CASTAIC LAKE WATER AGENCY LITIGATION

SETTLEMENT AGREEMENT

TABLE OF CONTENTS

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SETTLEMENT AGREEMENT

This Castaic Lake Water Agency Litigation Settlement Agreement (the **"Agreement")** is dated as of April 6, 2007 **("Agreement Date"),** by and between the Castaic Lake Water Agency (**"CLWA"**), Santa Clarita Water Company (**"SCWC"**), Newhall County Water District (**"NCWD"**) and Valencia Water Company (**"VWC"**) (collectively, **"Plaintiffs"**), on the one hand, and Whittaker Corporation (**"Whittaker"**)**,** Santa Clarita L.L.C. (**"SCLLC"**), Remediation Financial, Inc. (**"RFI"**), and American International Specialty Lines Insurance Company (**"AISLIC"**), on the other hand. Hereinafter, Whittaker, SCLLC and RFI are collectively referred to as **"Defendants,"** the Plaintiffs and Defendants and AISLIC are collectively referred to as the **"Parties,"** each Plaintiff, each Defendant, and AISLIC is individually referred to as a **"Party,"** and SCLLC and RFI are collectively referred to as the **"RFI Parties"** or **"Debtors."**

RECITALS

A. SCLLC is the owner of approximately 964.79 acres of real property located in the City of Santa Clarita, County of Los Angeles, State of California, described more fully in Exhibit A hereto (the "**SCLLC Property**"). Bermite Recovery, LLC ("**BRLLC**") is the owner of approximately 23.6 acres of real property located in the City of Santa Clarita, County of Los Angeles, State of California, described more fully in Exhibit B hereto (the "**BRLLC Property**"). The SCLLC Property and the BRLLC Property are hereinafter referred to collectively as the "**Site**."

B. SCWC is the operator of water wells commonly designated as Saugus 1, Saugus 2 and the Stadium Well. NCWD is the owner and operator of water wells commonly designated as NC11 and NC13. VWC is the owner and operator of water wells commonly designated as V157 and Q2. Saugus 1, Saugus 2, the Stadium Well, NC11, V157 and Q2 are collectively referred to at all times as the "**Subject Wells**". As set forth in Section 9.1.7 hereof, NC13 shall be deemed a "Subject Well" in the event and only in the event it is treated as a Project Modification pursuant to Section 9.1.7 and only prospectively from that date it is so treated.

C. Plaintiffs and Defendants are parties to a civil action pending in the United States District Court for the Central District of California, Case No. CV 00-12613 AHM (RZx) (the "**Underlying Action**"). In the Underlying Action, Plaintiffs allege, among other things, that (1) groundwater in the vicinity of the Site has been contaminated by perchlorate and other hazardous materials and that such contamination is continuing with releases to the groundwater; (2) perchlorate has been found in the Subject Wells, and Plaintiffs have incurred and will continue to incur costs in responding to the contamination; and (3) Defendants caused and/or permitted (and are continuing to cause and/or permit) the contamination found on, above, under, or released to the environment at and near the Site and in the Subject Wells. Plaintiffs further allege that they have incurred "response costs" in addressing this contamination, including the costs of engaging consultants to undertake environmental assessment, water treatment studies, groundwater analysis and characterization work in connection with the alleged perchlorate contamination. Plaintiffs are seeking recovery of their alleged response costs and other damages, as well as injunctive and declaratory relief. Defendants deny Plaintiffs' allegations and, further, contend in their Counter-Claims that Plaintiffs are liable, in whole or in part, for Plaintiffs' alleged costs and damages **("the Counter-Claims").**

D. Plaintiffs have entered into that certain Environmental Oversight Agreement ("**EOA**") with the California Environmental Protection Agency, Department of Toxic Substances Control ("**DTSC**"). Plaintiffs are designated as "Proponents" under the EOA.

E. Whittaker and DTSC are parties to that certain 1994 Consent Order, Docket HAS 94/95-012 (the "**Consent Order**"), and the DTSC issued to Whittaker that certain Imminent and Substantial Endangerment Determination and Order and Remedial Action Order (the "**Order**") in 2002. SCLLC and DTSC are parties to that certain 2001 Enforceable Agreement (the "**Enforceable Agreement**").

F. Plaintiffs and Defendants entered into that certain Interim Settlement and Funding Agreement dated as of July 28, 2003 (the "**Interim Agreement**") and that certain First Amendment to Interim Settlement and Funding Agreement dated as of October 11, 2004 (the "**First Amendment**") which, among other things, extended the term of the Interim Agreement through January 2005.

G. Plaintiffs and Defendants mutually agree on the "Project and Associated Facilities" (as hereinafter defined) that shall be implemented by the Plaintiffs. The Project and Associated Facilities are intended to provide containment of perchlorate in off-site groundwater in portions of the Saugus Formation and to restore Plaintiffs' groundwater production capacity diminished by perchlorate contamination in the Subject Wells.

H. The Project fulfills some of Defendants' obligations under and resolves some of Defendants' alleged liabilities to DTSC under the Consent Order, the Order, and the Enforceable Agreement with respect to the remediation of groundwater, and Defendants' remaining responsibility for addressing groundwater remediation will be determined in compliance with the lawful requirements of the regulatory agencies.

I. This Agreement provides for certain funds to be available rapidly to address any future perchlorate contamination of Plaintiffs' presently existing **"Threatened Wells"** (as defined herein) during the period defined herein without prejudice to other rights and remedies of the Plaintiffs or the defenses of the Defendants. This Agreement also provides for arbitration to be available to Plaintiffs to resolve certain future disputes, if any, between or among the Parties involving possible future perchlorate contamination of Plaintiffs' **"Presently Existing Saugus Production Wells and Alluvial Production Wells"**, other than the Subject Wells, as hereinafter defined.

J. This Agreement contemplates that the Defendants (or any **"Buyer"** (as defined below) of the Site that assumes certain liabilities of Defendants) will be in compliance with their remediation responsibilities under law with respect to the Site and the associated groundwater, as reflected in the applicable requirements of the Consent Order, Order and the Enforceable Agreement, and that Defendants will conduct their remediation activities in a reasonably expedient, efficient and cost-effective manner as reasonably determined by Defendants and the regulatory authorities. In particular, the Defendants' (and/or any Buyer of the Site that assumes certain liabilities of Defendants) remedial activities within the Site are important to addressing the contamination within the Saugus and **"Alluvial Aquifers"** (as defined below). The Parties acknowledge that payments and expenditures under this Agreement are deemed reasonable and necessary for addressing offsite groundwater contamination emanating from the Site and are consistent with the National Contingency Plan, and are deemed **"Response Costs"** (as defined below) as that term is used and contemplated in CERCLA.

K. VWC reported detecting perchlorate in its alluvial well Q2 in connection with its regular monitoring of active municipal supply wells operating near the site in April 2005

(although a more recent sampling did not detect perchlorate above the current California Department of Health Services ("DHS") limit for reporting perchlorate). VWC temporarily removed the well from active service and installed wellhead treatment to remove perchlorate. The Q2 treatment system started operating in October 2005. The Defendants have funded five hundred thousand dollars ($500,000) for reasonable and necessary and approved capital costs and two hundred twenty three thousand and two hundred ten dollars ($223,210) for reasonable and necessary and approved operations and maintenance costs of the Q2 Treatment System in a Q2 Escrow Account. The Defendants have agreed to pay certain additional reasonable and necessary operating and maintenance costs of that system in accordance with the terms of this Agreement.

L. On July 7, 2004, SCLLC, and RFI filed voluntary Chapter 11 bankruptcy petitions, and the cases thereby commenced are pending in the United States Bankruptcy Court for the District of Arizona ("**Bankruptcy Court**"), denominated Cases Nos. 2-04-BK-11910 CGC, and 2-04-BK-11911 CGC. BRLLC filed a voluntary Chapter 11 bankruptcy petition on September 30, 2004, denominated Case No. 2-04-BK-17294 CGC, also pending in the Bankruptcy Court. Case Nos. 2-04-BK-11910 CGC, 2-04-BK 11911 CGC and 2-04-BK-17294 CGC are hereinafter referred to collectively as the "**Bankruptcy Cases.**" RFI Realty, Inc. filed a voluntary Chapter 11 bankruptcy petition on June 15, 2004 denominated as Case No. 2-04-BK-10486 CGC; the Bankruptcy Cases are jointly administered with RFI Realty, Inc.'s bankruptcy case under Case No. 2-04-BK-10486 CGC. SCLLC and BRLLC have filed a motion seeking Bankruptcy Court Approvals to sell the Site. The term "**Buyer**," as used herein, means the entity to which title to the Site is conveyed after Bankruptcy Court approval; provided, however, that if either the Bankruptcy Court does not approve a sale or a sale approved by the Bankruptcy Court

in the Bankruptcy Cases does not close pursuant to Bankruptcy Court approval, and consequently there is no Buyer, then this Agreement shall not be impacted in any way whatsoever.

M. Plaintiffs have prepared and submitted to DTSC for approval and DTSC has approved a Remedial Investigation ("RI") consisting of a technical memorandum prepared on behalf of the United States Army Corps of Engineers, a Feasibility Study ("FS") and an Interim Remedial Action Plan ("IRAP") for a containment and treatment system for perchlorate contamination in portions of the Saugus Formation. Such containment and treatment system is consistent with the discussions and understandings between the Plaintiffs and Defendants.

N. The Parties are entering into this Agreement in order to effectuate a settlement of the Underlying Action and to resolve certain disputes between Plaintiffs and Defendants that have arisen between them, as well as to provide the Parties with expedited alternative dispute resolution mechanisms for resolving certain disputes which may arise between Plaintiffs and Defendants in the future, to the extent provided and in accordance with the terms and conditions set forth in this Agreement. The Plaintiffs and Defendants have reached a separate settlement concerning the Defendants' Counter-Claims which will be the subject of a separate settlement agreement to be executed by certain of the Parties simultaneously with the execution of this Agreement, (the "Related Settlement") and which is part of the consideration for and a condition precedent to this Agreement.

O. Certain funds from the **"Steadfast PLC Policy"** (defined below), in accordance with and subject to the Coverage and Claims Settlement Agreement and the Bankruptcy Court's December 22, 2005 Order approving same, and the Joint Escrow 1 Agreement and Instructions, are being made available to settle the matters described and released herein. AISLIC shall

request the SF Escrow 1 Account Escrow Agent (Wells Fargo Bank or any successor) to release funds from the SF Escrow 1 Account to satisfy certain of Defendants' payment obligations and obligations to fund escrow accounts hereunder.

P. The Defendants and AISLIC represent that this Agreement is a settlement in the CLWA Case that meets all "Approved CLWA Settlement Parameters" set forth in Exhibit 16 to the Coverage and Claims Settlement Agreement.

Q. The Defendants and AISLIC represent that the payment obligations pursuant to this Agreement will be funded on behalf of Defendants as provided by Section VIII ("Funding Settlement of CLWA Case") of the Coverage and Claims Settlement Agreement and as provided herein.

R. Nothing in this Agreement is intended to alter any rights or obligations existing under the Coverage and Claims Settlement Agreement.

NOW, THEREFORE, in consideration of the execution of this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

ARTICLE 1. DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following terms shall have the following meanings:

1.1 "**Administrator**" means AISLIC or such successor entity designated as the Administrator of the "SF Escrow 1" in the "Coverage and Claims Settlement Agreement."

1.2 **"Agreement"** means this "Castaic Lake Water Agency Litigation Settlement Agreement."

1.3 **"Agreement Date"** means April 6, 2007.

1.4 "**AISLIC**" means American International Specialty Lines Insurance Company, which issued Pollution Legal Liability Select/Cleanup Cost Cap, policy no. PLS 267-9186 (the "AISLIC Policy") to Defendant Whittaker Corporation and is the entity presently designated as the Administrator of the "SF Escrow 1" in the "Coverage and Claims Settlement Agreement."

1.5 "**AISLIC Future Perchlorate Determination of Coverage**" means a coverage determination by AISLIC satisfactory to Whittaker, at its discretion exercised in good faith, agreeing to provide coverage with respect to a "**Non-Subject Well Future Perchlorate Circumstance"** in response to the demand for coverage delivered by Whittaker as set forth in Section 10.1.1 below.

1.6 **"Allowed Claim"** has the meaning set forth in Section 12.1.5, below.

1.7 **"Alluvial Aquifer**" means the shallow (typically, 50 to 200 feet of saturated thickness), generally unconfined aquifer consisting of unconsolidated fluvial sand and gravel within the valleys and canyons of the Santa Clarita Valley. The Alluvial Aquifer unconformably overlies the Saugus Formation.

1.8 **"Annual Project O&M Deposit"** has the meaning set forth in Section 5.2.1.

1.9 **"Approved Capital Costs"** has the meaning set forth in Section 6.2.1, below.

1.10 **"Approved O&M Costs"** has the meaning set forth in Section 6.4.1, below.

1.11 **"Approved Q2 O&M Costs"** has the meaning set forth in Section 6.3.1, below.

1.12 **"Associated Facilities"** means the "Distribution Pipelines" and the "Replacement Wells & Associated Pipelines" (as defined below).

1.13 **"Bankruptcy Court"** has the meaning described in Recital L.

1.14 **"Bankruptcy Court Determinations"** has the meaning set forth in Section 2.4, below.

1.15 **"Bankruptcy Cases"** has the meaning described in Recital L.

1.16 **"BRLLC"** means Bermite Recovery, LLC the owner of approximately 23.6 acres of real property located in the City of Santa Clarita, County of Los Angeles, State of California and as more fully described in Exhibit B.

1.17 **"BRLLC Property"** has the meaning fully described in Exhibit B.

1.18 **"Buyer"** has the meaning fully described in Recital L.

1.19 **"CGL Policy"** has the meaning set forth in Section 11.1.1.

1.20 **"CLWA"** means Castaic Lake Water Agency.

1.21 **"Commencement of Operations"** means commencement of the operation to purvey water to the public from the Project or **"Q2 Treatment System" (as defined below)**, as the case may be. The Parties agree that Commencement of Operations for the Q2 Treatment System was October 12, 2005 ("Q2 Commencement Date").

1.22 **"Consent Order"** has the meaning fully described in Recital E.

1.23 **"Counter-Claims"** has the meaning fully described in Recital C

1.24 **"Coverage and Claims Settlement Agreement"** means the Settlement Agreement by and between the "RFI Parties", the "Zurich Companies", the "AISLIC Parties", and "Whittaker" (as those terms are defined in the Coverage and Claims Settlement Agreement) that provides for certain funding for this Agreement, and that was filed in the Bankruptcy Cases on November 15, 2005 and approved as modified by the Bankruptcy Court's Order Approving Coverage and Claims Settlement Agreement dated December 22, 2005 (the "Coverage Order").

1.25 **"Day"** or **"day"** means a calendar day unless expressly stated to be a Working Day.

1.26 **"Debtors"** means SCLLC and RFI.

1.27 **"Defendants"** means Whittaker, SCLLC and RFI, collectively.

1.28 **"Distribution Pipelines"** means construction of certain new distribution pipelines as described in Exhibit C.

1.29 **"DTSC"** means the California Environmental Protection Agency, Department of Toxic Substances Control as referred to in Recital D.

1.30 **"Earthquake Policy"** has the meaning set forth in Section 11.1.1.

1.31 **"EIL Policy"** has the meaning set forth in Section 11.1.1.

1.32 **"Effective Date"** has the meaning set forth in Section 2.1

1.33 **"Enforceable Agreement"** refers to that certain 2001 Enforceable Agreement made by SCLLC and DTSC, as described in Recital E, above.

1.34 **"EOA"** means the Environmental Oversight Agreement as referred to in Recital D.

1.35 "**Escrow Accounts**" means the "Project Capital Costs Escrow Account", the "Project O&M Escrow Account", the "Replacement Wells/Distribution Pipelines Escrow Account", and the "Q2 Escrow Account," (all as hereinafter defined.)

1.36 **"Final Approval Order"** has the meaning set forth in Section 2.1.

1.37 **"First Amendment"** has the meaning described in Recital F.

1.38 **"Good Faith Certifications"** has the meaning set forth in Section 2.1.1.

1.39 **"Initial Project Capital Costs Deposit"** has the meaning set forth in Section 4.4.

1.40 **"Interim Agreement"** has the meaning described in Recital F.

1.41 **"JAMS"** means Judicial Arbitration and Mediation Service.

1.42 **"Lump Sum Determination"** has the meaning set forth in Section 5.2.6.

1.43 **"MCL"** means Maximum Contaminant Level as set forth in Section 9.1.1.

1.44 **"NCWD"** means Newhall County Water District.

1.45 **"Order"** refers to that certain Imminent and Substantial Endangerment Determination and Order and Remedial Action Order described in Recital E.

1.46 **"Parties"** means Plaintiffs and Defendants and AISLIC, collectively.

1.47 **"Plaintiffs"** means Castaic Lake Water Agency ("CLWA"), Santa Clarita Water Company ("SCWC"), Newhall County Water District ("NCWD") and Valencia Water Company ("VWC"), collectively.

1.48 **"Plaintiffs' Past Environmental Claims"** means any claim for costs, including response costs, damages, attorneys and consultant fees, replacement water costs, and costs for remedial investigations, monitoring and litigation incurred by Plaintiffs prior to the Effective Date of this Agreement due to contamination of the Subject Wells or contamination of or threatened releases to groundwater at and in the vicinity of the Site; provided, however, that certain costs associated with Saugus 1 & 2 Treatment System, Replacement Wells and Associated Pipelines, and Distribution Pipelines, incurred prior to February 1, 2007, as set forth in Exhibit E to this Agreement (**"Plaintiffs' Past Design Costs"**) or incurred after January 31, 2007 and included within Project Capital Costs pursuant to Section 1.54, are excluded from Plaintiffs' Past Environmental Claims.

1.49 **"Plaintiffs' Past Design Costs"** means certain costs associated with Saugus 1 & 2 Treatment System, Replacement Wells and Associated Pipelines, and Distribution Pipelines, incurred by Plaintiffs prior to February 1, 2007, as set forth in Exhibit E to this Agreement.

1.50 **"Presently Existing Saugus Production and Alluvial Production Wells"** means the wells identified in Exhibit U, including wells replaced in the normal course of system operations in the immediate vicinity of the respective Presently Existing Saugus Production and Alluvial Wells.

1.51 **"Pro Forma Estimate of Project O&M"** has the meaning as set forth in Section 5.1.1 and is attached hereto as Exhibit D. **"Joint Estimate of Project O & M"** has the meaning as set forth in Section 5.2.1.

1.52 **"Project"** means:

1.52.1 The planning, development, design, permitting, construction, operation and maintenance of a system to be installed at the existing Rio Vista Intake Pump Station site for treatment of (i.e., removal of perchlorate from) water pumped from Saugus 1 and 2, so that the water will be available for potable purposes; any necessary operational modifications at the Saugus 1 and 2 Wells; any necessary "Sentry Wells" (as defined below) and/or monitoring wells, to the extent not paid for by other sources and to the extent consistent with applicable regulatory requirements; associated piping at the pump station; and the pipeline from Saugus 1 to Saugus 2 to the treatment plant, described more fully in Exhibit F hereto (the "Saugus 1 & 2 Treatment System"). The Parties through the monthly technical meetings will determine what Sentry Wells and/or monitoring wells may be required, provided that if the technical committee is unable to reach agreement on the number of or need for such wells, and if additional wells are required by DHS or other regulators, the number of and/or need for such wells will be determined by the Cost Consultant in accordance with Article 7.

1.52.2 The **"Q2 Treatment System"** (as defined below), when it has been relocated and incorporated into the Project pursuant to a Q2 Treatment System Relocation as provided in Section 4.2.1 herein.

1.53 **"Project Modification Notice"** has the meaning set forth in Section 9.1.2.

1.54 "**Project Capital Costs**" means the reasonable and necessary costs associated with the planning, development, design, permitting, construction, installation and/or closure of the Project, including such costs incurred after January 31, 2007, but prior to the Effective Date.

1.55 **"Estimate of Project Capital Costs"** means the estimate of the capital costs for the Project as set forth in Exhibit G.

1.56 **"Project Capital Costs Escrow Account"** means the escrow account into which Defendants shall deposit or cause to be deposited the initial amount of five million dollars ($5,000,000), to be used for the purposes described in Section 1.52 of this Agreement. Additional deposits by Defendants into the Project Capital Costs Escrow, up to a maximum additional amount of five million dollars ($5,000,000), may be required as described in Section 4.4 of this Agreement for the purposes set forth in Section 1.52 of this Agreement. Within thirty (30) days after Bankruptcy Court approval of this Agreement, Whittaker, on behalf of all Defendants shall open the "Project Capital Costs Escrow Account" by signing and delivering to City National Bank or other agreed bank escrow instructions substantially in the form of Exhibit H-1 hereto, and depositing the amount of five million dollars ($5,000,000) into said account as described above.

1.57 "**Project Costs**" means Project Capital Costs and Project O&M Costs, including costs arising from a Project Modification, to the extent provided in this Agreement.

1.58 **"Project Modification"** has the meaning set forth in Article 9.

1.59 "**Project O&M Costs**" means the identifiable reasonable and necessary costs actually incurred in operating and maintaining the Project to perform its intended function of providing containment of perchlorate as defined in Section 9.1 of this Agreement and restoring impacted groundwater production capacity, which shall be estimated in an annual estimate to be prepared

by CLWA and agreed to by Whittaker and AISLIC or confirmed by the Cost Consultant, unless and until all Lump Sum determinations are made pursuant to Sections 5.2.6 and 9.1.7 or the applicable regulatory authorities determine that treatment is no longer necessary. Costs of operations and maintenance of the Project incurred by Plaintiffs, limited to such reasonable and necessary additional costs directly related to the perchlorate contamination, shall include (based upon the Project as currently contemplated):

Saugus 1 and 2 Treatment Plant Operations and Maintenance

- Vendor Resin Service Contract(s) – (Replacement Resin, Labor, Transportation, Disposal, Disposal Certification, Insurance)-to be negotiated with Vendor jointly by Plaintiffs, Defendants, and AISLIC

- Power – Treatment Plant Operations, including the costs to pump water from Saugus 1 and 2 and, if applicable, Q2 (after relocation) through the treatment system, but excluding the power costs to pump water to the ground surface and the power costs to pump treated water into the CLWA's or VWC's water system. These power costs shall be based on an allocation calculated by CLWA and approved by Whittaker and AISLIC, and subject to Cost Consultant determination in the event that agreement cannot be reached.

- Materials/Supplies
  - Disinfection (Ammonia) and acid
  - Filters
  - Miscellaneous

- Spare Parts
  - Treatment Equipment
  - Pumping and Piping Systems at Treatment Plant
  - Miscellaneous

- Plaintiffs' Labor, if not performed by outside contractor – salary plus actual benefit load (but not-to-exceed 42%) imposition above his/her normal salary:
  - District Employee, Operations Monitoring/Sampling
  - District Employee, Treatment Equipment Maintenance
- Expenses
  - Water Testing (Directly Related to 97-005 Compliance or process monitoring at Purveyor's Rate Schedule)
  - DHS and POTW Fees
  - Miscellaneous Directly Related to Treatment System Maintenance
- Outside Consultants
  - Permits/Renewals
  - Services in addition to those of the Plaintiffs' employee(s) required to meet obligations under Section 8.3.1.1, 8.3.2.3, 8.3.2.4, and 8.4.1, to the extent such employee(s) are not able to meet such obligations
  - Reports/Compliance
  - Engineering
  - Modeling (Directly Related to 97-005 Compliance)
  - Legal (Directly Related to 97-005 Compliance and Plant Operations), limited to the services provided by law firm(s) employed by Plaintiffs for such DHS compliance and plant operations matters, and at the rates such firm(s) normally charge for such work.
  - Insurance – (Insurance as provided in Article 11)

- Arbitrator (per Section 13.2) and Cost Consultant Costs and Fees (per Article 7)
- Project O&M Escrow Costs and Fees

Project O&M costs shall also include an annual flat payment of twenty thousand dollars ($20,000) (to be adjusted after five years as necessary to account for inflation) in lieu of the following activities and costs: Plaintiffs' Employee(s) to provide services under Sections 8.3.1.1, 8.3.2.3, 8.3.2.4, and 8.4.1; any wages or salaries related to the perchlorate contamination plus all benefit load imposition above his/her normal salary; any additional costs for such employee(s) associated with the monitoring, reporting and record-keeping activities described in Section 8.3.1.1, 8.3.2.3, and 8.3.2.4 of this Agreement that are related to the perchlorate contamination; and any Plaintiffs' Employee(s) costs incurred by Plaintiffs in connection with the Monthly Technical Meetings described in Section 8.4.1 of this Agreement.

Project O&M Costs shall also include the identifiable reasonable and necessary costs of operating and maintaining the Q2 Treatment System when it is relocated from Well Q2 and incorporated into the Project as provided for in Section 4.2.1, monitoring and laboratory services for necessary Sentry Wells and monitoring wells encompassed within the Project to the extent not paid for by other sources and to the extent consistent with applicable regulatory requirements**,** and Project Modification O&M costs, including any costs of evaluating containment for purposes of determining whether a Project Modification is appropriate. The costs and approach of evaluating containment shall be discussed and agreed upon by representatives of Plaintiffs, Whittaker and AISLIC at the monthly Technical Meetings, or determined by Cost Consultant. Prior to determination of the Lump Sum pursuant to Section 5.2.6, Project O&M Costs will also include the reasonable and necessary outside fees and costs

incurred by Plaintiffs and Whittaker that are directly related to the perchlorate contamination and to obtaining funding from Public Funding Sources, subject to an annual cap of two hundred thousand dollars ($200,000) on Plaintiffs' outside fees and costs and one hundred thousand dollars ($100,000) on Whittaker's outside fees and costs, subject to such other restrictions as are found in Section 14.2, below. Fees and costs incurred by Plaintiffs or to be incurred by Plaintiffs in the future that are associated with obtaining funding from **"Public Funding Sources"** (as defined below) will not be considered in the determination of the Lump Sum pursuant to Section 5.2.6 and 9.1.7.

1.60 **"Project O&M Escrow Account"** means the escrow account established and funded by Defendants for payment of Project O&M Costs as described in Section 6.4 of this Agreement.

1.61 **"Property Policy"** has the meaning set forth in Section 11.1.1.

1.62 **"Proofs of Claim"** has the meaning set forth in Section 12.1.5.

1.63 **"Public Funding Sources"** has the meaning set forth in Article 15.

1.64 **"Q2 Capital Costs"** means the costs set forth in Exhibit I which were incurred by VWC for the design and installation of the Q2 Treatment System, all of which have been approved and reimbursed by Defendants.

1.65 **"Q2 Escrow Account"** has the meaning set forth in Section 4.1.

1.66 **"Q2 Escrow Account Instructions**" means the Escrow Instructions for the Q2 Capital Costs Escrow Account attached as Exhibit J hereto, as amended as reflected in Exhibits K-1 and K-2.

1.67 **"Q2 O&M Costs"** means the reasonable and necessary costs actually incurred in operating and maintaining the Q2 Treatment System prior to relocation and incorporation into the Project as provided in Section 4.2.1, as set forth in the Estimate of Q2 O&M Costs, and not

to exceed nine thousand and three hundred dollars ($9,300) on average per month for the first 2 years following Commencement of Operations, except in the event of a **"Q2 Resin Exchange,"** (as defined below). Costs of operation and maintenance of the Q2 Treatment System shall include, but not be limited to, equipment rental, service fees, chemicals, monitoring, laboratory services, and resin replacement related to the treatment of perchlorate and flow rates currently permitted by DHS for the Q2 Treatment System.

1.68 "**Estimate of Q2 O&M Costs**" means the approved monthly operations and maintenance estimate for Q2 O&M Costs for the first two years after Commencement of Operations prior to relocation and incorporation into the Project, set forth in Exhibit L.

1.69 **"Q2 Resin Exchange"** means the removal of ion exchange resin which VWC determines is no longer capable of performing its intended function from the ion exchange vessels and replacement with new resin, and includes but is not limited to, transportation of the spent and new resin, and proper destruction of the spent resin in accordance with applicable regulations.

1.70 **"Q2 Semi-Annual O&M Statement"** has the meaning set forth in Section 6.3.2.

1.71 **"Q2 Treatment System**" means the construction, operation and maintenance of a system installed in October 2005 for treatment of (i.e., removal of perchlorate from) water pumped from Valencia's well Q2.

1.72 **"Q2 Treatment System Relocation"** means the relocation of the Q2 Treatment System as described in Section 4.2.1.

1.73 **"Rapid Response Funds"** means the funds, limited to ten million dollars ($10,000,000), available to Plaintiffs for the period of time set forth in Section 11.2.1 of this Agreement, which the Defendants shall cause to be paid to Plaintiffs on a demand basis in accordance with Section

11.2 of this Agreement, as a result of specified perchlorate impacts to "Threatened Wells" (as defined herein).

1.74 **"Related Settlement"** has the meaning set forth in Recital N.

1.75 **"Remedial Action Plan"** means a technical report prepared in accordance with Section 25356.1 of the California Health and Safety Code and which, at a minimum, addresses the remedial investigation, risk assessment, and evaluation of remedial alternatives and proposes a remedial alternative.

1.76 **"Remedy Stoppage"** means a cessation of Project operations under circumstances requiring a Project Modification.

1.77 **"Replacement Wells & Associated Pipelines"** means:

1.77.1 Two new wells capable of producing water at the combined rate of 4200 gpm (**"Replacement Wells**") and associated pipeline to convey the water pumped from the Replacement Wells to a nearby reservoir and associated disinfection facility (**"Associated Pipelines"**). As currently contemplated, the Replacement Wells will be constructed in the vicinity of Magic Mountain Amusement Park and the Associated Pipelines will consist of approximately 1000 feet of a 12 inch pipeline and 2500 feet of 18 inch pipeline, as described more fully in Exhibit M hereto (the **"Magic Mountain Wells")**;

1.77.2 Potential closure and abandonment of the Stadium Well, in SCWC's reasonable discretion, and NC11, in NCWD's reasonable discretion, described more fully in Exhibit N hereto (the "Well Closures");

1.77.3 Construction of a new alluvial well (the **"Stadium Replacement Well"**), to be located northeast of the Site in an alluvial area where perchlorate is not present in groundwater, and associated pipeline(s), described more fully in Exhibit O hereto.

1.78 **"Replacement Wells/Distribution Pipelines Capital Costs Escrow Account**" means the escrow account into which Defendants shall make an initial deposit of four million seven hundred and fifty thousand dollars ($4,750,000), to be used for the purposes described in Section 4.3 of this Agreement. Additional deposits by Defendants into the Replacement Wells/Distribution Pipelines Capital Costs Escrow Account may be required for Replacement Wells/Distribution Pipelines Capital Cost additional costs as described in Section 4.3 of this Agreement and for the purposes set forth therein. These additional deposit(s) shall be paid as described in Section 4.3.3. Within thirty (30) business days after Bankruptcy Court approval of this Agreement, Whittaker, on behalf of all Defendants, shall open the "Replacement Wells/Distribution Pipelines Capital Costs Escrow Account" by signing and delivering to City National Bank or other agreed bank escrow instructions substantially in the form of Exhibit P hereto, and depositing the amount of $4,750,000 into said account as described above.

1.79 **"Response Costs"** means "response costs" as defined under CERCLA.

1.80 **"RFI"** means Remediation Financial, Inc.

1.81 **"RFI Parties"** means Santa Clarita L.L.C. ("SCLLC") and Remediation Financial, Inc. ("RFI"), collectively.

1.82 **"Saugus Formation"** means the generally deeper (up to 8,500 feet thick) formation of aquifers consisting of semi-consolidated sandstone, siltstone and conglomerate of Pleistocene age and occurs under confined, semi-confined and unconfined conditions.

1.83 **"SCLLC"** means Santa Clarita L.L.C.

1.84 **"SCLLC Property"** has the meaning described in Exhibit A.

1.85 **"SCWC"** means Santa Clarita Water Company.

1.86 **"Sentry Wells"** means groundwater monitoring wells located upgradient of the Subject Wells.

1.87 **"Site"** means the SCLLC Property and the BRLLC Property collectively

1.88 **"Steadfast PLC Policy"** means the Property Transfer Liability Policy Number PLC 3598792-00 issued by Steadfast Insurance Company ("Steadfast") to the Defendants.

1.89 **"Subject Wells"** has the meaning referred to in Recital B of this Agreement.

1.90 The "**SF Escrow 1 Account**" and the "SF Escrow 1" means the "SF Escrow 1" or "SF Escrow 1 Account" as defined in, established, and governed by the Coverage and Claims Settlement Agreement and the "Joint Escrow 1 Agreement and Instructions (Steadfast Escrow 1 Account)" filed in the Bankruptcy Cases on March 31, 2006.

1.91 The "**SF Escrow 2 Account**" means the "SF Escrow 2" or "SF Escrow 2 Account" as defined in, established, and governed by the Coverage and Claims Settlement Agreement and the "Joint Escrow 2 Agreement and Instructions (Steadfast Escrow 2 Account)" filed in the Bankruptcy Cases on March 31, 2006.

1.92 **"Steadfast"** means Steadfast Insurance Company.

1.93 **"SSCH"** means Steadfast Santa Clarita Holdings, LLC.

1.94 **"Estimate of Supplemental Project O&M"** has the meaning set forth in Section 5.2.3.

1.95 **"Third Party Claims"** has the meaning set forth in Section 12.1.1.

1.96 **"Threatened Wells"** has the meaning set forth in Section 11.2.1.

1.97 **"Underlying Action"** has the meaning referred to in Recital C of this Agreement.

1.98 "**V-206 Replacement Well"** means construction and installation of VWC's well V206 and associated pipelines, and permanent closure and abandonment of VWC's well V157 as described in Exhibit Q.

1.99 **"VWC"** means Valencia Water Company.

1.100 **"Whittaker"** means Whittaker Corporation.

1.101 "**Working Day**" means a day other than a Saturday, Sunday, or federal or California state holiday.

ARTICLE 2. COURT APPROVALS AND RELATED SETTLEMENTS

2.1 Final Bankruptcy Court Approval Order and Good Faith Certifications Required

Except for this Section which is effective upon execution of this Agreement by all Parties, this Agreement, including the Parties' promises, obligations, releases, representations and warranties under this Agreement, shall take effect on the later of the date of the Final Approval Order (as defined below) or the date of the "Good Faith Certifications" (as defined below) ("the **Effective Date**") and is absolutely contingent upon the entry of an order of the Bankruptcy Court that approves this Agreement in its entirety without any modifications and contains the Bankruptcy Court Determinations referenced below, and that has become effective and as to which no stay pending appeal has been issued ("**Final Approval Order**") and such order not being subject to any stay.

2.1.1 This Agreement, and the settlement of claims reflected herein, is absolutely contingent upon (i) court certification that such settlement is made in good faith, and (ii) a settlement of, or the dismissal with prejudice of, all of the claims asserted in the Counter-Claims (the "**Related Settlement**") and court certification of the Related Settlement as being made in good faith (collectively, the "**Good Faith Certifications**"). The court's order(s) setting forth the Good Faith Certifications shall at a minimum provide that "any and all claims against the settling Defendants and the settling counter-defendants, arising out of the matters addressed in the Underlying Action or addressed in the Related Settlement, regardless of when asserted or by whom, are barred; such claims are barred regardless of whether they are brought pursuant to

CERCLA, or pursuant to common law or other federal or state laws," or language substantially to the same effect.

2.1.2 This Agreement shall be null and void *ab initio,* and the Parties shall be returned to their respective positions in all aspects, if either (a) the Related Settlement, Good Faith Certifications and Final Approval Order have not all been obtained before October 31, 2007 for any reason; or (b) the Bankruptcy Court denies a motion to approve this Agreement as written or (c) a court denies a motion for good faith certification of either this Agreement, the Related Settlement or both, as written. RFI Parties, at their sole cost and expense, shall prepare and file a motion with the Bankruptcy Court in a form satisfactory to all Parties seeking the Final Approval Order promptly after the Agreement's execution by all Parties. RFI Parties' motion for a Final Approval Order shall include a request that the Bankruptcy Court in its Final Approval Order make the Bankruptcy Court Determinations in accordance with the requirements set forth in Section 2.4 of this Agreement.

2.1.3 All other Parties shall support the entry of the Final Approval Order and shall cooperate with RFI Parties in presenting the motion seeking approval. The Parties shall cooperate in preparing and filing motions with the District Court seeking the Good Faith Certifications. To the extent required under CERCLA or applicable federal law, the Parties agree to cooperate in obtaining approval of a United States District Court having appropriate jurisdiction (the "**District Court**") as necessary to ensure enforceability of the terms and intent of this Agreement (including but not limited to asking the Bankruptcy Court to certify its findings and/or conclusions regarding certain issues to such District Court).

2.2 Plaintiffs' Reservation of Rights Against Buyer

Plaintiffs specifically reserve all rights against Buyer with regard to Buyer's compliance with all environmental laws and performance of any applicable remediation obligations, subject only to the terms of Section 12.1 hereof.

2.3 Plan Filed by Debtors

If a Final Approval Order is entered by the Bankruptcy Court in the Bankruptcy Cases, then any plan filed by the Debtors in the Bankruptcy Cases ("**Plan**") shall not be materially inconsistent with the terms of this Agreement and the Final Approval Order.

2.4 Final Approval Order Provisions

Debtors and all other Parties hereto acknowledge and agree, and the Final Approval Order shall provide that (a) funds in SF Escrow 1 Account were, pursuant to the Coverage Order, already earmarked for the purposes of satisfying Defendants' obligations pursuant to this Agreement; (b) the requirement that the funds in SF Escrow 1 Account be used exclusively for the purposes for which they are agreed to be used pursuant to the Coverage and Claims Settlement Agreement as modified by the Coverage Order (which are consistent with the purposes for which those funds are to be used pursuant to this Agreement) is res judicata in the Debtors' Bankruptcy Cases; (c) payment of obligations under this Agreement, upon entry of the Final Approval Order, constitutes the permitted use of SF Escrow 1 funds to "fund settlement or a stipulated judgment pursuant to a settlement in the CLWA Case" that meets all of the "Approved CLWA Settlement Parameters" as provided in paragraph IV.F.5.a.(i) of the Coverage and Claims Settlement Agreement as modified by the Coverage Order and as described in Exhibit 16 thereto and such payments pursuant to this Agreement shall constitute, and shall be deemed to be consistent with the requirements for the administration of the SF Escrow 1 funds

by AISLIC pursuant to Section IV.F.5.d. of the Coverage and Claims Settlement Agreement as modified by the Coverage Order; (d) any payment or transfers of funds to or for the benefit of Plaintiffs from SF Escrow 1 Account that are consistent with this Agreement are free and clear of all other adverse claims, rights, title, interest, liens or encumbrances of any kind whatsoever that could be asserted against any property or interest of the Debtors; and (e) the Agreement is a complex agreement resolving numerous disputes and pending legal proceedings among numerous parties and that following the Effective Date, it will be practically and legally impossible to unwind this Agreement or restore the parties to their status quo based upon any reversal or modification on appeal or rehearing or other review; (f) upon entry of the Final Approval Order, the Defendants' payment obligations under this Agreement including any sum awarded pursuant to arbitration hereunder, may be made from the SF Escrow 1 Account; and (g) either i) the terms of the Agreement and Related Settlement are fully consistent with the terms of the SunCal Purchase and Sale Agreement and Joint Escrow Instructions dated July 6, 2006, or ii) that the Buyer consents to the Agreement and the Related Settlement to the extent there is any inconsistency. (Subparagraphs (a) through (g) above required to be included in the Final Approval Order are referred to herein as the "Bankruptcy Court Determinations.") The Final Approval Order shall also provide that the Order applies to any successor Administrator of the "SF Escrow 1" in the "Coverage and Claims Settlement Agreement."

2.5 Plaintiffs' Recourse Against Debtors

Plaintiffs' recourse to (i) enforce all of Debtors' obligations under this Agreement and (ii) for any and all actions, causes of action, claims, demands, liabilities, damages, penalties, debts, losses, costs, expenses and fees (including, without limitation, litigation costs and attorney and consultant fees) of every kind and nature whatsoever, past or future, in law and in equity against

the Debtors and BRLLC arising from or in any way related to releases or threatened releases, or other environmental conditions, past or future, at or around the Site is expressly and completely limited to Debtors' rights to use, and title and interest in, the SF Escrow 1 Account established pursuant to the Coverage and Claims Settlement Agreement and the "Joint Escrow 1 Agreement and Instructions (Steadfast Escrow 1 Account)". Plaintiffs' rights against Debtors are not waived in the Bankruptcy Cases to the extent of Debtors' rights, title and interest in the SF Escrow 1 Account.

ARTICLE 3. PAYMENTS DIRECTLY TO PLAINTIFFS

3.1 Payment for Plaintiffs' Past Environmental Claims

Within thirty (30) Days after the Effective Date, Defendants shall pay the amount of ten million dollars ($10,000,000) by payment of the amount of two million five hundred thousand dollars ($2,500,000) to each of the four Plaintiffs. The obligation to make such payments shall be joint and several, subject to Section 2.5. This payment is in full and complete satisfaction and resolution of Plaintiffs' Past Environmental Claims.

3.2 Payment for Plaintiffs' Past Design Costs

Within thirty (30) Days after the Effective Date, Defendants shall pay the amount of one million seven hundred fifty three thousand one hundred fourteen dollars and fifty-eight cents ($1,753,114.58) to CLWA. The obligation to make such payment shall be joint and several, subject to Section 2.5. This payment is in full and complete satisfaction and resolution of Plaintiffs' Past Design Costs, as set forth in Exhibit E to this Agreement.

3.3 Payment to VWC

Within thirty (30) Days after the Effective Date, Defendants shall pay to VWC one million dollars ($1,000,000). The obligation to make such payment shall be joint and several, subject to Section 2.5. This payment is in full and complete satisfaction and resolution of

Plaintiffs' claims in the Underlying Action for V-206 Replacement Well, including, but not limited to, construction and installation of VWC's well V206 and associated pipelines, and permanent closure and abandonment of VWC's well V157, as described in Exhibit Q.

ARTICLE 4. FUNDING OF Q2 COSTS, REPLACEMENT WELL/DISTRIBUTION PIPELINE CAPITAL COSTS AND PROJECT CAPITAL COSTS

4.1 Funding of Q2 Capital Costs and Q2 O&M Costs

Plaintiffs acknowledge that Defendants previously have caused to be deposited into the "**Q2 Escrow Account**" five hundred thousand dollars ($500,000) for reasonable and necessary and approved Q2 Capital Costs. This payment is in full and complete satisfaction and resolution of Plaintiffs' claims for the capital costs associated with the Q2 Treatment System. Plaintiffs acknowledge that Defendants previously have caused to be deposited into the "Q2 Escrow Account" two hundred twenty three thousand and two hundred ten dollars ($223,210) for certain reasonable and necessary and approved Q2 O&M Costs. This payment is in partial satisfaction and resolution of Plaintiffs' claims for the operations and maintenance costs associated with the Q2 Treatment System. Construction of the Q2 Treatment System has been completed and all Q2 Capital Costs associated with the Q2 Treatment System have been approved and paid by or on behalf of Defendants as of the Effective Date.

A copy of the Q2 Escrow Account Instructions is attached hereto as Exhibit J and incorporated herein by this reference. Copies of Amendments No. 1 and No. 2 to the Q2 Escrow Account Instructions are attached hereto as Exhibit K-1 and Exhibit K-2, respectively and incorporated herein by this reference. Any amounts, including interest, remaining in the Q2 Escrow Account as of the Effective Date shall be used by Plaintiffs for Q2 O&M Costs, and credited against Defendants' obligations for funding Q2 O&M Costs as set forth in Section 4.1.1 below.

4.1.1 The Q2 Treatment System commenced operations on October 12, 2005 ("Q2 Commencement Date"), and VWC has been incurring Q2 O&M Costs for the Q2 Treatment System since that date.

4.1.1.1 During the period prior to October 12, 2007, VWC's withdrawal of funds for Q2 O&M Costs shall not exceed nine thousand and three hundred dollars ($9300) on average per month except in the event of a Q2 Resin Exchange and except for reimbursement of any Q2 O&M Costs that have been incurred prior to the Effective Date and not previously paid out of the Q2 Escrow Account.

4.1.1.2 In the event Commencement of Operation of the Project has not occurred as of October 12, 2007, and the Q2 Treatment System must still be operated pursuant to applicable regulatory requirements, Defendants shall pay or cause to be paid an additional deposit of one hundred eleven thousand and six hundred dollars ($111,600) on or before October 12, 2007, to be used for Q2 O&M Costs. In the event Commencement of Operation of the Project has not occurred as of October 12, 2007, and the Q2 Treatment System must still be operated pursuant to applicable regulatory requirements, Defendants shall pay or cause to be paid additional reasonable and necessary Q2 O&M Costs until the Q2 Treatment System is relocated as provided in Section 4.2.1. After October 12, 2007, VWC may withdraw funds on a monthly basis as is reasonably necessary.

4.1.1.3 Defendants shall pay or cause to be paid into the existing Q2 Escrow Account an additional amount of one hundred sixty seven thousand and five hundred dollars ($167,500), or such other amount as may be agreed by the Defendants or determined by the Cost Consultant in accordance with Article 7, in the event a determination is made by VWC in accordance with its operating permit and upon agreement by Whittaker and AISLIC, that

replacement of the treatment resins used in the Q2 Treatment System is necessary. Such deposit shall be made within 10 days after VWC's written notice of determination and request for funding has been delivered to Defendants. Any dispute regarding such determination by VWC shall be resolved by the Cost Consultant in accordance with Article 7.

4.1.2 Defendants' obligations hereunder for deposits required to be made into the Q2 Escrow Account shall be on a joint and several basis subject to Section 2.5.

4.1.3 Any amounts, including interest, remaining in the Q2 Escrow Account upon Q2 Treatment System Relocation to the location of the Project shall be refunded into the SF Escrow 1 Account (as defined in the Coverage and Claims Settlement Agreement.).

4.1.4 Payments from the Q2 Escrow Account shall be made on a monthly basis in accordance with the procedures set forth in Article 6 and the applicable Q2 Escrow Account instructions.

4.1.5 Defendants and AISLIC shall not be entitled to withdraw any funds from the Q2 Escrow Account or to direct or control the payment of such funds, and shall have no rights with respect to such funds, except as provided in this Agreement.

4.1.6 Payments for Q2 O&M Costs shall continue until the date that VWC and CLWA are required to relocate and integrate the Q2 Treatment System into the Project pursuant to Section 4.2.1 or until treatment of Well Q2 is no longer required by DHS, whichever occurs first. The Q2 Escrow Account shall terminate following written notification from Plaintiffs that the Q2 Treatment System has been integrated into the Project or written notification from Plaintiffs or Cost Consultant or arbitrator determination that treatment of Well Q2 is no longer required by DHS, provided that payment has been made for all Q2 Capital Costs and Q2 O&M

Costs permitted to paid from the Q2 Escrow Account in accordance with the procedures set forth in this Agreement.

4.2 Termination of the Q2 Treatment System Operations

4.2.1 VWC shall undertake to terminate operation of the Q2 Treatment System as soon as reasonably feasible, in accordance with requirements of the California Department of Health Services (DHS). In connection with the construction of the Project, Plaintiffs shall incorporate the Q2 Well and the Q2 Treatment System into the Project, notwithstanding any prior determination that the treatment at Q2 Well is no longer required, so as to enable the Saugus 1&2 Treatment System to treat Q2 water in case the Q2 Well subsequently becomes recontaminated. In connection with the construction of the Project, VWC and CLWA shall incorporate the Q2 Well and the Q2 Treatment System into the operation of the Project not later than (i) two (2) years after the Q2 Commencement Date or (ii) the Commencement of Operations of the Project, whichever is later. Upon relocating operation of the Q2 Treatment System, VWC and CLWA shall transfer the treatment vessels used as part of the Q2 Treatment System to the location of the Project and incorporate the use of those vessels into that system. Upon terminating or relocating operation of the Q2 Treatment System, VWC and CLWA shall transfer the remaining resin used as part of the Q2 Treatment System to the location of the Project and incorporate the unused resin into that system.

4.2.2 The obligation to pay Q2 O&M Costs for the Q2 Treatment System pursuant to Section 4.1.1 of this Agreement shall cease either (i) upon written notification from Plaintiffs or Cost Consultant or arbitrator determination that treatment of Well Q2 is no longer required by DHS; or (ii) upon written notification from Plaintiffs that the Q2 Treatment System has been integrated with the Project and that the Q2 O&M Costs will be included in the Project

O&M Costs and handled in accordance with Article 5, which notice shall not occur later than (i) two (2) years after the Q2 Commencement Date or (ii) the Commencement of Operations of the Project, whichever occurs later. If, after a determination that treatment at well Q2 is no longer required, well Q2 becomes re-contaminated so as to require treatment, said treatment will be handled by means of the Project, and the costs thereof shall be Project O&M Costs.

4.2.3 Any dispute as to whether treatment of water pumped from Q2 can be discontinued or should be recommenced shall be resolved through binding Cost Consultant arbitration, as provided in Article 7 of this Agreement, provided that the arbitration decision must be consistent with the requirements of all regulatory agencies with jurisdiction regarding perchlorate.

4.3 Replacement Wells/Distribution Pipeline Capital Costs Escrow Account

Defendants shall be jointly and severally obligated subject to Section 2.5 to pay for their proportional share of the capital costs associated with the installation of new Distribution Pipelines and Replacement Wells & Associated Pipelines pursuant to this Section 4.3. CLWA, on behalf of all Plaintiffs, and Whittaker, on behalf of all Defendants, concurrently with execution of this Agreement, shall execute and, thereafter, promptly deliver to City National Bank or other agreed bank instructions for an escrow (the "**Replacement Wells/Distribution Pipeline Capital Costs Escrow Account**") substantially in the form of Exhibit P hereto. Within thirty (30) Days after the Effective Date, Defendants shall make an initial deposit into the Replacement Wells/Distribution Pipeline Capital Costs Escrow Account of four million seven hundred and fifty thousand dollars ($4,750,000) to be used for Distribution Pipelines, and Replacement Wells & Associated Pipelines. The Replacement Wells & Associated Pipelines will provide new Saugus Formation production capacity to replace lost well capacity not

provided by the Project or V-206. The Distribution Pipelines will be connected to various turnouts within the Plaintiffs' system.

4.3.1 The Defendants' initial proportional share of the capital costs associated with the Distribution Pipelines and the Replacement Wells & Associated Pipelines will be based on the Percentage Cost Allocation for Distribution Pipelines and Replacement Wells & Associated Pipelines set forth in Exhibit R and the bid items submitted by the bidder selected through a competitive bidding process in accordance with CLWA bid procedures and applicable law. Whittaker's and AISLIC's technical representatives shall be provided reasonable opportunity to advise and consult on design, engineering, location of well replacement and other technical aspects of the contractor selection and construction process. For bid items that do not have specific cost allocations, the weighted cost allocation of the other bid items shall be applied. During construction, the Plaintiffs and Defendants shall provide the funds necessary to pay the selected contractors in the proportion provided for by the determination of the initial proportional share. Upon completion and Plaintiffs' acceptance of the construction, a true-up of the cost allocation shall be performed. To the extent feasible, the true-up shall apply the cost allocation of Distribution Pipelines and Replacement Wells presented in Exhibit R to the actual costs of the Distribution Pipelines and Replacement Wells, including approved change orders.

4.3.2 The Parties acknowledge that construction of the Replacement Wells and Associated Pipelines, except the drilling of the Replacement Wells, will be deferred until the construction of the extension of Magic Mountain Parkway is initiated.

4.3.3 In the event Defendants' proportional share of capital costs associated with Distribution Pipelines and Replacement Wells & Associated Pipelines exceeds four million and seven hundred fifty thousand dollars ($4,750,000), including all costs of redrilling

Replacement Wells that are not capable of producing water at the required rate, Defendants shall be obligated, on a joint and several basis subject to Section 2.5, to deposit in the Replacement Wells/Distribution Pipeline Capital Costs Escrow Account additional funds sufficient to cover such excess, as reasonably determined by Plaintiffs, subject to approval by Whittaker and AISLIC or determination by the Cost Consultant. Such deposits shall be made by Defendants in a timely manner. The Estimate of Replacement Wells/Distribution Pipeline Capital Costs attached hereto as Exhibit S reflects that Defendants' proportional share of the Replacement Wells/Distribution Pipeline Capital Costs exceeds $4,750,000. However, in the event that cost savings are achieved such that Defendants' proportional share of capital costs associated with Distribution Pipelines and Replacement Wells & Associated Pipelines is less than the amounts deposited by Defendants into the Replacement Wells/Distribution Pipeline Capital Costs Escrow Account, any amounts remaining in the Replacement Wells/Distribution Pipeline Capital Costs Escrow Account shall be refunded into the SF Escrow 1 Account (as defined in the Coverage and Claims Settlement Agreement).

4.3.4 Any dispute regarding the reasonableness, timing or necessity of Replacement Wells/Distribution Pipeline Capital Costs, the selection of the lowest responsive and responsible bid in the competitive bidding process, or the Defendants' appropriate proportional share shall be resolved through Cost Consultant arbitration in accordance with Article 7.

4.4 Project Capital Costs Escrow Account

CLWA, on behalf of all Plaintiffs, and Whittaker, on behalf of all Defendants, concurrently with execution of this Agreement, shall execute and, thereafter, promptly deliver to City National Bank or other agreed bank instructions for an escrow (the **"Project Capital Costs**

Escrow Account") substantially in the form of Exhibit H-1 hereto. Within thirty (30) Days after the Effective Date, Defendants shall, jointly and severally, be obligated to make a deposit into the Project Capital Costs Escrow Account of five million dollars ($5,000,000) (**"Initial Project Capital Costs Deposit"**) to pay Project Capital Costs.

4.4.1 In the event Project Capital Costs exceed the amount of the Initial Project Capital Costs Deposit, Defendants shall deposit in the Project Capital Costs Escrow Account additional funds sufficient to cover such excess, as determined by Plaintiffs, subject to AISLIC and Whittaker approval or determination by the Cost Consultant; but such total additional funds shall not exceed five million dollars ($5,000,000). Defendants shall deposit the additional funds in a timely manner after approval by AISLIC and Whittaker or by the Cost Consultant. The Estimate of Project Capital Costs attached hereto as Exhibit G reflects that Project Capital Costs are projected to exceed five million ($5,000,000). However, in the event that cost savings are achieved such that Project Capital Costs are less than the amounts deposited by Defendants into the Project Capital Costs Escrow Account, any amounts remaining in the Project Capital Costs Escrow Account shall be refunded into the SF Escrow 1 Account (as defined in the Coverage and Claims Settlement Agreement.).

4.4.2 Any dispute regarding the reasonableness, timing or necessity of Project Capital Costs shall be resolved through arbitration in accordance with Article 7.

ARTICLE 5. PAYMENT OF PROJECT O&M COSTS

5.1 Project O&M Escrow Account

5.1.1 Defendants shall be jointly and severally obligated subject to Section 2.5 to pay Project O&M Costs in accordance with the terms of this Agreement. The "*pro forma*" Estimate of Project O&M ("**Pro Forma Estimate of Project O&M**") as of the date of execution of this Agreement is attached hereto as Exhibit D.

5.1.2 CLWA, on behalf of all Plaintiffs, and Whittaker, on behalf of all Defendants, and AISLIC shall, within thirty (30) days after Whittaker and AISLIC's receipt of Plaintiffs' written notice of anticipated commencement of Project operations execute and thereafter, promptly deliver to City National Bank or other agreed bank instructions for an escrow for funds to be used for payment of Project O&M Costs substantially in the form of Exhibit H-2 hereto.

5.1.3 Payments from the Project O&M Escrow Account shall be made on a monthly basis in accordance with the procedures set forth in this Article 5, Article 6, and the applicable escrow instructions, which instructions are subject to approval by Plaintiffs, Whittaker, and AISLIC and shall be consistent with the terms of this Agreement.

5.1.4 Upon termination of the Project O&M Escrow Account in accordance with this Agreement, any balance in that account shall be refunded into the SF Escrow 1 Account. The Project O&M Escrow Account shall terminate upon termination of this Agreement or earlier payment of all Lump Sum awards, provided that payment has been made for all Project O&M Costs in accordance with the procedures set forth in this Agreement.

5.2 Project O&M Costs

5.2.1 Defendants shall fund Project O&M Costs by depositing annually in the Project O&M Escrow Account the annual O&M amounts reasonably estimated by CLWA and modified as reasonably estimated by Defendants and AISLIC, or modified as determined by the Cost Consultant, and reflected in the Joint Estimate of Project O&M jointly prepared by the Parties (which may include determinations of the Cost Consultant). The first annual deposit ("**Initial Project O&M Deposit**") shall be due thirty (30) days after Whittaker's, and AISLIC's receipt of Plaintiffs' written notice of anticipated commencement of Project operations and a

Joint Estimate of Project O&M has been agreed between the Parties or determined by the Cost Consultant for the first year of operations. The initial "Joint Estimate of Project O&M" shall be based upon the Pro Forma Estimate of Project O&M attached as Exhibit D hereto, as modified by CLWA and approved by Defendants and AISLIC or determined by the Cost Consultant. ("**Joint Estimate of Project O&M**") Defendants will reasonably consider and respond to CLWA's proposed modifications to the attached Pro Forma Estimate of Project O&M as provided in this Article 5. The Parties will meet and confer concerning any disputes in preparing the initial Joint Estimate of Project O&M . Subsequent annual O&M deposits (each an **"Annual Project O&M Deposit"**) in the amount of the Joint Estimate of Project O&M for the upcoming year (each a "Joint Estimate of Project O&M") as agreed between the Parties or determined by the Cost Consultant, shall be due on or before the anniversary of the Initial Project O&M Deposit. CLWA will provide Whittaker, AISLIC, and Steadfast with a copy of each of Plaintiffs' proposed Joint Estimate of Annual Project O&M at least seventy-five (75) days prior to the anniversary date of the prior year's Annual Project O&M Deposit.

5.2.2 In the event of Defendants' or AISLIC's objection to any item included or excluded on any of the Plaintiffs' proposed Joint Estimates of Project O&M, Defendants or AISLIC shall notify Plaintiffs of their objection in writing within thirty (30) days after receipt of the proposed estimate, stating the reasons for its objection, and the Parties shall exercise their best efforts to resolve the disputed item(s). In the event that the disputed item is not resolved within fifteen (15) days after Defendants' or AISLIC's notice of objection, the disputed item(s) shall be submitted to the Cost Consultant, for expedited resolution in accordance with Article 7, below. Following meet and confer and any determinations of the Cost Consultant, the Parties

shall jointly prepare the Joint Estimate of Project O&M as agreed among the Parties or determined by the Cost Consultant.

5.2.3 In the event that CLWA determines it will be necessary to supplement the Project O&M Escrow Account in any given year to pay for Project O&M Costs, CLWA shall notify Defendants, AISLIC and Steadfast of its determination and provide an itemized statement, using the same format as the then-current Joint Estimate of Project O&M, of the amount of the supplemental funding **("Estimate of Supplemental Project O&M"**) required to cover the additional Project O&M Costs. In the event of Defendants' or AISLIC's objection to any item included in the Plaintiffs' proposed Estimate of Supplemental Project O&M, Defendants or AISLIC shall notify Plaintiffs of their objection in writing within fifteen (15) days after receipt of the proposed Estimate of Supplemental Project O&M, stating the reasons for its objection, and the Parties shall exercise their best efforts to resolve the disputed item(s). In the event that the disputed item is not resolved within fifteen (15) days after Defendants' or AISLIC's notice of objection, the disputed item(s) shall be submitted to the Cost Consultant for expedited resolution in accordance with Article 7. Defendants shall deposit into the Project O&M Escrow Account the amount of the Estimate of Supplemental Project O&M within ten (10) days after determination of the amount of the Estimate of Supplemental Project O&M by agreement of the Parties or determination of the Cost Consultant.

5.2.4 Subject to the provisions of Section 9.1.7 below, the obligation to pay Project O&M Costs pursuant to this Article 5 shall cease the earlier of (i) the California Department of Health Services (DHS), and any other agency that has asserted jurisdiction and whose agreement is required, agrees that treatment of water pumped from Saugus 1 & 2 can be discontinued; or (ii) thirty (30) years after Commencement of Operations of the Project.

5.2.5 Any dispute regarding the reasonableness, applicability or necessity of Project O&M Costs, except for the issue of whether treatment of water pumped from Saugus 1 & 2 can be discontinued, shall be resolved through binding arbitration, as provided in Article 7 of this Agreement, provided that the arbitration decision must be consistent with the requirements of all regulatory agencies with jurisdiction, and prior to determination of the Lump Sum as described in Section 5.2.6. Any dispute regarding whether treatment of water pumped from Saugus 1 & 2 can be discontinued, shall be resolved through binding arbitration, as provided in Sections 13.1 and 13.2 of this Agreement (unless all Parties agree that the issue may be resolved as provided in Article 7 of this Agreement), provided that the arbitration decision must be consistent with the requirements of all regulatory agencies with jurisdiction, and prior to determination of the Lump Sum as described in Section 5.2.6.

5.2.6 Subject to the provisions of Section 9.1.7 below, beginning five years after Commencement of Operations of the Project (which time period will be tolled during any period in excess of one week of Remedy Stoppage), CLWA, Whittaker, or AISLIC may demand binding arbitration, as provided in Article 13 of this Agreement, for purposes of obtaining a determination of a lump sum for payment in lieu of the Project O&M Costs that would otherwise be due and payable during the remainder of the up-to thirty-year period (the "Lump Sum") based on the following criteria:

5.2.6.1 The Lump Sum will be calculated on a net present value basis using appropriate assumptions and techniques, including consideration of risk, activities and costs anticipated to occur after payment of the Lump Sum, and any other factors introduced by the Parties at arbitration and determined to be relevant by the arbitrator, but the Lump Sum shall be calculated on the assumption that the Defendants' obligation to pay for the Project O&M shall

cease not later than thirty years after Commencement of Operations of the Project, except as provided in Section 9.1.7. The Lump Sum determination shall also be based, in part, on consideration of the actual Project O&M Costs experienced prior to arbitration, but excluding any such Project O&M Costs as may have been associated with start-up of the system or otherwise not indicative of future Project O&M Costs. The Lump Sum amount will not include any capital costs, including but not limited to, capital costs of Project Modifications implemented pursuant to Article 9 of this Agreement or any projected or potential capital costs for Project Modifications which become or may become necessary after the first three years following Commencement of Operations of the Project (which time period will be tolled during any period in excess of one week of Remedy Stoppage). The Lump Sum amount will not include any lobbying costs or legal fees or costs associated with obtaining funding from Public Funding Sources. With respect to the activities and costs subject to the annual flat fee payment of twenty thousand dollars ($20,000), described in Section 1.59, the Lump Sum will be calculated based on an assumption that the $20,000 annual flat fee will be escalated based on CPI. For purposes of this Agreement, CPI means the Consumer Price Index for All Urban Consumers (CPI-U) in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area, All Items, as published by the United States Department of Labor, Bureau of Labor Statistics, for which the base year is 1982-84 = 100, or if such publication ceases to be in existence, a comparable index agreed by the Parties.

5.2.7 In the event a Lump Sum determination is made in accordance with Section 5.2.6, the amount of the Lump Sum shall be paid by Defendants, jointly and severally, and subject to Section 2.5, to Plaintiffs within thirty (30) Working Days after the arbitrator's decision is issued and any petition filed prior to that time to vacate or correct the arbitrator’s

decision, pursuant to Cal. Code of Civil Procedure Section 1286.2 (Grounds for Vacation of Award) or Section 1286.6 (Grounds for Correction of Award), is finally adjudicated. Plaintiffs agree to use the Lump Sum amount solely for Project O&M Costs until such Lump Sum amount is exhausted, or until Plaintiffs' obligation to operate the Project, as set forth in Section 8.3.1, ceases.

ARTICLE 6. PAYMENTS FROM THE ESCROW ACCOUNTS

6.1 General

6.1.1 Payments from the Q2 Escrow Account, the Replacement Wells/Distribution Pipeline Capital Costs Escrow Account, the Project Capital Costs Escrow Account, and the Project O&M Escrow Account (the "**Escrow Accounts**") shall be made in accordance with the procedures set forth in this Section and each Escrow Account's instructions, which instructions shall be jointly approved by Plaintiffs, Whittaker, and AISLIC, and shall be consistent with the terms of this Agreement. The Parties acknowledge and agree that funding of the Escrow Accounts is based on the cost estimates contained in the Exhibits to this Agreement, which estimates were prepared by Plaintiffs' consultants and reviewed but not independently verified by Defendants' and AISLIC's consultants, and that the actual costs and expenses incurred will control all corresponding future payments from the Escrow Accounts. The Parties acknowledge and agree that payments from the Escrow Accounts are to be made solely for reasonable and necessary costs and expenses actually incurred and not paid or reimbursed by other sources, even if less than the sums set forth in any estimate. The Parties shall cooperate in minimizing all costs incurred and paid pursuant to this Agreement. The Parties acknowledge and agree that payments from the Escrow Accounts are to be made only for reasonable capital or operations and maintenance costs for the Project, the Replacement Wells and Associated

Pipelines, Q2 Treatment System, and Distribution Pipelines pursuant to this Agreement, and only to the extent such costs are necessary.

6.1.2 Except as provided in this Agreement, Defendants and AISLIC shall not be entitled to withdraw any funds from the Escrow Accounts or to direct or control the payment of such funds, and shall have no rights with respect to such funds, other than approval rights expressly provided in this Agreement. Reporting and payment of taxes owed on income earned with respect to the escrows shall be the responsibility of Plaintiffs.

6.1.3 Upon termination of the Escrow Accounts in accordance with this Agreement, any balance in the Escrow Accounts shall be refunded to the SF Escrow 1 Account. The Q2 Escrow Account shall terminate as set forth in Section 4.1.6. The Project Capital Costs Escrow Account shall terminate upon completion of the construction of the Project, provided that payment has been made for all Project Capital Costs in accordance with the procedures set forth in this Agreement. The Project O&M Costs Escrow Account shall terminate as set forth in Section 5.1.4. The Replacement Wells/Distribution Pipelines Escrow Account shall terminate upon completion of the construction of the Replacement Wells & Associated Pipelines and Distribution Pipelines, provided that payment has been made for all Replacement Wells & Associated Pipelines and Distribution Pipelines in accordance with the procedures set forth in this Agreement. The term "completion" as used in this Section 6.1.3 shall mean satisfactory completion of construction, startup and testing, and formal acceptance by the applicable Plaintiff.

6.2 Payment of Capital Costs

6.2.1 Costs incurred for activities and within the aggregate approved amounts set forth in Exhibit G, with respect to the Project, and Exhibit S, with respect to the Replacement Wells/Distribution Pipelines, following resolution of disputed costs pursuant to Article 7, shall

constitute **"Approved Capital Costs."** Costs incurred for activities or items that are not contained in Exhibits G and S for the applicable Escrow Account, or are in excess of the aggregate amount set forth therein, shall be subject to the approval of Whittaker and AISLIC or confirmation by the Cost Consultant in accordance with Article 7, below, and upon such approval or confirmation, such costs shall also constitute "Approved Capital Costs".

6.2.2 Plaintiffs shall prepare (1) a monthly statement setting forth capital costs incurred by Plaintiffs for the prior period for the Project (the "**Project Monthly Capital Costs Statement**") and paid by Plaintiffs from the Project Capital Costs Escrow Account, (2) a monthly statement setting forth capital costs incurred by Plaintiffs for the prior period for the Replacement Wells/Distribution Pipeline Capital Costs Escrow Account (the "**Replacement Wells/Distribution Pipeline Capital Costs Statement**") and paid by Plaintiffs from the Replacement Wells/Distribution Pipeline Capital Costs Escrow Account, in each case accompanied by copies of relevant underlying invoices and other supporting documentation for such costs. Copies of the Project Monthly Capital Costs Statement, the Replacement Wells/Distribution Pipeline Capital Costs Statement (together, the **"Monthly Capital Costs Statements"**) shall be provided to Whittaker, AISLIC and Steadfast for review at least ten (10) days prior to each monthly Technical Meeting described in Section 8.4, below, and the Parties shall exercise their best efforts to resolve any disputes concerning the invoices included in the Monthly Capital Costs Statements at or prior to the Technical Meeting.

6.2.3 In the event of a dispute concerning items on any invoice, if such dispute is not resolved at or prior to the Technical Meeting, Whittaker or AISLIC shall provide Plaintiffs with written notice of the reason it disputes the invoice within ten (10) days after the Technical Meeting, and the disputed item(s) shall be resolved by the Cost Consultant in accordance with

Article 7, below. Notwithstanding any pending dispute regarding Whittaker or AISLIC's disapproval of an invoice for payment, Plaintiffs may withdraw funds on a monthly basis from the Escrow Accounts to pay for Project Capital Costs, and Replacement Wells/Distribution Pipelines Capital Costs, subject to the provisions of Article 7 of this Agreement, and to pay Escrow Agent's fees, and any fees incurred for the Cost Consultant in accordance with Article 7 below or for arbitrator's fees in accordance with Article 13, Section 13.2 below. Any appropriate adjustment resulting from the determination of the Cost Consultant shall be reconciled in the following Monthly Capital Costs Statement.

6.2.4 Plaintiffs shall provide the tax identification number required to open any Escrow and shall be responsible for fulfilling tax payment, reporting and filing requirements. Interest that accrues on the balances in the Escrow Accounts shall be retained in those Accounts and available for use by Plaintiffs pursuant to the respective agreed uses of each Account until Termination, and credited against Defendants' funding obligations as to the applicable Account.

6.3 Payment of Q2 O&M Costs

6.3.1 Costs incurred for activities and within the approved Q2 Monthly O&M Costs amount shall constitute **"Approved Q2 O&M Costs."**

6.3.2 VWC shall, within ten (10) Working Days after the end of each semi-annual period after Commencement of Operations for the Q2 Treatment System, deliver to Whittaker and AISLIC a statement of invoices for Q2 O&M Costs incurred by VWC during the preceding semi-annual period **("Q2 Semi-Annual O&M Statement"**), accompanied by copies of all of the underlying invoices and other supporting documentation. Copies of the Q2 Semi-Annual O&M Statements shall be provided to Whittaker, AISLIC and Steadfast for review at least twenty (20) days prior to the Technical Meeting following the end of each semi-annual

period. Plaintiffs, Whittaker and AISLIC shall exercise their best efforts to resolve any disputes concerning the invoices included in the Q2 Semi-Annual O&M Statement at or prior to the Technical Meeting; provided, however, that Approved O&M Costs shall not be subject to review or approval.

6.3.3 In the event of a dispute concerning items other than Approved O&M Costs on any invoice, if such dispute is not resolved at or prior to the Technical Meeting, Whittaker or AISLIC shall provide Plaintiffs with written notice of the reason it disputes the invoice within ten (10) days after the Technical Meeting, and the disputed item(s) shall be resolved by the Cost Consultant in accordance with Article 7, below.

6.3.4 Notwithstanding any pending dispute regarding Whittaker's or AISLIC's disapproval of an invoice for payment, Plaintiffs may withdraw funds on a monthly basis from the Q2 Escrow Account to pay Q2 O&M Costs for the Q2 Treatment System, subject to the provisions of Article 7 of this Agreement, and to pay Escrow Agent's fees, and any fees incurred by Plaintiffs for the Cost Consultant in accordance with Article 7, below, or for arbitrator's fees in accordance with Article 13, Section 13.2 below. Any appropriate adjustment resulting from the determination of the Cost Consultant shall be reconciled in the following Q2 Semi-Annual O&M Statement.

6.3.5 Upon request, Plaintiffs shall additionally provide to SCLLC and RFI, or Buyer if the sale has closed, the statement of invoices with copies of the underlying invoices and supporting documentation.

6.4 Payment of Project O&M Costs

6.4.1 Costs incurred for Project O&M activities and within the aggregate amount set forth in the applicable Joint Estimate of Annual Project O&M or Estimate of

Supplemental Project O&M following resolution of any disputed items pursuant to Article 7, shall constitute "**Approved O&M Costs**." Costs incurred for activities or items that are not Approved O&M Costs or are in excess of the aggregate amount set forth in the applicable Joint Estimate of Annual Project O&M or Estimate of Supplemental Project O&M shall be subject to the approval of Whittaker and AISLIC or confirmation by the Cost Consultant in accordance with Article 7, below, and upon such approval or confirmation, such costs shall also constitute "Approved O&M Costs."

6.4.2 Plaintiffs shall, within ten (10) Working Days after the end of each quarterly period following the Commencement of Operations, deliver to Whittaker, AISLIC and Steadfast a statement of invoices for Project O&M Costs incurred and paid by Plaintiffs from the Project O&M Escrow Account during the preceding quarterly period (**"Quarterly Project O&M Statements"**), accompanied by copies of all of the underlying invoices and other supporting documentation. Copies of the Quarterly Project O&M Statements shall be provided to Whittaker and AISLIC for review at least ten (10) days prior to the Technical Meeting following the end of each quarter, and the Parties shall exercise their best efforts to resolve any disputes concerning the invoices included in the Quarterly Project O&M Statement at or prior to the Technical Meeting.

6.4.3 Upon request, Plaintiffs shall additionally provide to SCLLC and RFI, or Buyer if the sale has closed, the Quarterly Project O&M Statements with copies of the underlying invoices and supporting documentation.

6.4.4 In the event of a dispute concerning items on any invoice, if such dispute is not resolved at or prior to the Technical Meeting, Whittaker and/or AISLIC shall provide Plaintiffs with written notice of the reason it disputes the invoice within ten (10) days after the

Technical Meeting, and the disputed item(s) shall be resolved by the Cost Consultant in accordance with Article 7, below.

6.4.5 Notwithstanding any pending dispute regarding Whittaker or AISLIC's disapproval of an invoice for payment, Plaintiffs may withdraw funds on a monthly basis from the Project O&M Escrow Account to pay actual Project O&M Costs, subject to the provisions of Article 7 of this Agreement, and to pay Escrow Agent's fees, and any fees incurred for the Cost Consultant in accordance with Article 7 below or for arbitrator's fees in accordance with Article 13, Section 13.2 below. Any appropriate adjustment resulting from the determination of the Cost Consultant shall be reconciled in the following Quarterly Project O&M Statement.

ARTICLE 7. COST CONSULTANT ARBITRATION

7.1 Cost Consultant

7.1.1 Appointment of Cost Consultant. Michael Kavanaugh shall act as Cost Consultant and perform the functions of Cost Consultant set forth in this Agreement. If Mr. Kavanaugh, any replacement Cost Consultant, or all parties to a disputed issue, determine that the Cost Consultant lacks expertise as to a specific disputed issue, the Cost Consultant (after consultation with the parties to the dispute) shall retain an expert to assist him or her in reaching a determination of that particular dispute.

7.1.2 Functions of Cost Consultant

7.1.2.1 The Cost Consultant, and any replacement Cost Consultant, shall not act as an agent or representative for any Party, and shall exercise independent, neutral judgment in the performance of the Cost Consultant's responsibilities under this Agreement.

7.1.2.2 In the event of a timely demand for arbitration pursuant to Sections 4.1, 4.2, 4.3, 4.4, 5.2 (except as otherwise provided in Sections 5.2.5 and 5.2.6), 6.2,

6.3, 6.4, 8.2, 8.3, 8.4.2, and 9.1 of this Agreement, the Cost Consultant shall resolve the dispute in accordance with this Article 7.

7.1.3 Cost Consultant Fees: The Cost Consultant's fees and costs shall be included in Project O&M Costs.

7.1.4 Replacement of Cost Consultant: The Cost Consultant may only be replaced by mutual agreement of the Plaintiffs, Whittaker and AISLIC or for good cause established to the satisfaction of the arbitrator designated pursuant to Article 13, Section 13.2 of this Agreement. In the event of the resignation, replacement for good cause, or unavailability of the Cost Consultant, Plaintiffs and Whittaker and AISLIC shall jointly retain a replacement Cost Consultant. If the Parties are unable to agree on a replacement, a replacement shall be chosen by the arbitrator designated pursuant to Article 13, Section 13.2 of this Agreement.

7.2 Cost Consultant Dispute Resolution

In the event that the Parties are unable to resolve a dispute arising under the sections listed in Section 7.1.2.2, Plaintiffs, Whittaker and/or AISLIC may, within the time period provided by the applicable section of this Agreement, demand expedited arbitration of the dispute. If no time period is specified in the applicable section, then the demand for expedited arbitration must be made within ten (10) days after the Technical Meeting at which such dispute was addressed and not resolved. Any such demand, accompanied by all materials that Plaintiffs, Whittaker and/or AISLIC consider necessary for resolution of the dispute, shall be served on the other Parties. By the end of the tenth day after their receipt of such a demand for arbitration, the receiving Party may submit to the Cost Consultant and, if so, shall serve upon the other Parties all materials that the receiving Party consider necessary for resolution of the dispute. The Cost Consultant may request further information from the Parties or schedule an arbitration hearing

date (in-person or by telephone conference) and shall render a decision within twenty (20) days after delivery of the demand for arbitration or, if an arbitration hearing is conducted, within ten (10) days of the conclusion of the arbitration hearing, or at such later time as may be agreed by the parties to the dispute and the Cost Consultant. If a Party does not timely demand arbitration, its disapproval shall be deemed waived.

ARTICLE 8. OWNERSHIP, CONSTRUCTION, OPERATION AND MANAGEMENT OF FACILITIES

8.1 Ownership of Facilities

Plaintiffs shall own or lease all Project facilities, all Replacement Wells and Associated Pipelines, all Distribution Pipelines, and the Q2 Treatment System. Plaintiffs represent and warrant that they have reached separate agreement as to their respective ownership of Project facilities, and this Agreement shall remain in full force and effect regardless of any dispute or disagreement that may exist or arise relating to their ownership of Project facilities, all Replacement Wells and Associated Pipelines, all Distribution Pipelines, and the Q2 Treatment System.

8.2 Plaintiffs' Responsibilities

8.2.1 Plaintiffs will be responsible for the planning, development, design, permitting, construction, installation, operation and maintenance of the Project, Q2 Treatment System, and Replacement Wells & Associated Pipelines and Distribution Pipelines consistent with generally accepted industry standards and practices, and subject to review of Project Capital Costs and Project O&M Costs as provided in Articles 4 and 5 of this Agreement, review of Q2 Treatment System as provided in Article 4 of this Agreement, and review of Replacement Wells & Associated Pipelines and Distribution Pipelines as provided in Article 4 of this Agreement, and resolution of disputed items or costs as provided in Articles 6 and 7 of this Agreement.

Subject to dispute resolution by the Cost Consultant in accordance with Article 7, Plaintiffs shall conduct such planning, development, design, permitting, construction and installation of the Project and the Q2 Treatment System through one or more contracts with design professionals and licensed contractors approved by Whittaker and AISLIC, such approval not to be unreasonably withheld.

8.2.2 Whittaker and AISLIC have previously approved of U.S. Filter as the initial Resin Service Contract Vendor for the Project, and the Q2 Treatment System which has already commenced operations. Whittaker and AISLIC shall participate with Plaintiffs in the negotiation of the initial Resin Service Contract with U.S. Filter for the Project, and shall be participants in Plaintiffs' negotiation of any renewal or substitute Resin Service Contract(s) for the Project prior to payment of the Lump Sum. Prior to an arbitration determination of the Lump Sum, all Plaintiff/Whittaker/AISLIC negotiations on Resin Service Contract(s) will include consideration and negotiation of insurance that the Vendor is able to obtain for Plaintiffs and Defendants and obtaining Vendor Labor in connection with operations, monitoring, sampling and maintenance of the Project, and comparison with alternative options of Plaintiffs' costs for substantially same Labor and insurance, liability exposure considerations, and all associated costs. The Parties agree that Plaintiffs will have the option of performing all or certain of the operations, monitoring, sampling and maintenance of the Project and to secure their own insurance policies in accordance with Article 11 "Project Insurance", provided, however, that Defendants' Project O&M payment obligations for such labor and insurance costs will be limited to the cost of reasonably comparable, efficient and effective alternatives available by means of a bid for a resin service contract selected through a competitive bidding process in accordance with CLWA bid procedures and applicable law.

8.2.3 The Project shall be designed, constructed and installed in accordance with Exhibit F (subject to Project Modification pursuant to Article 9 of this Agreement) and all applicable state, federal and local government laws, regulations, ordinances and other applicable legal requirements.

8.3 Operation, Maintenance and Management of Project

8.3.1 Plaintiffs shall, in consultation with each other, operate, maintain and manage the Project (a) in accordance with all applicable state, federal and local government laws, regulations, ordinances, other applicable legal requirements (including the DTSC-approved IRAP), and generally accepted industry standards and practices, and (b) to perform its intended function of providing containment of perchlorate as defined in Section 9.1 of this Agreement, until exhaustion of any Lump Sum determined and paid pursuant to Section 5.2.6 of this Agreement; provided, however, that if there is no Lump Sum determination and payment, Plaintiffs shall operate, maintain, and manage the Project until Defendants cease funding Project O&M Costs pursuant to Section 5.2.4 of this Agreement or any other reason. In fulfilling their obligations hereunder, Plaintiffs shall not be required to fund any Project Modification.

8.3.1.1 Plaintiffs shall provide accounting services necessary for accurately tracking Project Capital and O&M Costs, invoice payments, budget process, deposits to and disbursements from the Escrow Accounts, and credits for funds received from Public Funding Sources.

8.3.2 Monitoring and Reporting

8.3.2.1 As contemplated by the DTSC approved IRAP, Plaintiffs shall arrange for and supervise the required groundwater monitoring and promptly after receipt

provide sampling data to Whittaker, AISLIC, and upon request, to SCLLC, RFI, or if the sale has closed, the Buyer.

8.3.2.2 Plaintiffs shall ensure timely, complete, and satisfactory preparation and submission of any reports and other deliverables that may be required by any state, federal or local government law, regulation, ordinance or other applicable legal requirement, including the DTSC-approved IRAP, and provide copies of such reports to Whittaker and AISLIC. Copies of such reports shall, upon request, be made available to SCLLC, RFI, or if the sale has closed, the Buyer. This obligation can be met by an electronic posting of the requested materials.

8.3.2.3 Plaintiffs shall maintain any and all books, records, accounts and supporting documentation **("Records")** either required by or necessary to document (i) compliance with all applicable state, federal and local government laws, regulations, ordinances and other applicable legal requirements; and (ii) responsible financial management of the Project. Financial Records shall be maintained in accordance with generally accepted accounting principles and shall be retained until the later of (a) five (5) years from the "as of" date or period applicable to the financial Record; or (b) the Internal Revenue Service retention period for such Records. All other Records shall be retained for a minimum of ten (10) years after the record was created. All Records shall be subject to audit pursuant to Section 8.5 of this Agreement.

8.3.2.4 Plaintiffs shall provide Whittaker, AISLIC, and Steadfast on a semi-annual basis, copies of the Plaintiffs' cost estimates for the Project, the Replacement Wells/Distribution Pipelines and the Q2 Treatment System, showing expenditures against such budgets, and shall provide copies of any reports, contracts or other materials to be considered at

the Technical Meeting, in accordance with Section 8.4, below. Plaintiffs shall make available such reports to SCLLC, RFI, or if the sale has closed, the Buyer, upon request.

8.4 Monthly Technical Meetings

8.4.1 Plaintiffs shall hold monthly meetings to consider technical, financial and other issues related to the planning, development, design, permitting, construction, installation, operation and management of the Project, the Q2 Treatment System, and the Replacement Wells/Distribution Pipelines ("Technical Meetings").

8.4.2 Participation in Technical Meetings

8.4.2.1 Each Plaintiff and Whittaker and AISLIC shall designate one or more representative(s) to participate in Technical Meetings in furtherance of planning, development, design, permitting, construction, installation, operation and management of the Project and the Q2 Treatment System, and the planning, development, design, permitting, construction, and installation of the Distribution Pipelines and Replacement Wells & Associated Pipelines. Such meetings shall be held monthly, or more or less frequently if agreed to by all Plaintiffs and Whittaker and AISLIC, upon no less than ten (10) days written notice from Plaintiffs. After Defendants' payment of the Lump Sum as described in Section 5.2.6 and installation of the Distribution Pipelines and Replacement Wells & Associated Pipelines, such meetings will no longer be held, unless otherwise requested by Whittaker and/or AISLIC, with reasonable compensation payable to Plaintiffs as agreed by the Parties.

8.4.2.2 Except for those contracts, proposals, and/or solicitation materials listed in Exhibit T attached to this Agreement, no contract, request for proposal, solicitation of bid package or other solicitation for planning, development, design, permitting, construction or installation of the Project, the Q2 Treatment System or the Distribution Pipelines

and Replacement Wells & Associated Pipelines shall be made by any Plaintiff unless approved by Whittaker and AISLIC, or -- if disapproved by Whittaker and/or AISLIC-- approved by the Cost Consultant. Copies of any contract, request for proposal, solicitation of bid package, report or other document to be considered at any Technical Meeting held pursuant to Section 8.4.2.1 of this Agreement shall be provided to each designated representative at least ten (10) days before the meeting, unless such document or report was then not available, in which event the document or report shall be distributed as long in advance of the meeting as possible. Whittaker and AISLIC shall notify Plaintiffs as soon as possible, but in any event within ten (10) Working Days after receipt, whether they respectively approve each contract, request for proposal, solicitation of bid package or other solicitation for planning, development, design, permitting, construction or installation of the Project, the Q2 Treatment System, or the Distribution Pipelines and Replacement Wells & Associated Pipelines. Absent such timely notice, approval shall be presumed. If Whittaker and/or AISLIC gives timely notice of disapproval of any such contract, request for proposal, solicitation of bid package or other solicitation for planning, development, design, permitting, construction or installation, such notice must be accompanied by a written explanation of the reason for disapproval and, if possible, a proposed revision that is approved.

8.4.2.3 Whittaker's and/or AISLIC's disapproval of any contract, request for proposal, solicitation of bid package or other solicitation for planning, development, design, permitting, construction or installation of the Project, the Q2 Treatment System, or the Distribution Pipelines and Replacement Wells & Associated Pipelines will be subject to binding arbitration, pursuant to Article 7 of this Agreement. The arbitration shall be conducted by the Cost Consultant. Within fifteen (15) Days after Whittaker and/or AISLIC's timely notice of disapproval of any contract, request for proposal, solicitation of bid package or other solicitation

for planning, development, design, permitting, construction or installation of the Project, the Q2 Treatment System, or the Distribution Pipelines and Replacement Wells & Associated Pipelines, Whittaker and/or AISLIC may demand such expedited arbitration. Any such demand, accompanied by all materials that Whittaker and/or AISLIC considers necessary for resolution of the dispute, shall be served on Plaintiffs within that fifteen (15) day period. By the end of the tenth day after their receipt of such a demand for arbitration, Plaintiffs may submit to the Cost Consultant and, if so, shall serve upon Whittaker and AISLIC, all materials that Plaintiffs consider necessary for resolution of the dispute. The Cost Consultant may request further information from the Parties and AISLIC or schedule an arbitration hearing date (in-person or by telephone conference) and shall render a decision within twenty (20) days after delivery of the demand for arbitration or, if an arbitration hearing is conducted, within ten (10) days of the conclusion of the arbitration hearing, or at such later time as may be agreed by the parties to the dispute and the Cost Consultant. If Whittaker and/or AISLIC does not timely demand arbitration, its disapproval shall be deemed waived.

8.4.2.4 Plaintiffs shall make available to Whittaker, AISLIC and Steadfast (i) copies of all notices, documents and other written communications (including, without limitation, drafts and revisions) concerning planning, development, design, permitting, construction or installation of the Project or the Q2 Treatment System sent by Plaintiffs or their consultants to DTSC, DHS, Regional Water Quality Control Board ("**RWQCB**"), California Public Utilities Commission ("**CPUC**"), U.S. Environmental Protection Agency ("**EPA**") and/or any other regulatory agency with jurisdiction at the same time and by the same manner of delivery by which such notices, documents or other written communications are sent; and (ii) promptly following receipt, all notices, documents and other written communications concerning

planning, development, design, permitting, construction or installation of the Project or the Q2 Treatment System received by Plaintiffs or their consultants from DTSC, DHS, RWQCB, CPUC, EPA and/or any other regulatory agency with jurisdiction. Plaintiffs shall additionally make all of such information available upon request to SCLLC, RFI, or if the sale has closed, to the Buyer.

8.4.2.5 Whittaker shall make available to Plaintiffs, AISLIC and Steadfast copies of all public or non-public and non-confidential notices, reports, documents and other written communications to or from Whittaker and DTSC, DHS, RWQCB, EPA and the Buyer (with the Buyer's consent) concerning the Site and groundwater remediation activities and obligations, at the same time and by the same manner of delivery by which such notices, documents or other written communications are sent, or promptly upon receipt by Whittaker.

8.5 Audits

Whittaker and/ or AISLIC may, upon reasonable notice and no more frequently than once a year, audit Plaintiffs' Records, including all invoices and supporting documentation for Project expenditures. The costs of any such audit shall be paid by the requesting party. Any dispute arising from an audit shall be resolved by the arbitrator designated pursuant to Section 13.2.2. Whittaker and/or AISLIC may demand arbitration of such a dispute within thirty (30) Days after receipt of the audit report triggering the dispute. Failure to demand arbitration within that time period shall be a waiver of any dispute triggered by the audit report.

ARTICLE 9. PROJECT MODIFICATION

9.1 Project Modification

9.1.1 The Parties acknowledge that the effectiveness of the remedy contemplated by the Project is not guaranteed by the Plaintiffs, although the Parties believe that the implementation of the Project represents a reasonable approach to providing containment of

perchlorate as defined below and restoring water production. In the event that within the first three (3) years after Commencement of Operations of the Project (which time period will be tolled during any period in excess of one week of Remedy Stoppage), a modification of the Project relating to perchlorate remediation is required (1) because of any regulatory requirement or directive or court order; (2) because of a change in water quality standards or regulations; (3) because of an increase in concentration levels of perchlorate in the Subject Wells; (4) to achieve containment of downgradient perchlorate migration; (5) to restore the contemplated capability of the Project to provide water for potable purposes; or (6) to improve Project efficiency or cost effectiveness, Plaintiffs, Whittaker, and/or AISLIC may develop and implement the necessary modification of the Project ("**Project Modification**") in accordance with this Article 9. Any Project Modification will be funded separately from and is not included in the amounts deposited into the Project Capital Costs Escrow Account as described in Section 1.56. For the purposes of this Agreement, containment is achieved when groundwater monitoring and modeling demonstrates (subject to agreement by representatives of Plaintiffs, Whittaker and AISLIC at the monthly Technical Meetings or there is a determination by the Cost Consultant) that hydraulic control of Saugus Formation groundwater in the vicinity of Saugus 1 and 2 is such that future perchlorate migration from the Site in the Saugus Formation will not result in impacts to existing Saugus Formation production wells identified in Exhibit U above an applicable Notification Level or Maximum Contaminant Level ("MCL"). The groundwater modeling and evaluation of containment will also consider other contaminant mass removal and contaminant containment measures implemented on and in the vicinity of the Site.

9.1.2 Promptly upon the occurrence of any of the circumstances described in Section 9.1.1, above, Plaintiffs may provide Whittaker, AISLIC and Steadfast with written

notification of the need for a Project Modification (**"Project Modification Notice"**), with a proposal for the required modification and/or a procedure for developing, implementing and funding such a modification, and the Plaintiffs, Whittaker and AISLIC shall exercise their best efforts to develop an appropriate and mutually acceptable Project Modification. Any proposed Project Modification shall incorporate the use of best available, cost efficient and effective technology upon consultation with the technical representatives of Whittaker and AISLIC. If, within 60 days after the receipt of the Project Modification Notice, the Plaintiffs, Whittaker and AISLIC are unable to agree upon a Project Modification, Plaintiffs may demand arbitration. In that event, the matter will be resolved by the Cost Consultant in accordance with Article 7.

9.1.3 In addition to the foregoing, within the first three (3) years after Commencement of Operations of the Project (which time period will be tolled during any period in excess of one week of Remedy Stoppage), Whittaker or AISLIC may propose a Project Modification based upon the occurrence of any of the circumstances described in Section 9.1.1 above, and deliver the proposal, including all appropriate documentation, to the other Parties for consideration at the next Technical Meeting. If the Plaintiffs, Whittaker and AISLIC are unable to agree on the proposed Project Modification within 60 days after delivery of the proposal and documentation, the proposing party may demand arbitration. In that event, the matter will be resolved by the Cost Consultant in accordance with Article 7.

9.1.4 Following the first three (3) years after Commencement of Operations of the Project (which time period will be tolled during any period in excess of one week of remedy stoppage requiring Project Modification), and prior to determination of a Lump Sum pursuant to Section 5.2.6, Whittaker or AISLIC may propose a Project Modification and deliver the proposal, including all appropriate documentation, to the other Parties for consideration at the

next Technical Meeting, if Whittaker or AISLIC are willing to pay for the capital costs and O&M costs associated with such Project Modification. If the Parties are unable to agree on the proposed Project Modification within 60 days after delivery of the proposal and documentation, the matter will be resolved by arbitration in accordance with Article 7.

9.1.5 Following the first three (3) years after Commencement of Operations of the Project (which time period will be tolled during any period in excess of one week of Remedy Stoppage, and prior to determination of a Lump Sum pursuant to Section 5.2.6, Plaintiffs may propose a Project Modification and deliver the proposal, including all appropriate documentation, to the other Parties for consideration at the next Technical Meeting, if Plaintiffs are willing to pay for the capital costs associated with such Project Modification. Defendants, subject to Section 2.5, will retain the obligation to pay Project O&M Costs, including any increase in such costs resulting from the Project Modification. If the Parties are unable to agree on the proposed Project Modification within 60 days after delivery of the proposal and documentation, the matter will be resolved by arbitration in accordance with Article 7.

9.1.6 Funding By Defendants

Once a Project Modification has been agreed upon or resolved by arbitration, the Project Modification shall become incorporated in the Project, and shall be handled in all respects as a part of the Project, with Defendants obligated on a joint and several basis subject to Section 2.5 to pay for all reasonable and necessary Project Capital Costs and Project O&M Costs associated with the Project Modification, including costs of replacement water in the event of a Remedy Stoppage within the first three years after Commencement of Operation of the Project (which time period will be tolled during any period in excess of one week of Remedy Stoppage). This Project Modification funding obligation for Project Capital Costs is in addition to the obligation

for funding Project Capital Costs as defined in Section 1.5.4, for which an amount of ten million dollars ($10,000,000) has been allocated. In the event that a modification of the Project is required or desired after the first three (3) years following Commencement of Operations of the Project (which time period will be tolled during any period in excess of one week of Remedy Stoppage), Plaintiffs will bear all Project Capital Costs associated with the Project Modification, except for Project Modifications proposed by Whittaker or AISLIC pursuant to Section 9.1.4. Any increase in O&M costs resulting from such Project Modification will be included in Project O&M Costs required to be paid by Defendants pursuant to the applicable provisions of this Agreement.

9.1.7 Newhall County Well NC13

9.1.7.1 Notwithstanding any other provisions of this Agreement, the provisions of this Section shall govern matters relating to Newhall County Well NC13 in the event of any conflict.

9.1.7.2 The Parties recognize that perchlorate contamination reportedly found in Newhall County Well NC13 may require well-head or equivalent treatment, or well replacement, in the future. If NCWD reasonably believes that well-head or equivalent treatment or replacement of Newhall County Well NC13 is in fact required, then such proposed measures may, in NCWD's sole discretion, be treated as a request for a Project Modification subject to the provisions of Section 9.1.2, even if the proposal is not made until later than three (3) years after Commencement of Operations of the Project; provided, however, that Whittaker and AISLIC retain expressly all rights under the Project Modification provisions of Article 9, including the right to object based on the cost-ineffectiveness of the proposal or on other grounds, and provided that the proposal shall not be treated as a Project Modification unless it is made no later

than July 1, 2017. The funding by Defendants of a Project Modification pursuant to this Section shall include capital costs even if it does not occur until later than three (3) years after Commencement of Operations of the Project.

9.1.7.3 If NCWD seeks and obtains a Project Modification with respect to NC13, then NC13 shall be treated as a Subject Well; however, unless and until NCWD obtains a Project Modification with respect to NC13, it shall not be deemed a Subject Well and there shall be no release of any liability in connection therewith.

9.1.7.4 Any Lump Sum Arbitration conducted at a time when NC13 is not part of a Project Modification shall have no impact on the obligations created in this Section. If NC13 is a Project Modification and is undergoing well head or equivalent treatment at the time a Lump Sum Arbitration for Saugus 1 and 2 Treatment Plant Operations and Maintenance is conducted, the Lump Sum Arbitration shall also determine a separate lump sum for the operation and maintenance of NC13 for the remainder of the up to thirty (30) year period after the commencement of well-head or equivalent treatment at NC13, deducting that portion of the Lump Sum determined for Saugus 1 and 2 Treatment Plant Operations and Maintenance costs allocable to NC13 from such separate lump sum to the extent NC13 is being treated through the Saugus 1 and 2 Treatment Plant.

9.1.7.5 In the event that NC13 becomes a Project Modification after a Lump Sum Arbitration for Saugus 1 and 2 Treatment Plant Operations and Maintenance costs has occurred, the obligation to pay for Project Modification costs shall continue for a period of up to thirty (30) years after the commencement of well-head or equivalent treatment at NC13, unless, beginning three (3) years after such Project Modification, Plaintiffs, Whittaker, or AISLIC, demand binding arbitration as provided in Article 13 of this Agreement and consistent

with this Section, to determine a lump sum payment of NC13 operation and maintenance costs for the remainder of the up to thirty (30) year period.

9.1.7.6 Prior to NC13 becoming a Project Modification, Plaintiffs' rights under the Rapid Response Fund will not be impaired.

ARTICLE 10. DISPUTES REGARDING POSSIBLE FUTURE PERCHLORATE CONTAMINATION

10.1 Process for Addressing Possible Future Perchlorate Contamination

The Parties acknowledge that the remedy contemplated by the Project and Distribution Pipelines, the Q2 Treatment System, and the Replacement Wells and Associated Pipelines does not specifically address possible future impacts of perchlorate on wells other than the Subject Wells.

10.1.1 In the event that there is detection of perchlorate contamination confirmed by subsequent sample above the Notification Level or MCL that affects water production from Presently Existing Saugus Production Wells or Alluvial Wells, other than one of the Subject Wells (hereinafter referred to as a "**Non-Subject Well Future Perchlorate Circumstance**" or "**Circumstance**"), one or more of the affected Plaintiffs shall provide written notice to all other Parties that a Non-Subject Well Future Perchlorate Circumstance exists. Such written notice shall include the facts relevant to such Circumstance, as well as documents relevant to such Circumstance, and shall specify whether any action, payment, or relief is being demanded. The sender of the Notice shall provide such other and further information and documentation, and updates regarding the Circumstance, as may be reasonably appropriate. In the event that an action, payment, or other relief is being demanded of Whittaker, Whittaker shall, within fifteen (15) days of receipt of the Notice, forward such Notice to AISLIC seeking a determination of coverage with respect to such demand, if Whittaker believes that coverage exists for such

demand. In its letter to AISLIC requesting a determination of coverage, and thereafter, Whittaker shall provide to AISLIC all information and documents relating to the Circumstance as have been provided to Whittaker, and Whittaker shall request that AISLIC provide a determination of coverage as soon as possible, and AISLIC shall respond no later than sixty (60) days following AISLIC's receipt of information and documents reasonably necessary to make a coverage determination. In the event that an action, payment, or other relief is being requested, the sender of the Notice shall meet and confer in good faith with such Party that is a subject of the Notice and, as appropriate, its insurers, to attempt to negotiate a resolution of the issues presented by the Circumstance. In the event that after 90 days from the date of receipt of the Notice (the "**Notice Period**"), the issues presented in the Notice are not resolved through such meeting or meetings, then any Plaintiff may elect to initiate the arbitration process for Future Perchlorate Contamination Disputes under Section 13.3.2.1 of this Agreement, provided that the AISLIC Future Perchlorate Determination of Coverage has been received by Whittaker, and Whittaker satisfies itself, at its discretion exercised in good faith, that AISLIC's determination of coverage is acceptable to allow the arbitration to go forward. Whittaker shall notify such Party and AISLIC in writing of Whittaker's decision within 15 days of receiving AISLIC's determination of coverage. If Whittaker provides such notice indicating that AISLIC's determination of coverage is not acceptable to Whittaker, or if AISLIC fails to provide any determination of coverage within the requisite sixty (60) period, then no Plaintiff may elect to initiate the arbitration process.. Where arbitration may be initiated hereunder and a Plaintiff elects to initiate the arbitration process, said Future Perchlorate Contamination Dispute will be resolved through the procedures for Future Perchlorate Contamination Disputes set forth in Section 13.3 of this Agreement.

10.1.2 Unless arbitration may be initiated pursuant to Section 10.1.1 above, and a Plaintiff elects in its sole discretion to initiate the arbitration process pursuant to Section 13.3.2.1 with respect to a Future Perchlorate Contamination Dispute, such dispute will not be subject to the procedures set forth in Section 13.3 and may instead be heard in its entirety by a court of competent jurisdiction.

10.1.3 Except as provided herein, each Party agrees that execution of this Agreement shall constitute their respective consents to jurisdiction of the Federal District Court, Central District of California, or the Superior Court of the County of Los Angeles with regard to Future Perchlorate Contamination Disputes. Notwithstanding the foregoing, the venue for any action against the Debtors, or the reorganized Debtors pursuant to a plan of reorganization approved by the Bankruptcy Court, shall be the Bankruptcy Court to the fullest extent that the Bankruptcy Court has subject matter jurisdiction over such action.

10.1.4 Notwithstanding the foregoing, in the event that Plaintiffs have obtained funds from the Rapid Response Fund pursuant to Section 11.2 to address a Circumstance as defined herein, any disputes over the use of the Rapid Response Fund for the Circumstance for which arbitration is initiated under Section 10.1.1 will be handled in accordance with Section 13.3.

ARTICLE 11. PROJECT INSURANCE; RAPID RESPONSE FUND

11.1 Project Insurance

11.1.1 Plaintiffs shall obtain and maintain in force the following policies of insurance for the Project or obtain additional insured status on policies offered by the Resin Service Contract Vendor throughout the first thirty years of operation of the Project (including any renewals with same or substantially similar coverage):

- a comprehensive general liability policy of insurance, including contractual liability, in substantially the form of Exhibit V to this Agreement (the "**CGL Policy**");
- an Environmental Impairment Liability policy in substantially the form of Exhibit W to this Agreement (the "**EIL Policy**") if obtainable for a commercially reasonable premium as agreed by the Parties and AISLIC or determined by the Cost Consultant;
- an earthquake policy of insurance in substantially the form of Exhibit X to this Agreement (the "**Earthquake Policy**")
- a First-Party Property Insurance policy in substantially the form of Exhibit Y to this Agreement (the **"Property Policy"**).

The CGL Policy, the EIL Policy, the Earthquake Policy and the Property Policy must be obtained by Plaintiffs with Plaintiffs and, other than the Earthquake and Property Policies, Defendants and the Buyer, identified as named insureds or additional insureds, and with coverages, policy limits, and deductibles or self-insured retentions as set forth on Exhibits V, W, X, and Y or as provided on substantially similar coverage, or alternatively, as provided on less expensive similar insurance offered through the Resin Service Contract Vendor. In the event that the Resin Service Contract Vendor is retained to provide operations and maintenance Labor for the Project, no cost of EIL coverage shall be paid by Defendants as Project O&M Costs or otherwise, so long as EIL coverage substantially similar to Exhibit W is provided to Plaintiffs by the Resin Service Contract Vendor.

11.1.2 Incremental costs of the Project Insurance coverage, in excess of the Plaintiffs' non-Project costs of such coverage, will constitute Project O&M Costs.

11.1.3 Duties of Named Insureds

11.1.3.1 Each Party that is named as an insured or additional insured under the CGL Policy, the EIL Policy, or substitute insurance obtained through Resin Service Contract Vendor, Earthquake Policy and Property Policy, shall perform its duties as an insured as set forth in each such policy of insurance.

11.1.3.2 No Party that is named as an insured or additional insured under the CGL Policy or EIL Policy shall act on behalf of any other Party also insured under said insurance policies with respect to (a) giving or receiving of notice of cancellation; or (b) receipt or acceptance of any endorsement issued to or for a part of any of said insurance policies. No Party insured under the CGL Policy or EIL Policy shall cancel, or assign the right to cancel, any of said policies without first obtaining the written consent of all other Parties, which shall not be unreasonably withheld.

11.1.4 The Parties agree not to make a claim against Plaintiffs, Whittaker, AISLIC, the Buyer, Debtors, Steadfast, or SF Escrow 1 or SF Escrow 2 for any sums paid by any insurance policy referenced in this Article 11. The insurance obtained pursuant to this Article 11 shall contain a waiver of subrogation against Plaintiffs, Whittaker, AISLIC, the Buyer, Debtors, Steadfast, and SF Escrow 1 and SF Escrow 2.

11.2 Rapid Response Fund

11.2.1 The Parties acknowledge that the remedy contemplated by the Project and Q2 Treatment System may not effectively contain downgradient movement immediately of perchlorate contamination in the Alluvial Aquifer or portions of the Saugus Formation. Accordingly, Plaintiffs may submit to AISLIC and AISLIC shall process and pay, as soon as practicable from the SF Escrow 1 Account in accordance with this Section 11.2 and the

Coverage and Claims Settlement Agreement, costs incurred to respond on an expedited basis to perchlorate contamination that is confirmed to be present by subsequent sampling, with split samples to be provided to Defendants, in concentrations exceeding the applicable Notification Level or MCL, in VWC wells N, N-7, N-8, S6, S7, S8, 201, and 205, and NCWD wells NC-10, NC-12 and/or NC-13 (the **"Threatened Wells"**) up to a total amount of ten million dollars ($10,000,000) (the **"Rapid Response Fund"**). Plaintiffs shall be entitled to seek such payment and/or reimbursement only for the period ending July 1, 2017.

11.2.2 Pending agreement between Plaintiffs, Whittaker and AISLIC, or a final determination of the appropriate remedy and amounts payable, allowable uses of the Rapid Response Fund by Plaintiffs include, (a) the additional costs of providing consumers with water from alternative water sources ("**Replacement Water**"), if and to the extent that Replacement Water is necessary and not otherwise available, from existing sources without negative impact to Plaintiffs or any of them, and (b) any costs for rental equipment and resin, including the costs of operating and maintaining leased treatment equipment, or for associated site acquisition, preparation and installation costs. Capital Costs for purchase of capital equipment or permanent capital improvements, and operations and maintenance costs associated with purchased capital equipment or permanent capital improvements, are not allowable uses of the Rapid Response Funds absent later agreement by both AISLIC and Whittaker on a case by case basis.

11.2.3 The Rapid Response Fund obligation will be paid from the funds maintained in the SF Escrow 1 Account. The Defendants and AISLIC agree, and the Defendants represent and warrant that they have obtained the agreement of the "Zurich Parties" and the "AISLIC Parties" (as defined in the Coverage and Claims Settlement Agreement) that

the funding of the Rapid Response Fund from the SF Escrow 1 Account falls within the Uses of SF Escrow 1 Funds, Section IV.F.5.a.(i) of the Coverage and Claims Settlement Agreement.

11.2.4 To obtain payment and/or reimbursement from the Rapid Response Fund, Plaintiffs must directly tender their written request(s) for payment for a ninety day period of time, along with a sworn statement describing the need for specified funds due to confirmed perchlorate contamination in concentrations exceeding the applicable Notification Level or MCL in one or more of the Threatened Wells, and identifying the last date, if any, that the Well for which funding is sought may have been disinfected and the product or solution that may have been used, to AISLIC, with courtesy copies to Defendants. All written requests for payment shall state the need for said specified funds within a ninety day period. Any request for additional ninety day funding shall require a new written request for payment accompanied by a new supporting statement as described above and supporting cost documentation. Within fifteen (15) days of receipt of such written request and sworn statement, AISLIC will instruct Wells Fargo Bank or other agreed bank to make payment of the required Rapid Response Funds to Plaintiffs from the SF Escrow 1 Account.

11.2.5 In the event that the SF Escrow 1 Account Terminates (as defined in Section 5 of the SF Escrow 1 Instructions) prior to the expiration of the time period described in Section 11.2.1 above and in the further event that the $10,000,000 Rapid Response Funds have not been fully paid, the AISLIC Policy Coverages A-F, to the extent that limits remain thereunder, will be available to Whittaker to provide Plaintiffs with a rapid response for the remainder of the time period described in Section 11.2.1 above for the remaining unpaid amount of the agreed $10,000,000 in Rapid Response Funds. In the aforementioned circumstances, Plaintiffs must directly submit their written request(s) for payment for a ninety day period of

time, along with a sworn statement describing the need for specified funds due to confirmed perchlorate contamination in concentrations exceeding the applicable Notification Level or MCL in one or more of the Threatened Wells as described in Section 11.2.4, to Whittaker, with courtesy copies to AISLIC. Within seven (7) Working Days of receipt of such written request and sworn statement, Whittaker, in turn, shall submit a claim pursuant to this Agreement to AISLIC under Coverages A-F for the aforementioned Rapid Response Funds, and Whittaker's payment shall be due within twenty-eight (28) Working Days of receipt of Plaintiff's written request to the extent that limits remain under AISLIC Policy Coverages A-F. Upon receipt of said claim from Whittaker ("Whittaker Rapid Response Claim") and provided that the CLWA Plaintiffs have provided a written request and sworn statement to Whittaker pursuant to and in accordance with Section 11.2 "Rapid Response Fund" of this Agreement, AISLIC shall: (1) treat any Whittaker Rapid Response Claim as a covered claim under AISLIC Policy Coverages A, B, C, D, E, or F, and respond to said claim pursuant to the terms of the AISLIC Policy Coverages A-F and without reservation of coverage rights to the extent that limits remain under AISLIC Policy Coverages A-F, but with reservation of AISLIC's rights, to the full extent of the rights set forth herein (a) to assert disputes, claims or controversies under this Agreement and (b) to assert all of Whittaker's substantive defenses to payment of Rapid Response Funds as provided in this Agreement and (2) make payment on Whittaker's Rapid Response Claim to CLWA Plaintiffs on behalf of Whittaker within twenty one (21) Working Days of AISLIC's receipt of a Whittaker Rapid Response Claim that is fully compliant with Section 11.2 of the Castaic Lake Water Agency Litigation Settlement to the extent that limits remain under AISLIC Policy Coverages A-F. Nothing in this Section 11.2.5 of this Agreement is intended or shall be construed to be agreement as to which Coverage(s) (i.e., A, B, C, D, E, or F) apply to Whittaker's Rapid

Response Claim(s). This Section 11.2.5 is unique and specific to Whittaker's Rapid Response obligation and nothing in this Section 11.2.5 is intended to be or shall be of precedential value or construed to be agreement as to treatment or handling of any other current or future claims that Whittaker may assert under or Plaintiffs may assert with respect to the AISLIC Policy.

11.2.6 Any dispute, claim or controversy concerning payment of costs or losses under this Section, including any disputes as to the reasonableness and necessity of said costs, will be resolved by expedited binding arbitration in accordance with Section 13.2 or Section 13.3, as appropriate.

11.2.7 This Rapid Response Fund remedy is in addition to any remedy otherwise available to Plaintiffs at law or in equity, or pursuant to this Agreement, provided that Plaintiffs will not seek duplicate recovery from Defendants or their insurers or AISLIC or SF Escrow 1 for any losses, costs, expenses, or damages paid by the Rapid Response Funds. Defendants and their insurers reserve all defenses they may have with respect to payment of Rapid Response Funds, including but not limited to the defense that Plaintiffs' disinfection or other operation and maintenance procedures carried out after the Effective Date hereof have contributed to or caused the perchlorate detection and the defense that Defendants are not otherwise legally or factually responsible or liable for the perchlorate contamination. In the event that Rapid Response Funds are determined by binding arbitration to have been improperly requested by or paid to Plaintiffs in whole or in part based upon defenses the Defendants or their insurers or AISLIC may have with respect to payment of Rapid Response Funds, Plaintiffs shall be required to reimburse those funds in whole or in part to the SF Escrow 1 or the AISLIC Coverages A-F limits, as appropriate, which Escrow and/or Policy shall be replenished to the extent of the reimbursement.

ARTICLE 12. RELEASES AND DISMISSAL OF UNDERLYING ACTION

12.1 Plaintiffs' Releases

12.1.1 In consideration of Defendants' payments, promises, and covenants herein, including funding provided by or on behalf of Defendants pursuant to the Coverage and Claims Settlement Agreement and the Related Settlement, each Plaintiff, on behalf of itself and its predecessors, successors and assigns, hereby forever releases, acquits and forever discharges Whittaker and its insurers (including but not limited to AISLIC, The Insurance Company of the State of Pennsylvania ("ISOP"), and Steadfast), SCLLC, RFI, RFI Realty, BRLLC, the Buyer, and Steadfast Santa Clarita Holdings, LLC (**"SSCH"**), and their respective officers, directors, shareholders, members, employees, agents, representatives, contractors, reinsurers, consultants, subsidiaries, affiliates, predecessors, successors and assigns from any and all actions, causes of action, claims, demands, liabilities, damages, penalties, fines, debts, losses, costs, expenses and fees (including, without limitation, litigation costs and attorney and consultant fees) of every kind and nature whatsoever, in law and in equity, whether known or unknown, suspected or unsuspected, foreseen or unforeseen, arising out of or relating to the past, present or future detection of perchlorate in the Subject Wells, (except for claims addressed in Section 12.1.2 and Section 12.1.3 which are not released in this Section 12.1.1) including (without limitation) all claims for past and future purchase of replacement water as a result of the detection of perchlorate in the Subject Wells (except for the costs of providing consumers with water from alternative water sources during the first three years after Project operations commence if there is a Remedy Stoppage during said time period), all Plaintiffs' Past Environmental Claims, all Plaintiffs' Past Design Costs Claims, all Plaintiffs' claims relating to the V-206 Replacement Well, including, but not limited to, construction and installation of VWC's well V-206 and associated pipelines, and permanent closure and abandonment of VWC's well V-157, all claims

with respect to the Capital Costs for Q2, and all claims for past or future response costs and other costs incurred as a result of perchlorate detection in the Subject Wells, including attorneys' and consultants' fees and costs. However, excluded from the release provided in this section are any claims or causes of action arising out of or relating to any future claims, causes of action, suits, legal or administrative proceedings by third parties (or by Defendants where the proceeding is initiated by a third party) against Plaintiffs for actual bodily injury, property damage or response costs allegedly suffered or incurred by such third-parties, including but not limited to any and all third party claims, causes of action, suits, legal or administrative proceedings against Plaintiffs and any resulting damages, losses, penalties, fines or liabilities , after the Effective Date arising out of or related to alleged exposure to or release of perchlorate or other chemicals caused by Plaintiffs' operation of the Project, (collectively, **"Third Party Claims"**) but not excluding any Third Party Claims resulting from the Plaintiffs' negligence or willful misconduct in operation of the Project. Plaintiffs represent and warrant that, as of the Effective Date of this Agreement, they are not aware of any Third Party Claims brought against any of them. The releases provided in this Section 12.1.1 shall be effective upon payment of all funds required to be paid within thirty (30) days after the Effective Date of this Agreement..

12.1.2 Release For Costs Applied Against Escrows. Upon each payment from the Escrow Accounts for Project Capital and O&M Costs, Q2 O&M Costs, and Replacement Wells/Distribution Pipeline Capital Costs (and following any adjustment for a disputed item), and upon each payment of Rapid Response Funds from the SF Escrow 1 Account or the AISLIC Policy, as applicable, each Plaintiff, on behalf of itself and its predecessors, successors and assigns, hereby forever releases, acquits and forever discharges Whittaker and its insurers (including but not limited to AISLIC, ISOP and Steadfast), SCLLC, RFI, RFI Realty, BRLLC,

the Buyer, and SSCH, and their respective officers, directors, shareholders, members, employees, agents, representatives, contractors, reinsurers, consultants, subsidiaries, affiliates, predecessors, successors and assigns from any and all actions, causes of action, claims, demands, liabilities, damages, penalties, debts, losses, costs, expenses and fees (including, without limitation, litigation costs and attorney and consultant fees) of every kind and nature whatsoever, in law and in equity, in connection with the Project, the Q2 Treatment System, the Replacement Wells and the Distribution Pipelines, and the Rapid Response Funds, but only to the extent of such payment.

12.1.3 As to Project O&M Costs, and subject to Section 9.1.7 hereof, upon the sooner of payment by Defendants of a Lump Sum determined by arbitration pursuant to Section 5.2.6 hereinabove or of payment of all Project O&M pursuant to Article 5, each Plaintiff, on behalf of itself and its predecessors, successors and assigns, hereby forever releases, acquits and forever discharges Whittaker and its insurers (including but not limited to AISLIC, ISOP and Steadfast), SCLLC, RFI, RFI Realty, BRLLC, the Buyer, and SSCH and their respective officers, directors, shareholders, employees, agents, representatives, contractors, reinsurers consultants, subsidiaries, affiliates, predecessors, successors and assigns from any and all actions, causes of action, claims, demands, liabilities, damages, penalties, debts, losses, costs, expenses and fees (including, without limitation, litigation costs and attorney and consultant fees) of every kind and nature whatsoever, in law and in equity, in connection with the Project. The releases provided in this Section 12.1.3 exclude any Third Party Claims arising after the Effective Date related to alleged exposure to or release of perchlorate or other chemicals caused by Plaintiffs' operation of the Project, other than Third Party Claims resulting from the Plaintiffs' negligence or willful misconduct in operation of the Project.

12.1.4 Plaintiffs agree that the Steadfast PLC policy no. PLC 3598792-00 issued by Steadfast to Defendants has been exhausted by Steadfast's deposit into the SF Escrow 1 Account and the SF Escrow 2 Account of the remaining limits of this pollution liability coverage (**"Steadfast PLC Policy"**) insurance policy, with Plaintiffs waiving any and all purported rights and claims they have or may have against such PLC Policy. Plaintiffs waive and release any and all purported rights and claims they have or may have against the Steadfast EOC policy no. 3554336.

12.1.5 Each of the Plaintiffs has filed a proof of claim in each of the Bankruptcy Cases in which RFI and SCLLC are the debtors asserting the liquidated and unliquidated claims alleged by them against RFI and SCLLC in the Underlying Action (**"Proofs of Claim"**). In place of the Proofs of Claim, Plaintiffs shall have a single allowed claim against the Debtors, and each of them, in the Bankruptcy Cases in an amount equal to the obligations of Debtors pursuant to this Agreement (**"Allowed Claim"**) and the Final Approval Order shall so provide. Except to the extent that certain funds in SF Escrow 1 will be paid on behalf of Defendants to Plaintiffs and to fund escrow accounts for the benefit of Plaintiffs pursuant to this Agreement, and the Coverage and Claims Settlement Agreement, Plaintiffs waive any right to any payment or distribution of assets, property or funds of the estates of the Debtors in the Bankruptcy Cases by reason of their Allowed Claim and such Proofs of Claim shall be deemed satisfied by the consideration furnished by Debtors pursuant to this Agreement. Plaintiffs further agree that, notwithstanding any other provision of this Agreement, their sole recourse against the Debtors and any reorganized Debtors pursuant to a plan of reorganization approved by the Bankruptcy Court, for any and all actions, causes of action, claims, demands, liabilities, damages, penalties, debts, losses, costs, expenses and fees (including, without limitation, litigation costs and attorney

and consultant fees) of every kind and nature whatsoever, in law and in equity against the Debtors shall be the SF Escrow 1 Account.

12.1.6 Plaintiffs agree that this Settlement does not compromise, release, diminish or adversely affect the rights of Debtors or their successors in interest to enforce obligations, if any, of SCWC and/or NCWD to provide water to the Property pursuant to the documents attached collectively as Exhibit Z.

12.1.7 Plaintiffs agree that: (i) the Steadfast PLC Policy is released by all such Plaintiffs such that no Plaintiff can assert any claim against the Steadfast PLC Policy; and (ii) the Steadfast EOC Policy is released by all such Plaintiffs such that no Plaintiff can assert any claim against the Steadfast EOC Policy.

12.2 Bankruptcy Releases.

Debtors, acting on behalf of themselves and on behalf of each of their bankruptcy estates, shall release the Plaintiffs from any and all claims, obligations, causes of action and liabilities (i) under any of sections 542, 544, 545, 547, 548, 549, or 553 of the Bankruptcy Code to avoid any alleged transfer to or seek turnover from a Plaintiff, (ii) under section 550 of the Bankruptcy Code to recovery any such alleged transfer, (iii) under section 510(c) of the Bankruptcy Code to subordinate any claim of a Plaintiff, and (iv) under Section 502(d) or 502(j) of the Bankruptcy Code.

12.3 Civil Code Section 1542

12.3.1 The Parties to this Agreement have read and fully understand the statutory language of Section 1542 of the Civil Code of State of California ("Section 1542"), which reads as follows: "A general release does not extend to claims which the creditor does not know or

suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

12.3.2 As to the releases given in Section 12.1 and 12.2, each Party hereto acknowledges that it may hereafter discover facts different from, or in addition to, the facts which it now knows or believes to be true with respect to the perchlorate groundwater contamination in the area of the Site or Subject Wells, and that it is each Party's intention to specifically waive and relinquish any and all protections, privileges, rights and benefits under Section 1542 as to the claims to be specifically released under Sections 12.1 and 12.2.

12.4 Dismissal of Underlying Action

Within forty-five (45) Days after the Effective Date, and provided that the Defendants have paid to Plaintiffs the full amount required to be paid within thirty (30) days after the Effective Date of this Agreement, the Plaintiffs shall file a request for dismissal, with prejudice to the extent expressly released herein and otherwise without prejudice, of the claims asserted in the Underlying Action and, thereafter, shall do whatever is required to effectuate such dismissal.

12.4.1 With respect to any claims dismissed without prejudice, the Parties agree not to assert any statute of limitation or equitable defense based on the passage of any period of time prior to, at a minimum, one year after the Effective Date of this Agreement (the "Tolled Period"). The Tolled Period will be extended automatically for an additional three years (the "Extended Period") unless a Party determines to terminate the Tolled Period at that Party's sole discretion, and provides written notice at any time within the Extended Period, of a specific date, set no earlier than ten days from the date of such written notice. Any applicable statutes of limitation or equitable defense based on the passage of time shall begin to run after four years have elapsed from the Effective Date, or after an earlier date that may be set in accordance with

the foregoing termination of the Extended Period. Notwithstanding anything in this Section, and unless the Extended Period is terminated by a Party, the Parties agree to meet and confer before the expiration of the Extended Period to consider renewal of the tolling period for up to an additional four years in accordance with California Code of Civil Procedure Section 360.5.

12.4.2 With respect to any claims Plaintiffs may allege to have with respect to or arising out of the presence of perchlorate or other hazardous substances, wastes or materials in the groundwater, soil or surface water at or in the vicinity of the Site, Plaintiffs agree to forebear from bringing any action in any court based on such claims for the Tolled Period of one year after the Effective Date of this Agreement and for any additional period of time that the Extended Period is in effect in accordance with subsection 12.4.1 (the "Forbearance Period"). The Forbearance Period shall run concurrently with the Tolling Period and any Extended Period, and the Parties may, by mutual agreement, renew the Tolling and/or Extended Periods in accordance with subsection 12.4.1. Subsections 12.4.1 and 12.4.2 expressly do not apply to any claims that may be asserted in accordance with the provisions of Section 11.2 (Rapid Response Fund), above, and any defenses thereto.

12.5 Notification Regarding Use of Well Disinfectant

Prior to performing any disinfection of any of the Subject Wells or Threatened Wells, Plaintiffs agree to provide Whittaker and AISLIC with 10 days written notice. Prior to applying any disinfecting product or solution down-hole, one water sample will be collected from the Well and analyzed for perchlorate. After all down-hole operations are completed, and prior to putting the Well back into service, one water sample will be collected and analyzed for perchlorate. In addition, one sample of the product or solution to be used for down-hole disinfection will be collected and analyzed for perchlorate. Plaintiffs further agree that in all

other respects, they will follow the American Water Works Association's "AWWA Standard For Disinfection Of Wells", dated November 1, 2003, attached hereto as Exhibit CC, and that Plaintiffs will timely provide Whittaker and AISLIC with the analytic results of the above-referenced three samplings, as well as copies of a completed Worksheet containing the information called for in the AWWA's sample Worksheet that is attached hereto as part of Exhibit CC. All three (3) samples will be tested for perchlorate using the approved United States Environmental Protection Agency (EPA) and DHS Method 314.0 and report the results using a detection limit for reporting (DLR) of 4 ppb. Plaintiffs agree to use the most current perchlorate test method and DLR approved by DHS for drinking water in the event Method 314 is revised in the future.

ARTICLE 13. DISPUTE RESOLUTION

13.1 Disputes Governed by Article 13

All disputes between Parties to this Agreement arising out of or related to this Agreement, including the interpretation, enforcement or breach of this Agreement, (excluding disputes to be decided by the Cost Consultant, which are to be resolved pursuant to Article 7), are subject to the dispute resolution procedures contained in this Article 13.

13.1.1 Procedures Applicable To All Disputes Governed by Article 13

13.1.1.1 Additional Procedural Requirements. The procedural rules of the arbitration herein shall be supplemented by any non-conflicting arbitration procedures of the Judicial Arbitration and Mediation Service (**"JAMS"**) Comprehensive Arbitration Rules & Procedures, or such other alternative dispute resolution provider as may be agreed upon by the parties to the dispute in writing, applicable to commercial arbitration and may be modified by agreement of the parties to the dispute (the "Rules"). If any provision of this Agreement conflicts with the Rules, then this Agreement shall govern.

13.1.1.2 Retention of Consultants. The arbitrator may seek the approval of the parties to the dispute to retain a consultant. The arbitrator shall provide to all parties to the dispute an explanation for the need for the consultant, the consultant's identity, hourly rate, and the estimated costs of the service. All parties to the dispute must approve the retention of the consultant and, if retention of the consultant is approved, the parties to the dispute shall share equally the costs of the consultant. The consultant's cost shall not exceed ten thousand ($10,000) without the prior written consent of the parties to the dispute.

13.2 Expedited Arbitration Procedures

13.2.1 Notice of Dispute; Good Faith Meeting; Demand for Arbitration

Any Party who perceives that a dispute has arisen which is subject to the dispute resolution procedures contained in this Article 13, other than Future Perchlorate Contamination Arbitration or Lump Sum Arbitration governed by Section 13.3 below, may give written notice of such dispute to all other Parties. The Parties shall meet to resolve the dispute within seven (7) Working Days after receipt of such written notice by the last Party to receive it. If the Parties are unable to resolve the dispute in good faith within fifteen (15) Days after receipt of such written notice by the last party to receive it, the Party that gave written notice of the dispute may initiate the arbitration procedure described below by delivery of a Demand for Arbitration to all other Parties (excluding any that no longer legally exist) no later than thirty (30) Days after receipt of the written notice of such dispute by the last party to receive it.

13.2.2 Approved Arbitrators

Disputes subject to the expedited arbitration procedure set forth in this section 13.2 shall be decided by one impartial arbitrator qualified to serve as an arbitrator. The list in Exhibit AA consists of five (5) approved arbitrators; however, on or about the third

anniversary of the effective date of this agreement, the parties shall meet and agree to a list of five arbitrators for the next three year period, and the same process shall take place on each third anniversary thereafter. The list of arbitrators may be supplemented by mutual agreement of the Parties in writing. An arbitrator shall be chosen by agreement of the parties involved in the dispute. If the parties involved in the dispute are unable to reach agreement, the one arbitrator shall be selected by each side (Defendants and AISLIC being considered one side for purposes of such strikes) striking one arbitrator from the list in succession (beginning with Plaintiffs) until only one arbitrator remains. Plaintiffs shall strike one arbitrator within two (2) Working Days of notice of the arbitration. Each successive strike shall take place within two (2) Working Days thereafter. Notice shall be given pursuant to the provisions of Section 15.4 hereof. If the list of five (5) approved arbitrators needs to be supplemented in order to assure a complete list of five (5) available arbitrators before such a selection, the parties to the dispute shall supplement the list by mutual agreement, or in the absence of such agreement, the list shall be supplemented by the Judicial Arbitration and Mediation Service ("JAMS") in Los Angeles (or a mutually agreeable substitute). If the method described above does not identify a person available to act as arbitrator for any particular dispute, the parties involved in the dispute shall use their best efforts to select an arbitrator by mutual agreement. If the parties to the dispute are unable to reach agreement, the listing process set forth by JAMS Rule 15 shall govern.

13.2.3 Expedited Arbitration

Plaintiffs and Defendants and AISLIC shall, within fifteen (15) Working Days after receipt of a Demand for Arbitration pursuant to Section 13.2.1, above, provide written statements of position to the arbitrator, with copies to the other Parties, setting forth their respective positions. Within ten (10) Working Days after receipt of such a written statement of

position, any party may provide a rebuttal to the arbitrator, with copies to the other Parties. Evidentiary hearing and oral argument of the disputed matter shall be held no earlier than fifteen (15) Working Days after delivery of the rebuttal summaries, and should be scheduled at the earliest available convenient time for the parties to the dispute and the arbitrator. The arbitrator shall render a binding written opinion, including detailed findings of fact and conclusions of law, within ten (10) Working Days after the conclusion of the evidentiary hearing and oral argument.

In any such arbitration in which the written opinion is rendered by the arbitrator prior to the arbitrator's determination of the Lump Sum pursuant to Section 5.2.6 and 13.3, the arbitrator's fees shall be a Project O&M Cost. The award by the arbitrator may include the award of reasonable attorney's fees to the prevailing party, if the arbitrator finds that there is a "prevailing" party. The arbitrator will inter alia be empowered to award response costs or damages. The arbitrator will not be empowered to award injunctive or declaratory relief or award punitive damages or determine coverage issues under the AISLIC Policy. In awarding damages resulting from a breach of the Agreement, the arbitrator may take into consideration, among other things, any disruption to the Project, lost production capacity in the Subject Wells, and costs of replacement water resulting from Defendants' breach of their funding obligations hereunder. Any arbitration award against the Debtors is subject to Section 2.5 herein. The Parties acknowledge and agree that each of the Plaintiffs, in its sole discretion, reserves the right to seek declaratory and/or injunctive relief in a state or federal court action against Defendants, notwithstanding the initiation or resolution of any arbitration proceeding under this Article 13. The Plaintiffs agree that they will refrain from pursuing any claim or lawsuit for injunctive or declaratory relief against Defendants based on the same factual circumstances, pending receipt of the arbitrator's determination. The Parties understand and agree that the record from any

arbitration will be admissible in any future claim or lawsuit by Plaintiffs against Defendants or AISLIC, or by Defendants or AISLIC against Plaintiffs, for injunctive or declaratory relief based on the same factual circumstances.

13.3 Procedures Applicable To Arbitration of Future Perchlorate Contamination Disputes And Arbitration of Lump Sum

13.3.1 Panel of Arbitrators. Future Perchlorate Contamination Disputes pursuant to Article 10 hereof and Arbitration of Lump Sum pursuant to Section 5.2.6 and 9.1.7 hereof shall be decided by a panel of three impartial arbitrators qualified to serve as arbitrators. The list in Exhibit "BB" consists of eleven (11) approved arbitrators. The list of arbitrators may be supplemented or amended by mutual agreement of the Parties in writing. An arbitration panel of three (3) shall be chosen by agreement of the parties involved in the dispute. If the parties involved in the dispute are unable to reach agreement, the panel of three (3) arbitrators shall be selected by each side striking one arbitrator from the list in succession (beginning with Plaintiffs) until only a panel of three arbitrators remains. Plaintiffs shall strike one arbitrator within five (5) Working Days of notice of the arbitration. (Defendants and AISLIC being considered one side for purposes of such strikes.) Each successive strike shall take place within two (2) Working Days thereafter. Notice shall be given pursuant to the provisions of Section 15.4 hereof. If the list of eleven (11) approved arbitrators needs to be supplemented in order to assure a complete list of eleven (11) available arbitrators before such a selection, the parties to the dispute shall supplement the list by mutual agreement, or in the absence of such agreement, the list shall be supplemented by the Judicial Arbitration and Mediation Service ("JAMS") in Los Angeles (or a mutually agreeable substitute). If the method described above, does not identify a person available to act as arbitrator for any particular dispute, the parties involved in the dispute shall

use their best efforts to select an arbitrator by mutual agreement. If the parties to the dispute are unable to reach agreement, the listing process set forth by JAMS Rule 15 shall govern.

13.3.2 Election to Arbitrate.

13.3.2.1 Future Perchlorate Contamination Disputes

If there is a dispute with respect to Future Perchlorate Contamination pursuant to Article 10 hereof, any Plaintiff may elect, in its sole discretion, to arbitrate said Future Perchlorate Contamination dispute in accordance with the provisions of Article 10 and this Section 13.3.2. A Plaintiff electing to arbitrate shall initiate the arbitration procedure described below by delivery of a Demand for Arbitration to all other Parties (excluding any that no longer legally exist) no later than thirty (30) Days either (i) after receipt of Whittaker's decision regarding an acceptable AISLIC Future Perchlorate Determination of Coverage as required by Section 10.1.1, or (ii) the expiration of the Notice Period under Section 10.1.1, whichever is later. Within fifteen (15) days of the selection or determination of the panel of arbitrators pursuant to Article 13.2.1 hereof, each party to the dispute shall submit to the arbitrators, and serve on all parties to the arbitration, a short statement of the dispute, their respective positions, and a proposed discovery and hearing schedule. The arbitrators shall be empowered to resolve all issues of law and fact relating to the dispute, including without limitation any issues relating to liability, compensatory damages, response costs and/or the nature and scope of the remedy associated with the presence of perchlorate, but shall not be empowered to award injunctive or declaratory relief. However, the arbitrators designated for any Future Perchlorate Contamination Dispute, may retain continuing jurisdiction after they render a final, binding decision to resolve any additional response cost and damage claims thereafter arising from the same, continuous or related pollution conditions that are involved in the dispute

for which they originally were designated. The Parties acknowledge and agree that each of the Plaintiffs, in its sole discretion, reserves the right to seek declaratory and/or injunctive relief in a state or federal court action against Defendants respecting any Future Perchlorate Contamination Dispute, notwithstanding the initiation or resolution of any arbitration proceeding under this Article 13. The Plaintiffs agree that they will refrain from pursuing any claim or lawsuit for injunctive or declaratory relief against Defendants based on the same factual circumstances, pending receipt of the arbitrator's determination.

13.3.2.2 Lump Sum Arbitration

If Plaintiffs, Whittaker, or AISLIC desire to initiate Lump Sum Arbitration pursuant to Section 5.2.6 and/or 9.1.7, the requesting party shall give written notice to all other Parties. The Parties shall meet and confer to resolve the dispute within fifteen (15) days after receipt of such written notice by the last Party to receive it. If the Parties are unable to resolve the dispute in good faith, the party that gave written notice of the dispute may initiate the arbitration procedure described below by delivery of a Demand for Arbitration to all other Parties (excluding any that no longer legally exist) no later than fifty (50) Days after receipt of the written notice of such dispute by the last party to receive it. Within fifteen (15) days after the selection or determination of the panel of arbitrators pursuant to Article 13.3.1 hereof, Plaintiffs, Whittaker and AISLIC shall submit to the arbitrators and serve on all parties to the arbitration a short statement of the dispute, their respective positions, and a proposed discovery and hearing schedule. The arbitrators shall be empowered to resolve all issues of fact and law relating to said Lump Sum Arbitration.

13.3.3 Preliminary Hearing. Within thirty (30) days after selection or determination of the panel of arbitrators, the arbitrators shall schedule a preliminary hearing. At

the preliminary hearing, the arbitrators shall decide any discovery and briefing issues and set dates, including a hearing date. In resolving discovery issues, the arbitrators shall consider expedition, cost effectiveness, fairness, and the needs of the Parties for adequate information with respect to the dispute.

13.3.4 Commencement of Arbitration. The arbitration hearing shall be scheduled no later than ninety (90) days after the initial preliminary hearing, unless the parties to the dispute mutually agree in writing to extend the date or the arbitrators extend the date.

13.3.5 Decision of Panel Of Arbitrators Final. The arbitrators shall make a written decision, specifying the reasons for the decision, including detailed findings of fact and conclusions of law, within sixty (60) days after the hearing. The decision of at least two (2) of the three (3) panel members shall be binding and final, and there shall be no right to appeal the decision; provided, however, any party to the dispute may seek vacation or correction of the Panel's decision pursuant to California Code of Civil Procedure Section 1286.2 (Grounds for vacation of award) or Section 1286.6 (Grounds for correction of award). Plaintiffs and Defendants, each collectively, shall equally share the expense of the three arbitrators and the arbitration proceeding. The arbitrators will be empowered *inter alia* to award response costs and damages. The arbitrators will not be empowered to award injunctive or declaratory relief or award punitive damages or determine coverage issues under the AISLIC Policy. Any arbitration award against the Debtors is subject to Section 2.5 herein. The Parties understand and agree that the record from any arbitration will be admissible in any future claim or lawsuit by Plaintiffs against Defendants for injunctive or declaratory relief based on the same factual circumstances.

13.3.6 Time Period to Complete Arbitration. The arbitration shall be completed within one hundred fifty (150) days of the preliminary hearing, unless the parties to the dispute mutually agree in writing to extend the date or the arbitrators extend the date.

13.4 Entry of Judgment.

Judgment on the award rendered by the arbitrator(s) may be entered in and enforced by any court of competent jurisdiction.

13.5 Location.

Arbitration proceedings, including hearings, good faith meetings and settlement conferences, shall take place in Los Angeles, California, unless otherwise agreed to by the parties in writing. The Parties shall have the right to participate in any of the arbitration proceedings by telephone.

13.6 Governing Law.

The arbitration, including any proceedings to enforce, confirm, modify or vacate an award, and any proceedings to enforce the terms of this Agreement, shall be governed by the laws of the State of California and applicable federal law.

ARTICLE 14. INSURANCE ISSUES RELATED TO THE AISLIC POLICY

14.1 Condition M of AISLIC Policy

The Parties acknowledge and agree that Condition M of the AISLIC Policy provides as follows:

> Action Against Company – No action shall lie against the Company, unless as a condition precedent thereto, there shall have been full compliance with all of the terms of this Policy, nor until the amount of the Insured's obligation to pay shall have been finally determined either by judgment against the Insured after actual trial or by written agreement of the Insured, the claimant and the Company.
>
> Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this Policy to the extent of the insurance afforded by the Policy. No person or organization

shall have any right under this Policy to join the Company as a party to any action against the Insured to determine the Insured's liability, nor shall the Company be impleaded by the Insured or his legal representative. Bankruptcy or insolvency of the Insured or of the Insured's estate shall not relieve the Company of its obligations hereunder.

14.2 Effect of This Agreement Under Condition M

Solely to resolve the effect of this Agreement under Condition M of the AISLIC Policy, and not to apply to or affect any other provision of the AISLIC Policy, or affect the terms of the Coverage and Claims Settlement Agreement, nor to affect any other claims for coverage by Whittaker, the Parties agree as set forth in this Section 14.2 as follows. Provided that an arbitration award or Cost Consultant determination is issued pursuant to and in accordance with this Agreement, including but not limited to Articles 7 and 13, and that (a) the time for filing a petition to vacate or correct the arbitrator's or Cost Consultant's decision has expired or such filing has been waived by agreement or (b) any petition filed to vacate or correct the arbitrator's or Cost Consultant's decision, pursuant to Cal. Code of Civil Procedure Section 1286.2 (Grounds for vacation of award) or Section 1286.6 (Grounds for correction of award), is finally adjudicated or dismissed (hereinafter referred to as "Final Arbitration Awards"), AISLIC and Whittaker agree as follows:

i) a Final Arbitration Award issued in favor of Plaintiffs and against Whittaker pursuant to and in accordance with this Agreement shall be deemed to be "a judgment against Insured [Whittaker] after actual trial"; and

ii) any written settlement agreement executed by Plaintiffs, Whittaker, and AISLIC or executed by Plaintiffs and Whittaker (with written consent of AISLIC) on issues or disputes presented to or which could properly be presented to an arbitrator(s) or Cost Consultant pursuant to this Agreement shall be deemed to be

"written agreement of the Insured [Whittaker], the claimant [Plaintiffs] and the Company [AISLIC]", as those quoted phrases are used in Condition M “Action Against Company” of the AISLIC Policy**.**

14.3 Written Agreement

This Agreement shall be deemed to be "written agreement of the Insured [Whittaker], the claimant [Plaintiffs] and the Company [AISLIC]" as that quoted phrase is used in Condition M “Action Against Company” of the AISLIC Policy.

14.4 Full Compliance

AISLIC agrees that, as of the date that AISLIC executes this Agreement, Whittaker’s actions have been in “full compliance with all of the terms of [the AISLIC] Policy” with respect to this Agreement, as said quoted phrase is used in Condition M “Action Against Company” of the AISLIC Policy.

14.5 Covered Claims

Except with respect to the negotiation, arbitration, or litigation of a Non-Subject Well Future Perchlorate Circumstance, AISLIC agrees that (1) all costs, expenses, and obligations incurred by Whittaker pursuant to this Agreement shall be treated as a covered claim under AISLIC Policy Coverages A, B, C, D, E, or F, without reservation of coverage rights to the extent that limits remain under AISLIC Policy Coverages A-F and (2) all costs, expenses, and obligations incurred by Whittaker pursuant to this Agreement shall be paid from either SF Escrow 1, from SF Escrow 2 (under Section IV.F.6.a(iii) of the Coverage and Claims Settlement Agreement), or from any remaining applicable limits of the AISLIC Policy under Coverages A, B, C, D, E, or F, as provided in the Coverage and Claims Settlement Agreement.

14.6 Proceedings Under Article 10

With respect to the negotiation, arbitration, or litigation of a Non-Subject Well Future Perchlorate Circumstance pursuant to Article 10 of this Agreement, AISLIC affirms that it agrees to abide by the obligations set forth in that Article 10. In the event that AISLIC makes a determination of coverage and Whittaker notifies of its satisfaction with such determination pursuant to Article 10 of this Agreement, then the agreements, rights and obligations set forth in Section 14.2 of this Article 14 shall apply with respect to the arbitration of such Non-Subject Well Future Perchlorate Circumstance.

14.7 AISLIC Reservation of Rights

AISLIC reserves all rights of subrogation or contribution pursuant to the AISLIC policy and law with respect to any payments made hereunder, except any claims of subrogation or contribution against the Plaintiffs.

14.8 No Amendment or Waiver

Without limiting the obligations of Whittaker and AISLIC as set forth in this Article 14 of this Agreement, nothing herein shall constitute an amendment of any terms or conditions of the Coverage and Claims Settlement Agreement (including but not limited to, those terms related to funding of settlement of the Underlying Action), or a waiver or amendment of any duties, obligations, reservations, or rights, if any, of AISLIC or Whittaker under the Coverage and Claims Settlement Agreement. In particular, but not by way of limitation, AISLIC and Whittaker disagree over whether Section VI.C.3 of the Coverage and Claims Settlement Agreement independently obligates AISLIC to cover future perchlorate claims without reservation of rights and whether and to what extent, if any, AISLIC has reserved its defenses to

coverage. Nothing in this Article 14, is intended to affect, or shall affect, the resolution of that dispute.

14.9 Coverages K and L

Reference in this Article 14 to Coverages A-F shall not under any circumstances be deemed to affect any duties, obligations, reservations, or rights, if any, of AISLIC or Whittaker with respect to Coverages K and L. In particular, but not by way of limitation, the Parties agree that Coverages K and L are under all circumstances limits of liability that are "inapplicable" to Loss sustained for Clean-up Costs incurred after the Termination Date of the AISLIC Policy.

14.10 Additional Clarifications Regarding AISLIC Policy and Other Agreements

14.10.1 Nothing in this Agreement confers the status of an insured or additional insured or the rights of an insured or additional insured with respect to the AISLIC Policy on any person or entity.

14.10.2 Except as expressly set forth in this Article 14, this Agreement does not alter the rights, duties and obligations between Whittaker and AISLIC under (a) the AISLIC Policy or (b) any other agreements, including but not limited to the Coverage and Claims Settlement Agreement.

14.10.3 The parties agree that nothing in this Agreement shall under any circumstances require AISLIC to make any payment or fulfill any duty or obligation after its applicable limit of liability is exhausted.

14.10.4 Nothing herein shall be deemed or interpreted to alter or amend, nor waive or affect, the terms of Condition C of Section VII, Conditions of the AISLIC Policy.

14.10.5 Nothing herein shall be construed to affect any rights of Whittaker against any of its insurers other than AISLIC or under any of its insurance policies other than the AISLIC Policy.

ARTICLE 15. PUBLIC AND OTHER FUNDING SOURCES

15.1 Background of Intent of the Parties

In entering into this Agreement, the Parties are aware that federal and state Public Funding Sources may be or become available to assist in implementing the Project as well as remedial and/or source control activities to be conducted at or in the vicinity of the Site respecting perchlorate contamination. Federal funds may be available by virtue of the United States Department of Defense involvement and activities conducted at or in the vicinity of the Site. State funds may be available to assist in evaluating and implementing an investigatory/remedial program that may be regionally based, including but not limited to the restoration/containment work contemplated under this Agreement and remedial source control activities to be conducted at the Site.

15.2 Obtaining Funds from Public Funding Sources

The Plaintiffs shall use good faith efforts, in a manner consistent with each of the Plaintiffs' and their representatives' individual and unique obligations under applicable law, to obtain funds from Public Funding Sources so as to provide for reasonable and necessary: (1) costs associated with the Project, including costs to implement the Project, Project Modification, and cost overruns, as identified by Plaintiffs; (2) continued off-Site groundwater monitoring with respect to perchlorate contamination; (3) off-Site response activities in the alluvium and Saugus Formation that address perchlorate contamination; and (4) on-Site source removal activities with respect to perchlorate contamination. To the extent permissible under all applicable laws and the requirements of specific funding authorizations, funding from Public Funding Sources shall

be allocated, credited, and utilized to cover any of the aforementioned categories of reasonable and necessary costs in the above order of priority. The Parties shall comply with all applicable laws, rules and regulations regarding lobbying disclosures in their efforts to obtain funding from Public Funding sources. Whittaker shall cooperate in seeking such funds.

Prior to determination of the Lump Sum pursuant to Section 5.2.6, the reasonable and necessary outside consultant lobbying costs incurred by Plaintiffs and Whittaker that are directly related to the perchlorate contamination and seeking of funding under this Article, shall be Project O&M Costs, and will be included in the Estimate of Project O&M, subject to an annual cap of two hundred thousand dollars ($200,000) on Plaintiffs' outside fees and costs and one hundred thousand dollars ($100,000) on Whittaker's outside fees and costs. In no event shall such "outside fees and costs" include campaign donations or similar donations. Upon request of any Party, a full accounting of such costs shall be provided. The obligation to reimburse lobbying costs shall cease in the year 2011, but such costs may be requested thereafter upon a showing of both good cause and positive results, but in no event later than January 1, 2019.

15.3 Administration of Funds from Public Funding Sources

Plaintiffs shall document, account for, and administer all Public Funding Sources funds received by them in conformity with all applicable laws and all requirements of the administrators of Public Funding Sources.

15.4 Conformity with Public Funding Sources Requirements

Plaintiffs shall design, build, operate and maintain their respective restoration/containment work projects contemplated under this Agreement in conformity with all applicable requirements of the Public Funding Sources from which funds have been secured. If Public Funding Sources have requirements which conflict with this Agreement, the Parties shall

meet and negotiate in good faith to amend this Agreement to conform to the requirements of the Public Funding Sources in a manner that preserves the purposes for the use of such funds as much as possible in a manner consistent with the Parties' intent as contemplated in this Agreement. Notwithstanding any of the provisions of this Article 15 or any other provision of this Agreement, nothing in this Agreement is intended to waive or otherwise effectuate a release, nor shall any Party provide a release of the United States Department of Defense or any other agency or instrumentality of the United States in connection with any alleged liability same may have under federal or state law arising out of or relating to any involvement in operations, waste disposal, or other activities at or in the vicinity of the Site.

ARTICLE 16. MISCELLANEOUS

16.1 Governing Law

This Agreement shall be construed and enforced in accordance with the substantive laws of the State of California, without reference to choice of law rules.

16.2 Waiver

No waiver by a Party of any provision of this Agreement shall be valid unless in writing and signed by an authorized representative of such Party. The waiver by any Party of any failure on the part of another Party to perform any of its obligations under this Agreement shall not be construed as a waiver of any future or continuing failure or failures.

16.3 Amendment of the Agreement

No amendment of this Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties (excluding any that no longer legally exist or that do not respond to communications directed to the address for that Party specified below or to such other address as has been designated in accordance with Section 16.4). This Agreement and the

exhibits attached hereto set forth all of the covenants, provisions, agreements, conditions and understandings with respect to the matters addressed in this Agreement and constitute a complete integration.

16.4 Notices

All notices and communications required or permitted to be delivered to the Parties, Steadfast and any Buyer pursuant to this Agreement shall be in writing and (a) delivered personally or (b) sent by a recognized overnight mail or courier service, with delivery receipt requested, or (c) sent by facsimile communication with receipt confirmed by telephone, to the following addresses (or to such other address as may from time to time be specified in writing by the addressee):

Castaic Lake Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350-2173
Attn: Dan Masnada, General Manager
Telephone: (661) 297-1600
Facsimile: (661) 297-1610
E-mail: dmasnada@clwa.org

Valencia Water Company
24631 Rockefeller Ave.
P. O. Box 5904
Valencia, CA 91385-5904
Attn: Robert J. DiPrimio, President
Telephone: (661) 294-1150
Facsimile: (661) 294-3806
E-mail: rdiprimio@valencia.com

Newhall County Water District
23780 North Pine St.
P. O. Box 220970
Santa Clarita, CA 91321-0970
Attn: Stephen L. Cole, General Manager
Telephone: (661) 259-3610
Facsimile: (661) 259-9673
E-mail: scole@ncwd.org

Santa Clarita Water Company
22722 West Soledad Canyon Road
P. O. Box 903
Santa Clarita, CA 91380-9003
Attn: William J. Manetta, President
Telephone: (661) 259-2737
Facsimile: (661) 286-4333
E-mail: wmanetta@scwater.org

with a copy for all of the above to:

Nossaman, Guthner, Knox & Elliott LLP
445 South Figueroa Street, 31st Floor
Los Angeles, CA 90071-1602
Attn: Frederic A. Fudacz, Esq.
Telephone: (213) 612-7823
Facsimile: (213) 612-7801
E-mail: ffudacz@nossaman.com

Whittaker Corporation
Eric Lardiere, Esq.
Vice-President, Secretary and General Counsel
Whittaker Corporation
1955 N. Surveyor Ave.
Simi Valley, CA 93063-3349
E-mail: elardiere@wkr.com

with copies for Whittaker Corporation to:

Reynold L. Siemens, Esq.
Heller Ehrman LLP
333 S. Hope Street
Suite 3900
Los Angeles, CA 90071-3043
Fax: 213-614-1868
Email: rsiemens@hewm.com

and

Richard A. Dongell, Esq.
Dongell Lawrence Finney Claypool LLP
707 Wilshire Boulevard, 45th Floor
Los Angeles, CA 90017
213-943-6100 telephone
213-943-6101 facsimile

American International Specialty Lines Insurance Company as Administrator of SF Escrow 1:

Stacy Parker, Complex Claim Director
AIG Domestic Claims, Inc.
Pollution Insurance Products High Profile Unit
175 Water Street, 12th Floor
New York, New York 10038
Telephone: (212) 458-2910
Fax: (866) 261-3935

with a copy to:

Richard W. Bryan, Esq.
Erin N. McGonagle, Esq.
Jackson & Campbell, P.C.
1120 20th Street, N.W.
Washington, DC 20036-3437
Telephone: (202) 457-1600
Fax: (202) 457-1678

Santa Clarita, L.L.C.
Remediation Financial, Inc.
Remediation Financial, Inc., Managing Member
Great American Tower
3200 N. Central Avenue, Suite 1570
Phoenix, Arizona 85296
Attn: Myla D. Bobrow, Pres. & CEO
Remediation Financial, Inc.

with a copy for Santa Clarita, L.L.C. and Remediation Financial, Inc. to:

Lawrence J. Hilton, Esq./William E. Halle, Esq.
Hewitt & O'Neil LLP
19900 MacArthur Boulevard, Suite 1050
Irvine, California 92612

Bermite Recovery LLC
Remediation Financial, Inc., Managing Member
Great American Tower
3200 N. Central Avenue, Suite 1570
Phoenix, Arizona 85296
Attn: Myla D. Bobrow, Pres. & CEO
Remediation Financial, Inc.

with a copy for Santa Clarita, L.L.C., Remediation Financial, Inc., and Bermite Recovery LLC to:

Avion Holdings, Inc.
Re: Remediation Financial Inc.
Suite B-204
15290 N. 78th Way
Scottsdale, AZ 85260
Fax: 480-905-0469

and

Alisa C. Lacey, Esq.
Stinson Morrison Hecker, LLP
1850 N. Central Avenue, Suite 2100
Phoenix, AZ 85004-6925
Telephone: (602) 212-8628
Facsimile: (602) 586-5237
E-Mail: alacey@stinson.com

American International Specialty Lines Insurance Company

Stacy B. Parker, Complex Claim Director
AIG Domestic Claims, Inc.
P & C Severity Claims
Pollution Insurance Products High Profile Unit
175 Water Street, 12th Floor
New York, NY 10038
Telephone: (212) 458-6364
Facsimile: (866) 253-0395

with a copy to:

Richard W. Bryan, Esq.
Erin N. McGonagle, Esq.
Jackson & Campbell, P.C.
1120 20th Street, N.W.
Washington, DC 20036-3437
Telephone: (202) 457-1600
Facsimile: (202) 457-1678
E-mail: rbryan@jackscamp.com
emcgonagle@jackscamp.com

Steadfast Insurance Company

Zurich North America
1400 American Lane
Schaumberg, IL 60196
Attn: General Counsel
E claim # 912-0038512

with a copy for Steadfast to:

Terry D. Avchen, Esq.
Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro
10250 Constellation Boulevard, 19th Floor
Los Angeles, California 90067
Telephone: (310) 556-2920
Fax: (310) 556-2920

and

Neil Selman, Esq.
Selman Breitman, LLP
11766 Wilshire Blvd
6th Floor
Los Angeles, California 90025-6538
Telephone: (310) 689-7070
Fax: (310) 473-2525

Buyer:

SunCal Santa Clarita LLC
c/o SunCal Companies
21900 Burbank Blvd.
Woodland Hills, CA 12367
Attn: Frank Faye
Telephone: (818) 444-1600
Fax: (818) 444-5501

with copies to:

SunCal Companies
2392 Morse Avenue
Irvine, CA 92614
Attn: Mr. Bruce Elieff
Bruce V. Cook, Esq.
Telephone: (949) 777-4000
Facsimile: (949) 7774280

Cherokee Santa Clarita, LLC
c/o Cherokee Investment Partners
4600 Ulster Street
Suite 500
Denver, Colorado 80237
Attn: Mr. Dwight Stenseth
Mr. Guy Arnold
Telephone: (303) 689-1460
Facsimile: 303-689-1461

16.5 Computation of Time

In computing any period of time under this Agreement, where the last day would fall on a Saturday, Sunday, or federal or California state holiday, the period shall run until 5 p.m. Pacific Time on the next Working Day.

16.6 Counterparts

This Agreement will be executed in counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument.

16.7 Assignment

No Party shall assign or otherwise transfer its rights or obligations hereunder without the other Parties' prior written consent, which shall not be unreasonably withheld. This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

16.8 Cooperation

Each Party agrees to execute and deliver such further documents and to perform such further acts as may be reasonable and necessary to carry out the provisions of this Agreement or to effectuate its intent.

16.9 Joint Drafting and Negotiation/Legal Counsel

This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 and similar judicial rules of construction. Each Party has been advised in connection herewith by counsel of its own choosing.

16.10 Article and Section Headings and Captions

Article and Section headings and captions used in this Agreement are for reference only and shall not be considered in any way in connection with the interpretation or enforcement of this Agreement.

16.11 No Third Party Beneficiaries

No third party shall be entitled to claim or enforce any rights hereunder except (1) Buyer and BRLLC, but only to the extent expressly provided in this Agreement, and (2) persons specifically released in Section 12.1 are entitled to claim the benefit of and enforce such releases.

16.12 Severability

In the event that any provision of this Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the intent of the Parties and legally valid. The remainder of this Agreement shall not be affected thereby.

16.13 Successors and Assigns

All covenants and agreements contained in this Agreement by or on behalf of any of the Parties hereto shall bind and inure to the benefit of their respective successors and permitted assigns, whether so expressed or not, including any Trustee appointed in the Bankruptcy Cases or a subsequently converted Chapter 7 case or cases.

16.14 Organization/Authorization

Each of the Parties to this Agreement hereby respectively represents and warrants to the others that each of them is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Agreement, and that the execution, delivery and performance of this Agreement have been duly authorized by all necessary action of the board of directors or other governing body of such Party, and will not result in a violation of such Party's organizational documents. RFI and SCLLC represent and warrant that, upon the Effective Date, this Agreement will have received any and all approvals required by the Bankruptcy Court in their respective bankruptcy cases to make this Agreement enforceable as against them.

16.15 No Assignment of Claims

Other than the assignment provided in Section VII of the Coverage and Claims Settlement Agreement and the assignment provided in the Purchase & Sales Agreement between RFI Parties and Whittaker, there has been no assignment of claims.

16.16 No Admission /Not Insurance

This Agreement effectuates settlement of claims that are disputed, contested and denied. Neither this Agreement nor any Party's performance under this Agreement is intended to be or shall be asserted by any other Party to be an admission of any kind or character whatsoever, nor

shall it be deemed to have precedential effect in any other dealings between or among the Parties in any other context. Nothing herein shall be deemed to constitute an insurance policy.

16.17 No Prejudice to Buyer

Nothing in this Agreement shall be construed to prejudice any rights, claims, or defenses, that a Buyer, as defined herein, of the Site may have under applicable federal or state law, or to impose any monetary obligations or liability on the Buyer.

16.18 Entire Agreement

Except as expressly provided herein, this Agreement is the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements between the Parties with respect thereto. In the event of any conflict between the terms of this Agreement and the Interim Agreement or the First Amendment, the terms of this Agreement shall control.

16.19 Survival

Except as expressly set forth herein, each and all of the releases, representations, warranties, covenants, and agreements in this Agreement and in the Interim Agreement shall survive the execution and delivery of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed by the undersigned, effective as of the date first written above.

CASTAIC LAKE WATER AGENCY

_____

By:_____
Its: _____

NEWHALL COUNTY WATER DISTRICT

_____

By:_____
Its: _____

SANTA CLARITA WATER COMPANY

_____

By:_____
Its: _____

VALENCIA WATER COMPANY

_____

By:_____
Its: _____

WHITTAKER CORPORATION

_____

By:_____
Its: _____

SANTA CLARITA L.L.C.
By: Remediation Financial, Inc.,
Its: Managing Member

_____

By: Myla D. Bobrow
Its: President & CEO

REMEDIATION FINANCIAL, INC.

_____

By: Myla D. Bobrow
Its: President & CEO

AIG DOMESTIC CLAIMS, INC., the duly authorized claims handling agent of:

AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY, in its capacity as "Administrator" of "SF Escrow 1 Account" and as insurer of Whittaker

_____

By:_____
Its: _____

REVIEWED AND APPROVED:

AVION HOLDINGS, LLC, in its limited capacity as designated representative for the Bankruptcy Estates.

_____

By: G. Neil Elsey
Its: Managing Member

LIST OF EXHIBITS

Exhibit W	Form of EIL Policy
Exhibit X	Form of Earthquake Policy
Exhibit Y	Form of First Party Property Insurance Policy
Exhibit Z	Section 12.1.6 Documents
Exhibit AA	List of Approved Arbitrators
Exhibit BB	List of Approved Arbitrators for Future Perchlorate Contamination Disputes and Lump Sum Arbitration
Exhibit CC	AWWA Standard for Disinfection of Wells and Sample Worksheet