPE and in response to correspondence from Mark Dillon, Esq, as attorney for Newhall Land Development LLC ("Newhall") stating that Newhall has complied with the Settlement and Dismissal dated April 1, 2004 as described below "the Settlement Agreement".

We do not agree with this statement and continue to request the information outlined in this letter. We believe that the records kept in the normal course of a farming operation would permit the below required information to be easily accessible to Newhall. We therefore do not understand the continued refusal to provide information that would allow a simple resolution to this matter.

Mr. Dillon's cover letter of 7-24-09 enclosed the documents, which we will attach to the hard copy of this letter as Exhibit "A" and mail to Ms. Miriam Khatablou and the parties copied on this letter via regular US Mail.

We are emailing you this letter as a matter of convenience.

The bottom line is that while the documents sent to us by Mr., Dillon were informative, they do not fully comply with the terms of the settlement agreement. As you will see below, we suggest to possible approaches in Newhall completing its compliance with the settlement agreement.

I. History of Settlement Agreement

As you know, Santa Clarita Organization for Planning the Environment ("SCOPE") was one of the plaintiff/appellants and "Newhall" was one of the real parties in interest, in the Kern County

Superior Court and California Court of Appeals case captioned *United Water Conservation District et al v. County of Los Angeles et al.* This case concerned the failure by the County of Los Angeles to prove, through the Environmental Impact Report ("EIR") for the Newhall Ranch project, (1) that there would be sufficient potable drinking water a/k/a ground water to supply future residents of the Newhall Ranch project without use of California State Water Project Water (a/k/a state aqueduct water) which is severely over-committed and over-utilized by current residents of the Santa Clarita Valley and (2) that use of ground water wells on the Newhall Ranch property in Los Angeles County, to supply potable drinking water to future Newhall Ranch residents, would not overdraft the ground water aquifer under Newhall's Los Angeles County property comprising Newhall Ranch to the detriment of existing agricultural water users in Ventura County who have prior rights to use that ground water for their orchards and farms.

In settlement of the litigation about the adequacy of the EIR for the Specific Plan for Newhall Ranch, Los Angeles County ("County"), Newhall and SCOPE entered into the Notice of Settlement and Dismissal dated and filed with the court on April 1, 2004 which was attached as Exhibit "A" to SCOPE's 7-7-09 letter to Mr. Dillon and to the then Chief Restructuring Officers of Newhall, "the Settlement Agreement" herein.

Pursuant to the terms of the above described Settlement Agreement, if Newhall chose to rely upon and implement the Newhall Ranch Specific Plan which was approved by the County, the County and Newhall and its successors in interest to fee title to the Newhall Ranch land were and are obligated as follows:

"A. Agricultural Water Supply.

2(b) To monitor ground water use, Newhall, or its assignee shall provide the County with annual report indicating the amount of ground water used in Los Angeles County and the specific land on which that ground water was historically used for irrigation. After submitting the report to the County, Newhall or its designee will promptly provide the Appellants with a copy of such report provided that the Appellants make a written request to Newhall for a copy of such report."

and

"d. Ongoing Documentation

Beginning with filing of first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction Newhall or its designee shall provide documentation to the County of Los Angeles and Appellants identifying the specific portions of irrigated farm land in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. This document shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land for the baseline 5-year period 1996-2000. As a condition of subdivision approval, Newhall or its designee shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants."

As per our previous correspondence on 7-7-09 and 8-27-09 (attached), SCOPE made requests to receive the information precisely complying with those two paragraphs of the Settlement Agreement without success. No annual reports as described in the two paragraphs above for 2004, 2005, 2006, 2007 or 2008 were found in the County's files. Nor were crops to be retired from "specific portions of irrigated farm land in the County" made available and reported with particularity.

As a result, on November 14, 2008, SCOPE directly communicated with Newhall by addressing a claim to Newhall's Bankruptcy Court appointed claims agent, Kurtzman Carson, specifically advising that the reports required by the Settlement Agreement had not been delivered to the County or to SCOPE. In its claim (#925) SCOPE indicated that Newhall's breach of the Settlement Agreement could be cured by SCOPE expending significant sums (e.g. \$1 Million over a 10 year period) to hire a state licensed hydrologist/geologist to do the ground water usage monitoring and reporting that the Settlement Agreement required. Obviously, if such annual reports then existed, in November 2008, under the terms of the Settlement Agreement Newhall would and should have sent them to SCOPE. Instead, Newhall was silent and unresponsive to SCOPE.

II. Mark Dillon's response on behalf of Newhall

To re-iterate, these are the precise and relevant requirements in the settlement agreement with which Newhall must comply in order to satisfy its obligation to SCOPE:

"A. Agricultural Water Supply.

"2(b) To monitor ground water use Newhall or its assignee shall provide the County with annual report indicating the amount of ground water used in Los Angeles County and the specific land on which that ground water was historically used for irrigation. After submitting the report to the County, Newhall or its designee will promptly provide the Appellants with a copy of such report provided that the Appellants make a written request to Newhall for a copy of such report."

and

"d. Ongoing Documentation

Beginning with filing of first subdivision map allowing construction on the Specific Plan site and with the filing of each subsequent subdivision map allowing construction Newhall or its designee shall provide documentation to the County of Los Angeles and Appellants identifying the specific portions of irrigated farm land in the County proposed to be retired from irrigated production to make agricultural water available to serve the subdivision. **This document shall include the location of the irrigated agricultural fields to be retired and the types of planted crops on such land** for the baseline 5-year period 1996-2000. As a condition of subdivision approval, Newhall or its designee shall provide proof to the County that the agricultural land has been retired prior to issuance of building permits for the subdivision. A copy of the information provided to the County shall also be provided to Appellants."

The documents provided to SCOPE by Mark Dillon, as attorney for Newhall, dated 7-24-09, while providing greater detail than the original document SCOPE obtained from the County of Los Angeles, still does not comply with the quoted text provisions of the Settlement Agreement because:

- 1) The settlement agreement at Agricultural Water Section A. 1. discusses in detail the method used to calculate water usage. However, the reports provided to SCOPE on 7-24-09 do not calculate water usage by that same method, but instead use an "adjusted CIMIS water use", a method of estimating water usage, rather than using actual water well pump electricity use data as referred to at Agricultural Water Section A.1. As a result, the information delivered does not comply with paragraph A. 2.b. above because Newhall is not using the agricultural water use calculation methodology described in The Settlement Agreement.
- 2) The documents described in the bold text from Paragraph D in the Settlement Agreement quoted above were not provided to SCOPE by Mr. Dillon. Information sent by Newhall by Mr. Dillon attached to his 7-24-09 letter did include the land that would be fallowed for each tract, but did NOT include which crops were grown on the land to be fallowed during the time period specified in paragraph d quoted above. Instead, only a general description of all crops and their total water usage was included without the actual locations of each crop on the land to be fallowed and when each crop was grown as required in paragraph D above.

As we are sure you are aware, under the Tenth and Eleventh Amendments to the U.S. Constitution, and under 28 U.S.C. 959(b) and 11 U.S.C. 362(b)(4), Newhall as a debtor in bankruptcy has the obligation to comply with, and the Bankruptcy Court has no power to interfere, for the benefit of LandSource, New LandSource, Newhall or their creditors or successors in title to Newhall Ranch, with past, present or future legislative or administrative exercises of regulatory and police powers by the State of California or the County of Los Angeles as an agency of the State, such as CEQA and the Subdivision Map Act, or by California courts in enforcing those and similar State regulatory and police powers laws. For your reference, a copy of the relevant constitutional and federal code sections are attached to this letter as Exhibit "B".

As a result, whether or not, in the bankruptcy proceeding, Newhall or Newhall Land and Development Co. reject SCOPE's claim for money damages to hire a hydrologist/geologist to cure Newhall's breach of the Settlement Agreement, the County of Los Angeles and the ultimate owner of Newhall Ranch are still bound to comply with California regulatory police powers laws, such as CEQA and the Subdivision Map Act. Regardless of any action by the Bankruptcy Court, California courts still have the authority to compel the County to comply with the Settlement Agreement by requiring the reports and documentation discussed above as a condition precedent to the County's exercise of the State's regulatory and police powers to approve future entitlements for Newhall Ranch. SCOPE fully intends to exercise its rights to enforce CEQA, the Subdivision Map Act, and all other California land use, endangered species, water and environmental laws with respect to past and future entitlement processing for Newhall Ranch.

The purpose of this letter is to now make our fourth request, bringing again to Reorganized Newhall's attention that it is not in compliance with the terms of the Settlement Agreement, and to again ask for copies of the ground water annual reports for 2003, 2004, 2005, 2006, 2007,

2008 and 2009 in compliance with paragraphs B and D with the specific geographical information required by the

Settlement Agreement per our previous requests:

III. Possible Resolution of Problem of Missing Information

We believe that Mr. Dillon was and is well informed as to the nature and information required to be supplied by the Settlement Agreement paragraphs described above. Therefore, we are unsure as to why Reorganized Newhall has not cooperated with Mr. Dillon in complying with the Settlement Agreement paragraphs as described above.

SCOPE continues to wish to resolve its Bankruptcy Court claim against Reorganized debtor Newhall, for breach of the Settlement Agreement.

As a result, it is our intention to withdraw this claim if (a) the documentation strictly complying with the Settlement Agreement, in the manner expressly described above, is provided to SCOPE before Nov. 17th, 2009, and Pachulski, Stang continue any hearing on that date to the next regularly scheduled hearing to allow Newhall to provide the missing information described above before that date and (b) prior to that date, Reorganized Newhall assume Newhall's obligations under the Settlement Agreement as part of an amendment to Bankruptcy Court Document 1905. Should Reorganized Newhall fail to do so, SCOPE will pursue its remedies against the County, through appropriate California administrative and judicial proceedings against the County to enforce CEQA and the Settlement Agreement, since it was the County, and not Newhall or Reorganized Newhall, which actually violated CEQA during the processing of the Newhall Ranch Specific Plan.

We believe that this matter can be resolved and ask that you 1) continue the hearing so that the required information can be provided and 2) provide the information by the date indicated above.

Please direct any further correspondence concerning the Settlement Agreement, Newhall's compliance with it, or SCOPE's claim for breach thereof directly to our office at the address set forth on this letter. Again, SCOPE stands by its previous commitment to comply with the express terms of the Settlement Agreement, if Reorganized debtor Newhall and its successors in interest do the same.

Sincerely,



Lynne Plambeck, President
Santa Clarita Organization for Planning the Environment
a California non-profit, public benefit corporation

ENCS: by regular mail
cc's with ENCS by regular mail:

Robert E. Kalunian, Esq.
Acting County Counsel
Los Angeles County
648 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Exhibit "B"

The Tenth Amendment to the U.S. Constitution specifically provides: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

The Eleventh Amendment to the U.S. Constitution specifically provides: "The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by citizens of another state, or by citizens or subjects of any foreign state. "

28 U.S.C. Section 959(b) specifically provides: "Except as provided in section 1166 of title 11, a trustee, receiver or manager appointed in any cause pending in any court of the United States, including a debtor in possession, shall manage and operate the property in his possession as such trustee, receiver or manager according to the requirements of the valid laws of the State in which such property is situated, in the same manner that the owner or possessor thereof would be bound to do if in possession thereof."

11 U.S.C. Section 362(b)(4) specifically acknowledges that the bankruptcy court judges have no ability to interfere with State police powers enforcement proceedings: "The filing of a petition...does operate as a stay of...(4) ...commencement or continuation of an action or proceeding by a governmental unit...to enforce such governmental unit's or organization's police and regulatory power, including the enforcement of a judgment other than a money judgment, obtained in an action or proceeding by the governmental unit to enforce such governmental unit's or organization's police or regulatory power;"