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Attorneys for Plaintiffs

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO**

THOMAS M.SLEMMER, ELIZABETH
SLEMMER, MARGARET SLEMMER, and
MICHAEL SLEMMER,

Plaintiffs,

vs.

CASE NO. SCVSS 086856

FONTANA UNION WATER COMPANY,
CUCAMONGA COUNTY WATER DISTRICT,
SAN GABRIEL VALLEY WATER COMPANY,
KAISER VENTURES LLC, MICHAEL L.
WHITEHEAD, FRANK LO GUIDICE,
ROBERT DELOACH, HENRY L. STOY,
JEROME M. WILSON, ROBERT NEUFELD
and DOES 1 through 50, inclusive,

Defendants.

**NOTICE OF CERTIFICATION OF CLASS ACTION
PLEASE READ THIS CAREFULLY, YOUR LEGAL RIGHTS MAY BE AFFECTED**

TO: ALL PERSONS OR ENTITIES WHO OWNED SHARES OF FONTANA
UNION WATER COMPANY AS OF ANY TIME SINCE FEBRUARY 18, 2000

1. This notice is directed to you because you may be a member of the plaintiff class in a class action lawsuit pending in the Superior Court of the State of California for the County of San Bernardino against Defendants Fontana Union Water Company

("Fontana Union"), Cucamonga County Water District ("Cucamonga"), San Gabriel Valley Water Company ("San Gabriel"), Kaiser Ventures LLC ("Kaiser"), Michael L. Whitehead, Frank Lo Guidice, Robert A. Deloach, Henry L. Stoy, Jerome M. Wilson, Robert Neufeld and Does 1 through 50, inclusive (collectively "Defendants"). If you are a member of the plaintiff class (as defined in paragraph 9 below), you should read this Notice, as it will affect your rights.

2. The purpose of this Notice is to inform you about this lawsuit and its potential effect on your rights, so that you can make an informed decision as to whether you should remain in or opt out of this class action. This Notice is given pursuant to an order of the San Bernardino Superior Court of the State of California, in the belief that you may be a member of the class whose legal rights will be affected by the proceedings discussed herein. This Notice is not intended as an expression of any opinion by the Court as to the merits of any of the claims or defenses asserted by either side in this litigation.

Nature of the Lawsuit

3. Plaintiffs allege that Defendants have engaged in conduct designed to restrict the marketability of Fontana Union shares and to force minority shareholders to forfeit their shares in the company, all to the benefit of the majority and controlling shareholders. Specifically, Plaintiffs allege that on or about February 18, 2000, Fontana Union entered into an unlawful agreement intended to prevent the minority shareholders of the company from selling or leasing their shares to the West San Bernardino County Water District ("West San Bernardino") and the City of Rialto ("Rialto"), so as to ensure that Defendants continued to control and benefit from the water rights appurtenant to the shares owned by Plaintiffs and other class members. Plaintiffs further allege that Defendants unlawfully quadrupled the per share assessment fee on Fontana Union shares in 2001, in an attempt to force out members of the class from the company. Plaintiffs have asserted causes of action for breach of fiduciary duty, inducing breach of fiduciary duty, and violations of California Business and Professions Code sections 16720 (unlawful restraint on trade) and 17200 (unfair business practices). Plaintiffs contend that, but for defendants' conduct, the fair market value of their Fontana stock would be over \$17,000 per share, and seek monetary damages in excess of \$25 million as compensation for the class, treble damages pursuant to section 16750 of the Cartwright Act, restitution, punitive damages, prejudgment interest and attorneys' fees and costs. Plaintiffs also seek injunctive relief preventing Defendants from restricting the right of class members to sell or lease their shares and from restricting the right of purchasers of Fontana Union shares to make use of the water rights appurtenant to those shares.

4. Defendants deny all of Plaintiffs' claims and assert numerous affirmative defenses. For example, Defendants contend that the agreement in question did not impact the ability of minority shareholders to sell or lease their shares because it did not affect whether any potential lessee or purchaser could take water on account of the shares. Defendants contend that Fontana Union's earlier bankruptcy plan of reorganization, which was court approved, is what controls the extent to which a

shareholder is entitled to delivery of water and, therefore, that the plan of reorganization, not the settlement agreement, is what affects share value. Defendants also contend that the settlement agreement was for the benefit of all Fontana Union shareholders and that, without it, Fontana Union faced the risk that West San Bernardino or Rialto would take all of the cheapest water source, thereby raising every other shareholder's cost for water or depriving other shareholders of the ability to obtain water. Defendants also contend that they have not improperly raised assessments, or otherwise tried to force anyone out of Fontana Union. Defendants also take issue with Plaintiffs' damage theories because there has not been a single instance where shares were sold or leased for \$17,000 a share and because the value of the water rights has no relation to the value of the shares themselves.

Procedural Status of the Lawsuit

5. Plaintiffs filed their initial complaint on February 14, 2002, and filed a first amended complaint on July 9, 2002. Defendants filed demurrers and motions to strike various parts of that complaint. On November 12, 2002, the Court denied the motions to strike and overruled the demurrers on all counts, except for sustaining the demurrer as to the cause of action for inducing breach of fiduciary duty, with leave to amend. On December 12, 2002, Plaintiffs filed a second amended complaint. Plaintiffs subsequently filed a motion for class certification, which was granted by the Court in an order dated October 7, 2003. The case has not yet been scheduled for trial.

6. The Court's overruling of the Defendants' demurrers, denials of the Defendants' motions to strike and granting of the Plaintiffs' motion for class certification do not constitute any determination of the actual merits of this case.

About Class Actions

7. A class action is a lawsuit in which the claims and rights of many people may be decided in a single court proceeding. A representative plaintiff (the "Class Representative") asserts claims on behalf of the entire class.

Class Representative and Class Counsel

8. The Court has certified Dr. Thomas M. Slemmer as the Class Representative. Class Counsel representing the members of the class are:

Bartly A. Dzivi, Esq.
Dale C. Lysak, Esq.
The Dzivi Law Firm
244 California Street, Suite 200
San Francisco, CA 94111

Class Definition

9. The class certified by the Court in this action consists of all shareholders of Fontana Union from February 18, 2000 forward, except for the following: (a) defendants Cucamonga, San Gabriel, and Kaiser; (b) West San Bernardino and Rialto; and (c) any other shareholder who took delivery of the water appurtenant to their Fontana Union shares during the class period (i.e., February 18, 2000 to present).

Election by Class Members

10. If you fit within the description of the Class set forth in paragraph 9, you have a choice whether or not to remain a member of the Class. Either choice will have consequences which you should understand before making your decision.

11. **If you wish to remain in the class, you are not required to do anything at this time.** By remaining in the class, you will be bound by any and all determinations or judgments in this lawsuit, whether favorable or unfavorable to the class. As a member of the Class, you would be entitled to share in the benefits, if any, of any judgment favorable to the Class or any settlement entered into with Defendants. You will not be personally responsible for costs or attorneys' fees for the maintenance of this lawsuit. If the judgment is beneficial to the Class or if a Class-wide settlement is obtained, Class Counsel will petition the Court for an award of attorneys' fees and for reimbursement of their costs to be paid out of any funds recovered for the Class.

12. **If you do not wish to be included in the class, you must complete in writing a request to be excluded from or opt out of the Class.** This request must be signed by you personally, include your full name and address, and must specifically state that you request to opt out of the plaintiff class in the *Slemmer v. Fontana Union* lawsuit. You may furnish this information using the form provided at the end of this Notice entitled "Request For Exclusion From Class." **Your request to be excluded from the class must be sent to The Dzivi Law Firm, Attn: Fontana Union Litigation, 244 California Street, Suite 200, San Francisco, CA 94111 by mail, personally or otherwise so that it is received no later than April 6, 2004.** If you timely request exclusion from the class, (a) you will not be bound by any determination or judgment entered in this litigation, (b) you will not share in any recovery that might be paid to class members as a result of any trial or settlement of this litigation, and (c) you will retain the right, at your own expense, to proceed with your own individual claims against defendants. In determining whether you want to be excluded from the class, you are advised to consult your own attorney as there are legal issues which require consideration.

13. All persons described in the Class Definition in paragraph 9 who do not request to be excluded from the class in the manner set forth in paragraph 12 will be deemed members of the class and will be bound by the outcome of this case, whether favorable or not.

Rights and Obligations of Class Members

14. If you remain a member of the Class:
- (A) The Class Representative and Class Counsel will act as your representative and counsel for the presentation and litigation of the claims against Defendants. If you desire, you may appear and participate in this action by yourself or through your own attorney, at your own cost, by filing a Notice of Appearance with the Court. You need not do this, however, since Class Counsel will otherwise continue to represent you.
 - (B) You will be bound by the result of this lawsuit, whether favorable or not. If Defendants prevail or if no recovery is obtained for the Class, you will be bound by that result. If any recovery is obtained from Defendants through a judgment or settlement, your participation in that recovery will be determined by the Court. Once that determination is made, you will not be entitled to pursue any other recovery from Defendants for the claims asserted in this lawsuit.
 - (C) You will be entitled to notice of, and an opportunity to be heard respecting, any proposed settlement of the class claims.
 - (D) You should retain all records and documents pertaining to the subject matter of this case.

Change of Address

15. This Notice was mailed to you based upon information from Defendants' records as to your name and address. If this information is incorrect, or if you move while this litigation is pending, please notify Class Counsel of such corrections or changes in your name and/or address by sending a letter with that information to the address listed in paragraph 8.

Additional Information

16. The information contained in this Notice is only a summary of the litigation. All inquiries regarding this lawsuit should be addressed, in writing, to Class Counsel at the address listed above in paragraph 8. For more detailed information, you may review the complete court files for this case at the office of the Clerk of the San Bernardino Superior Court, located at 351 N. Arrowhead Ave., San Bernardino, California, during its regular business hours. Please do not otherwise call or write to the Court for information about the litigation.

Dated: February 6, 2004

REQUEST FOR EXCLUSION FROM CLASS

Read the Enclosed Legal Notice
Carefully Before Filling Out This Form

The undersigned _____ hereby elects to be excluded from the class.

Date: _____

My full name is:

(Print name of owner of shares)

(Signature)

(Print title of person signing, if any)

My address is:

(Print street and number)

(City/ State/ Zip Code)

If you want to exclude yourself from the class, you must fill in and return this form to the address listed below so that it is received no later than April 6, 2004:

The Dzivi Law Firm
Attn: Fontana Union Litigation
244 California Street, Suite 200
San Francisco, CA 94111

A separate request for exclusion from the class should be completed and timely mailed for each person or entity electing to be excluded from the class.