

LEGAL NOTICE

NOTICE OF CLASS ACTION

IN ORDER TO RECEIVE A CASH REFUND AS PART OF THIS CLASS ACTION SETTLEMENT, YOU ARE REQUIRED TO SUBMIT A WRITTEN CLAIM.

IF YOU PAID THE CHARTER TOWNSHIP OF SHELBY FOR WATER AND SANITARY SEWER SERVICE AT ANY TIME BETWEEN JANUARY 1, 2013 AND JUNE 30, 2020 AND WISH TO RECEIVE A CASH REFUND IF YOU QUALIFY FOR SUCH REFUND, YOU MUST SUBMIT THE ENCLOSED CLAIM FORM ON OR BEFORE NOVEMBER 16, 2020 AND MAIL IT TO STAELGRAEVE V. CHARTER TOWNSHIP OF SHELBY SETTLEMENT ADMINISTRATOR, P.O. BOX 43501 PROVIDENCE, RI 02940-3501, EMAIL THE COMPLETED FORM TO ADMIN@SHELBYSETTLEMENT.COM, OR SUBMIT AN ELECTRONIC FORM ONLINE AT WWW.SHELBYSETTLEMENT.COM.

PLEASE RETAIN THIS NOTICE

STATE OF MICHIGAN
MACOMB COUNTY CIRCUIT COURT

JUDITH STAELGRAEVE, Personal
Representative of the Estate of Ralph Staelgraeve,
Individually and as representative of a class of
similarly-situated persons and entities,

Plaintiff,

v.

CHARTER TOWNSHIP OF SHELBY,
a municipal corporation,

Defendant.

Case No. 18-001775-CZ
Hon. Michael Servitto

Gregory D. Hanley (P51204)
Edward F. Kickham Jr. (P70332)
Kickham Hanley PLLC
32121 Woodward Avenue, Suite 300
Royal Oak, MI 48073
(248) 544-1500

Attorneys for Plaintiff and the Class

Marc N. Drasnin (P36682)
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Co-counsel for Plaintiff and the Class

Rob Huth (P42531)
Robert T. Carollo Jr. (P76542)
Kirk, Huth, Lange & Badalamenti, PLC
19500 Hall Road, Suite 100
Clinton Township, MI 48038
(586) 412-4900

Counsel for Defendant

TO: All persons and entities who/which have paid the Charter Township of Shelby (the "Township") for water and sanitary sewage disposal services at any time between January 1, 2013 and June 30, 2020

You are hereby notified that a proposed Settlement in the amount of \$6,000,000 has been reached with the Township in a class action lawsuit pending in Macomb County Circuit Court titled *Staelgraeve v. Charter Township of Shelby*, Case No. 2017-001775-CZ, presiding Judge Michael Servitto, challenging the retail water and sewer rates (the "Rates") imposed by the City on users of its water and sanitary sewage disposal services. The amounts Plaintiff and the Class paid or incurred between January 1, 2013 and June 30, 2020 as a result of the Rates shall be referred to herein as the "Charges."

Plaintiff is an individual who is a water and sanitary sewer customer and who has paid the Township's Rates. Plaintiff contends that Township has included excessive cost components in its Rates that are motivated by a revenue-raising and not a regulatory purpose and are disproportionate to the Township's actual costs of providing water and sewer services, and that (1) the Rates and Charges are therefore unlawful under the Headlee Amendment to the

Michigan Constitution and Michigan statutes; (2) the Rates and Charges are unreasonable and therefore unlawful under the common law; (3) the Rates and Charges violate MCL 123.141; (4) the Rates and Charges violate Township Ordinance §§ 58-151; and (5) the Township is liable for a refund of the Charges under theories of assumpsit and unjust enrichment.

The Plaintiffs seek a judgment from the Court against the Township that would order and direct the Township to refund all Charges to which Plaintiff and the Class are entitled and any other appropriate relief.

The Township denies that the Charges are improper and therefore denies the Plaintiff's claims and contends that it should prevail in the Lawsuit.

On January 18, 2019, the Court entered an order certifying the Lawsuit as a class action. You are receiving this Notice because the Township's records indicate that you paid for water and/or sanitary sewage disposal services between January 1, 2013 and June 30, 2020 and are therefore a member of the class.

For settlement purposes, the parties have agreed that the Class will consist of all persons or entities who/which paid the Township for water and sewer service between January 1, 2013 and June 30, 2020 (the "Class"). This Agreement is intended to settle all of the claims of the Class.

The Settlement was reached with the assistance of former Michigan Supreme Court Justice Mary Beth Kelly, who acted as a mediator. The principal terms of the Settlement Agreement are as follows: For the purposes of the proposed Settlement, the Township expressly denies any and all allegations that it acted improperly, but, to avoid litigation costs, the Township has agreed to create a settlement fund in the aggregate amount of Six Million Dollars (**\$6,000,000**) for the benefit of the Class ("Settlement Amount"). The Settlement Amount will be utilized, with Court approval, to pay refunds or provide credits to the Class, and to pay Class Counsel an award of attorneys' fees, the total amount of which shall not exceed 33% of the Settlement Amount, and expenses for the conduct of the litigation.

The "Net Settlement Fund" is the Settlement Amount less the combined total of: (a) the attorneys' fees awarded to Class Counsel by the Court; (b) expenses reimbursed pursuant to the terms of the Settlement; (c) out-of-pocket expenses of the Claims-Escrow Administrator, Kickham Hanley PLLC, and (d) any incentive award made by the Court to the class representative in an amount not to exceed \$20,000.

The Net Settlement Fund shall be used to compensate Class Members as described below.

Each Class Member's share in the Net Settlement Fund shall be referred to herein as his, her or its "Pro Rata Share," and each Class Member's Pro Rata Share of the Net Settlement Fund will be distributed via a refund payment or credit.

All Class Members may participate in the Settlement by receiving from the Net Settlement Fund a cash distribution Payment or Credit (as defined in Paragraph 10.b of the Settlement Agreement). To qualify to receive a distribution of cash via check (a "Payment") from the Net Settlement Fund, Class Members are required to submit sworn claims (the "Claims") which identify their names, addresses, and the periods of time in which they paid the Water and Sewer ("W&S") Charges in order to participate in the Settlement. Class Members who submit Claims will hereafter be referred to as the "Claiming Class Members." The Claiming Class Members are required to submit those claims no later than 30 days prior to the hearing on the final approval of this Settlement, as described in Paragraph 25 of the Settlement Agreement (the "Claims Period").

The Claims-Escrow Administrator will calculate each Class Member's Pro Rata Share of the Net Settlement Fund (the "Pro Rata Share"). Only those Class Members who paid for water and/or sewer service during the Class Period and submit a timely Claim are entitled to distribution by a cash Payment of a Pro Rata Share of the Net Settlement Fund. The Pro Rata Shares of the Net Settlement Fund for Class Members who/which do not submit a timely claim will be distributed by the Claims-Escrow Administrator returning those funds to the Township at least three (3) days prior to the Settlement Date (as defined in the Settlement Agreement) to be used solely to fund and provide credits on the water and/or sewer service accounts in the amount of those Class Members' Pro Rata Shares. Any Credit will attach to the account associated with the W&S Charges and will remain until W&S Charges accrued after the Settlement Date exceed the amount of the Credit. The Township will apply the Credits as of the Settlement Date. The size of each Class Member's Pro Rata Share shall be determined by (1) calculating the total amount of Charges the Class Member paid during the Class Period, and then (2) dividing that number by the total amount of Charges the Township collected from Class Members during the Class Period, and then (3) multiplying that fraction by the amount of the Net Settlement Fund.

In addition to the refunds and credits described above, the parties have agreed that the Township will reevaluate the method by which it charges for water and sanitary sewage disposal. The Township shall utilize its current Rates through December 31, 2020 (the "FY 2020 Period"). Beginning January 1, 2021 and ending December 31, 2026 (the "Prospective Relief Period"), the Township will utilize a third-party consulting firm experienced in municipal water

and sewer cost of service studies and rate-making practices and procedures (the “Outside Consultant”) to conduct a cost of service study for the Township’s water and sanitary sewer systems and to design and recommend Rates based upon the “cash needs” approach solely to cover the Township’s “cost of service,” as that term is understood and applied by the Outside Consultant. In performing the cost of service studies and designing and recommending Rates, the Outside Consultant will adhere to the guidance provided by the American Water Works Association publication “Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices M1” for Water Rates and the Water Environment Federation’s “Financing and Charges for Wastewater Systems, Manual of Practice No. 27” for Sewer Rates, subject to the requirements of Michigan law.

The Township may not levy a tax or other assessment against property owners or water or sewer customers to finance, in whole or in part, the Settlement Fund (unless such tax or assessment receives voter approval), nor may the Township increase its Rates to finance, in whole or in part, the Settlement Fund. Regardless of the source of the funds the Township uses to establish the Settlement Fund, the Township shall not include as a recoverable cost in the setting of the Rates any amounts that it has contributed to the Settlement Fund.

The Class Members shall release the Township as provided below. In addition to the release set forth below, if the Township complies with the prospective relief described above for the duration of the FY 2020 Period and the Prospective Relief Period, the Class Members who do not timely request exclusion from the Class shall be deemed to have released and waived any and all claims that could be brought which (a) arise during the FY 2020 Period challenging the Rates for the FY 2020 Period (the “FY 2020 Period Claims”) and (b) arise during the Prospective Relief Period challenging Township’s Rates during the Prospective Relief Period (the “Prospective Relief Period Claims”).

Class Members who wish to exclude themselves from the Settlement may write to the Administrator, stating that they do not wish to participate in the Settlement and that they wish to retain their right to file an action against the Township. This proposed Settlement should not be interpreted, in any way, as suggesting that the claims alleged against the Township have legal or factual merit. The Township has challenged the validity of Plaintiff’s claims, and many of the substantive legal and factual issues have not been resolved. **This request for exclusion must be received no later than November 16, 2020 and mailed to: Staelgraeve v. Charter Township of Shelby Settlement Administrator, P.O. Box 43501, Providence, RI 02940-3501 or emailed to admin@shelbysettlement.com.**

By remaining a Class Member, you will be bound by the terms of the proposed Settlement and will be barred from bringing a separate action against the Township for the claims asserted in the Lawsuit at your own expense through your own attorney. You will, however, receive your Pro Rata Share of the Net Settlement Fund via a Refund or Credit. If you were to successfully pursue such a separate action to conclusion, recovery might be available to you which is not available in this class action settlement. Whether to remain a member of this class or to request exclusion from this class action to attempt to pursue a separate action at your own expense without the assistance of the Township in this Action is a question you should ask your own attorney. Class Counsel cannot and will not advise you on this issue.

Pursuant to the Order of the Court dated September 17, 2020, a Settlement Hearing will be held in the Macomb County Circuit Court, 40 N. Main Street, Mt. Clemens, MI 48043 at 8:30 a.m. on December 21, 2020, to determine whether the proposed Settlement as set forth in the Settlement Agreement dated August 21, 2020, is fair, reasonable, and adequate and should be approved by the Court, whether the Lawsuit should be dismissed pursuant to the Settlement, whether counsel for Plaintiff and the Class should be awarded counsel fees and expenses, and whether the Class Representative should receive an incentive award. At the Settlement Hearing, any member of the Class may appear in person or through counsel and be heard to the extent allowed by the Court in support of, or in opposition to, the fairness, reasonableness and adequacy of the proposed Settlement. However, no Class Member will be heard in opposition to the proposed Settlement and no papers or briefs submitted by any such Class Member will be accepted or considered by the Court unless on or before November 16, 2020, such Class Member serves by first-class mail written objections that set forth the name of this matter as defined in the Notice, the objector’s full name, address and telephone number, an explanation of the basis upon which the objector claims to be a Class Member, all grounds for the objection including any known legal support for the objection, the number of times the objector has objected to a class action settlement in the past five years and a caption of each case in which an objection was filed, the identity of all counsel representing the objector at the hearing, a statement confirming whether the objector intends to appear and/or testify at the hearing (along with a disclosure of all testifying witnesses) and the signature of the objector (not just the objector’s attorney) upon each of the following attorneys:

Gregory D. Hanley
Kickham Hanley PLLC
32121 Woodward Avenue Suite 300
Royal Oak, Michigan 48073
Counsel for Plaintiff

Rob Huth (P42531)
Kirk, Huth, Lange & Badalamenti, PLC
19500 Hall Road, Suite 100
Clinton Township, Michigan 48038
Counsel for Defendant

and has filed said notice, objections, papers and briefs, as to the Settlement with the Clerk of the Macomb County Circuit Court. Any Class Member who does not make and serve written objections in the manner provided above shall be deemed to have waived such objections and shall be forever foreclosed from making any objections (by appeal or otherwise) to the proposed Settlement.

For a more detailed statement of the matters involved in the Lawsuit, including the terms of the proposed Settlement, you are referred to papers on file in the Lawsuit, which may be inspected during regular business hours at the Office of the Clerk of Circuit Court for Macomb County, Michigan. You may also view the Settlement Agreement and other important court documents at www.kickhamhanley.com.

Should you have any questions with respect to this Notice or the proposed Settlement of the Lawsuit generally, you should raise them with your own attorney or direct them to counsel for the Class, **IN WRITING OR BY EMAIL TO KHTEMP@KICKHAMHANLEY.COM, NOT BY TELEPHONE**, identified as Attorneys for Plaintiff, above.

DO NOT CONTACT THE COURT, THE CLERK OF THE COURT, THE DEFENDANT OR THE ATTORNEYS FOR DEFENDANT.

On the Settlement Date, each member of the Class who has not timely requested exclusion therefrom shall be deemed to have individually executed, on behalf of the Class Member and his or her heirs, successors and assigns, if any, the following Release and Covenant Not To Sue:

In executing the Release and Covenant Not To Sue, each Class Member, on behalf of himself, herself or itself, and his, her or its parents, subsidiaries, affiliates, members, shareholders, predecessors, heirs, administrators, officers, directors, successors, assigns, and any person the Class Member represents, intending to be legally bound hereby, for good and valuable consideration, the receipt of which is hereby acknowledged, hereby absolutely, fully and forever releases, relieves, remises and discharges the Township, and each of its successors and assigns, present and former agents, representatives, employees, insurers, affiliated entities, attorneys and administrators, of and from any and all manner of actions, causes of action, suits, debts, accounts, understandings, contracts, agreements, controversies, judgments, consequential damages, compensatory damages, punitive damages, claims, liabilities, and demands of any kind or nature whatsoever, known or unknown, which arise from the beginning of time through the date of the Final Order and Judgment concerning (1) the Township's calculation or assessment of the W&S Rates and/or W&S Charges; (2) the components of costs included in the W&S Rates and/or W&S Charges; and/or (3) the Township's efforts to charge and/or collect W&S Rates and/or W&S Charges. In executing the Release and Covenant Not to Sue, each Class Member also covenants that: (a) except for actions or suits based upon breaches of the terms of this Agreement or to enforce rights provided for in this Agreement, he, she or it will refrain from commencing any action or suit, or prosecuting any pending action or suit, in law or in equity, against the Township on account of any action or cause of action released hereby; (b) none of the claims released under the Release and Covenant Not To Sue has been assigned to any other party; and (c) he, she or it accepts and assumes the risk that if any fact or circumstance is found, suspected, or claimed hereinafter to be other than or different from the facts or circumstances now believed to be true, the Release and Covenant Not To Sue shall be and remain effective notwithstanding any such difference in any such facts or circumstances.

AGAIN, IN ORDER TO RECEIVE A CASH REFUND AS PART OF THIS CLASS ACTION SETTLEMENT, YOU ARE REQUIRED TO SUBMIT A WRITTEN CLAIM.

IF YOU PAID THE CHARTER TOWNSHIP OF SHELBY FOR WATER AND SANITARY SEWER SERVICE AT ANY TIME BETWEEN JANUARY 1, 2013 AND JUNE 30, 2020 AND WISH TO RECEIVE A CASH REFUND IF YOU QUALIFY FOR SUCH REFUND, YOU MUST SUBMIT THE ENCLOSED CLAIM FORM ON OR BEFORE NOVEMBER 16, 2020 AND MAIL IT TO STAELGRAEVE V. CHARTER TOWNSHIP OF SHELBY SETTLEMENT ADMINISTRATOR, P.O. BOX 43501, PROVIDENCE, RI 02940-3501, EMAIL THE COMPLETED FORM TO ADMIN@SHELBYSETTLEMENT.COM, OR SUBMIT AN ELECTRONIC FORM ONLINE AT WWW.SHELBYSETTLEMENT.COM.