

APPENDIX G

**AGREEMENTS BETWEEN SACRAMENTO COUNTY, THE SACRAMENTO COUNTY
WATER AGENCY, AND AEROJET/BOEING (MCDONNELL DOUGLAS
CORPORATION) WITH RESPECT TO GROUNDWATER AND RELATED ISSUES
WITHIN THE EASTERN PORTION OF SACRAMENTO COUNTY**

**AGREEMENT BETWEEN SACRAMENTO COUNTY, THE SACRAMENTO COUNTY
WATER AGENCY, AND AEROJET-GENERAL CORPORATION/BOEING WITH
RESPECT TO GROUNDWATER AND RELATED ISSUES WITHIN THE EASTERN
PORTION OF SACRAMENTO COUNTY**

AGREEMENT BETWEEN SACRAMENTO COUNTY, THE SACRAMENTO COUNTY WATER AGENCY, AND AEROJET-GENERAL CORPORATION WITH RESPECT TO GROUNDWATER AND RELATED ISSUES WITHIN THE EASTERN PORTION OF SACRAMENTO COUNTY

This Agreement is entered into and effective as of this 27th day of August 2003 by and among the County of Sacramento and the Sacramento County Water Agency (collectively, "County") and Aerojet-General Corporation ("Aerojet"). County and Aerojet are hereinafter referred to collectively as the "Parties." This Agreement is intended to avoid prolonged litigation and to promote better management of groundwater within the Eastern Portion of Sacramento County, as defined in subparagraph 2.5, for their mutual benefit and for the general benefit of water users within Sacramento County.

NOW, THEREFORE, THE PARTIES AGREE as follows:

1.0 Recitals

1.1 County maintains that groundwater contamination within the Eastern Portion of Sacramento County has resulted in adverse or potentially adverse impacts to public water systems, including the closure of water supply wells owned and operated by County and other water purveyors within the Eastern Portion of Sacramento County.

1.2 Aerojet and McDonnell Douglas Corporation ("MDC") have been ordered by certain government regulatory agencies to remediate the contaminated groundwater in the Eastern Portion of Sacramento County that such agencies contend was caused or contributed to by Aerojet and/or MDC and to provide replacement and contingency water to address water supplies that have been or may become affected by this groundwater contamination.

1.3 American States Water Company and Southern California Water Company (collectively, "ASWC") have commenced a lawsuit against Aerojet in the Superior Court of California for the County of Sacramento, *American States Water Company, et al. v. Aerojet-General Corp., et al.*, Case No. 99AS05949 ("the *American States Lawsuit*"), in which ASWC seeks monetary damages against Aerojet and others for, among other things, the cost of obtaining future water supplies to replace groundwater wells that ASWC expects will be affected by contamination in the future and the costs of various capital projects and modifications to the ASWC water system, including without limitation, the costs of designing and building a new surface water treatment plant. Aerojet denies that it is liable for any of the injuries or damages claimed in the *American States Lawsuit*.

1.4 The groundwater remediation activities conducted by Aerojet and MDC include or will include the extraction and treatment of the contaminated groundwater and subsequent discharge of the treated water into surface water streams, including, but not limited to, the American River or waters tributary to the American River (collectively referred to as "American River").

1.5 County contends that the groundwater contamination and the extraction and treatment of the contaminated groundwater and the discharge of that water to surface waters has caused or will cause significant collateral problems for water purveyors, including County, such as potential draw-down of the groundwater basin that may impair the ability of the water purveyors to rely upon groundwater as a source of their water supplies.

1.6 County is a participating member of the Central Sacramento County Groundwater Forum (“Groundwater Forum”), a continuation effort of the Groundwater Element of the Sacramento Area Water Forum. The mission of the Groundwater Forum is to protect the groundwater basin as a sustainable resource for current and future generations. The Groundwater Forum encourages the maintenance of a sustainable and reliable supply of water, either through continued use of groundwater, through a conjunctive use program using groundwater and surface water or through access to a satisfactory alternative source of supply. The purpose of this Settlement Agreement is to provide a mechanism under which the GET Water will continue to be available for reasonable beneficial use within the Central Sacramento County groundwater basin.

1.7 Certain entities have raised questions before the State Water Resources Control Board (“SWRCB”) pertaining to the groundwater that is or will be extracted, treated and discharged to surface water bodies. These questions include the legal classification of the water after its discharge, the rights of the discharger to that water and the ability of others to appropriate that water once it has been discharged.

1.8 The Sacramento County Water Agency has certain groundwater management authority conferred to it by the California Legislature pursuant to the Sacramento County Water Agency Act. West’s Water Code Appendix § 66-1, et seq.

1.9 The County of Sacramento has groundwater management police powers separate from the Sacramento County Water Agency. These police powers are conferred upon the County of Sacramento pursuant to California Constitution, Article XI, Section 7 and Article X, Section 2. The powers and authorities conferred on County identified in

this subparagraph and subparagraph 1.8 are collectively referred to as “groundwater management authority.”

1.10 The Parties hereto believe that County’s groundwater management authority will provide the most effective means by which water supply issues associated with the groundwater contamination and remediation programs can be addressed and intend to rely on County’s groundwater management authority to resolve water supply issues raised in various forums.

2.0 Definitions

2.1 “Aerojet Lands” means the Aerojet Property, the IRCTS Property and the Elliott Homes Property, as collectively depicted on Exhibit 1.

2.2 “Aerojet Property” means property currently owned by Aerojet north of Douglas Road (presuming as if such road is extended in the east and west directions) excluding the IRCTS Property, as generally depicted on Exhibit 1 as the area covered by horizontal lines.

2.3 “Aerojet’s Water Needs” means the current and future anticipated reasonable beneficial demand for water use on Aerojet Lands, including, but not limited to, water use over time for development of the Aerojet Lands for mining, industrial, office, commercial and residential uses.

2.4 “CEQA” means the California Environmental Quality Act, as set forth in the California Public Resources Code section 21000, et seq.

2.5 “Eastern Portion of Sacramento County” means that portion of Sacramento County within the Urban Services Boundary east of Bradshaw Road, south

of the American River and north of the Jackson Highway and any Aerojet Lands not within the Urban Services Boundary, as shown on Exhibit 2.

2.6 “Eastern Sacramento County Replacement Water Supply Project” or “RWSP” means a potential project that, subject to compliance with all environmental laws and regulations, including but not limited to CEQA, would consist of a system to transport the Granted Water to a water treatment plant for treatment and eventual distribution so as to make it available for reasonable beneficial use within Sacramento County consistent with County’s obligations under this Agreement.

2.7 “Elliott Homes Property” means the approximately 1,115 acres of property sold by Aerojet to Elliott Whiterock LLC and transferred pursuant to Grant Deed recorded November 30, 2001, as shown on Exhibit 1 as the area covered by hatched lines.

2.8 “Environmental Requirements” means all current and future obligations to remediate groundwater imposed on Aerojet, individually or in conjunction with MDC, by any government regulatory agency exercising jurisdiction over the contamination at or emanating or that has emanated from Aerojet Lands and the remedial actions of Aerojet, individually or in conjunction with MDC, relating thereto, including, but not limited to the Partial Consent Decree and any modifications thereto (CIVS-86-0063-EJG), referred to as the “PCD”; United States Environmental Protection Agency (“EPA”) Unilateral Administrative Order 2002-13 (August 2002) and any modifications thereto; the June 30, 1994 California Department of Toxic Substances Control (“DTSC”) Imminent and/or Substantial Determination and Consent Order and any modifications thereto; the Central Valley Regional Water Quality Control Board (“RWQCB”) Cleanup & Abatement Orders 97-093 and R5-2002-0723 and any modifications thereto; and any enforceable

order or judgment, permit, or authorization from any other applicable government entity imposed on Aerojet, individually or in conjunction with MDC.

2.9 “Folsom 2036 Water” means that five million gallons per day of non-potable water that Aerojet is entitled to receive from the City of Folsom pursuant to its 1986 contract with the City of Folsom, a copy of which is attached as Exhibit 3.

2.10 “Folsom Potable Water” means that three million gallons per day of City of Folsom potable water to which Aerojet contends it is entitled as a result of Aerojet’s contributions to the Folsom South Assessment District and the Nimbus Water Assessment District.

2.11 “Folsom Water” means collectively, Folsom 2036 Water and Folsom Potable Water.

2.12 “GET” means the groundwater extraction and treatment systems or replacement or relocation of any portion thereof that Aerojet, individually or in conjunction with MDC, has been or in the future is required to construct and operate to comply with Environmental Requirements for groundwater remediation or groundwater control.

2.13 “GET Water” means groundwater that is extracted and treated at any or all of the GETs by Aerojet or its assignee, individually, or in conjunction with MDC, for discharge to and in a manner that meets then existing applicable standards for discharge to surface water bodies tributary to the American River. GET Water does not include (i) water that is re-injected into the aquifer or discharged to ground pursuant to Environmental Requirements, (ii) that portion of treated water from GET B and the

White Rock North Dump GET that is already committed to Teichert Aggregates, or (iii) shallow groundwater extracted in connection with Source Area Remediation.

2.14 "Granted Water" means the sum total of the GET Water and, subject to subparagraph 3.4, Folsom Water granted or otherwise conveyed by Aerojet to the Sacramento County Water Agency under this Agreement.

2.15 "IRCTS Property" means the Inactive Rancho Cordova Test Site property owned by Aerojet that is located south of White Rock Road and west of Grantline Road, as depicted on Exhibit 1 as the area covered by crosshatched lines.

2.16 "Replacement Water Supply Needs" or "RWSN" means requirements imposed on Aerojet to provide replacement and contingency water to adversely affected or potentially adversely affected water purveyors, but only with respect to requirements imposed on Aerojet by (a) any government regulatory agency exercising jurisdiction over the contamination at or emanating or that has emanated from Aerojet Lands, including without limitation the EPA, RWQCB, DTSC, or SWRCB, or (b) any final court order in any proceeding brought by one of the foregoing agencies, or (c) with the County's consent, which shall not unreasonably be withheld, any court order in any third party proceeding or any contract. For purposes of illustration but not limitation, the Parties agree that the following include requirements imposed on Aerojet within the meaning of the preceding sentence: the PCD, the EPA Unilateral Administrative Order 2002-13 (August 2002) and any modifications thereto; the June 30, 1994 DTSC Imminent and/or Substantial Determination and Consent Order and any modifications thereto; and the RWQCB Cleanup & Abatement Orders 97-093 and R5-2002-0723 and any modifications thereto.

2.17 "Source Area Remediation" means cleanup activities on, or within 1000 feet of any Aerojet Property or IRCTS Property, above the water table where soils contain hazardous substances of such character or quantity as to warrant evaluation in a remedial investigation including extensive technical studies to investigate the scope of contamination.

2.18 "Sunrise-Douglas Development" means all development projects in the Eastern Portion of Sacramento County south of Douglas Road in the Sunrise-Douglas Community Plan dated July 17, 2002.

3.0 Ownership of Water

3.1 Aerojet hereby conveys and grants to Sacramento County Water Agency all rights, title and interest that it may have or subsequently obtains to the GET Water, subject to the terms of this Agreement. Aerojet makes no representation or warranty to County concerning any rights, title and interest it may have in the GET Water and County assumes all risks concerning Aerojet's rights, title and interest in the GET Water. County will take right, title, interest and delivery of Aerojet's GET Water and Aerojet's undivided interest in GET Water extracted and treated in conjunction with MDC upon completion of the treatment process at that point where the GET Water is discharged into pipelines for discharge to a surface water body. The Parties will measure water volume by using flow meters capable of providing instantaneous flow rate and total volume of GET Water discharged. Flow meters utilized will be read by Aerojet at intervals acceptable to the Parties. The meters will be calibrated annually by Aerojet. County will

have no obligation to pay for, install, or maintain the meters. County will reasonably accept the flow meters installed by Aerojet.

3.2 Aerojet has no obligation to construct a pipeline or similar conveyance system in order to deliver the GET Water to County. Subject to compliance with all environmental laws and regulations, including but not limited to CEQA, it is County's responsibility, at its own expense, to construct, operate and maintain the system necessary to make reasonable beneficial use of the GET Water from the point at which County takes right, title and interest to the GET Water. Except as expressly provided for in this Agreement, County will be responsible for obtaining at its own expense all permits and approvals necessary for the construction and operation of that conveyance system, for the production and use of GET Water for potable water, and for storage of the GET Water, if any, except for the permit to discharge GET Water to a surface water body. At County's request, Aerojet, at its expense, will apply for and/or hold in its own name the discharge permit authorizing any discharge of GET Water into a surface water body, including, if relevant, the American River.

3.3 In the event that the operation of a GET to treat groundwater is no longer required by Environmental Requirements, Aerojet will convey and grant to Sacramento County Water Agency, by a reasonable easement with right of reversion, any and all rights, title and interest Aerojet may possess in the extraction well(s) utilized in connection with that GET and any and all rights, title and interest Aerojet may possess to extract and utilize groundwater therefrom. The conveyance of Aerojet's right, title and interest in the extraction well(s) utilized in connection with the GET and any and all rights, title and interest it may possess to extract and utilize groundwater therefrom will

occur within six months after operation of the GET has been terminated as authorized by the applicable government regulatory agencies. County will thereafter be responsible for all maintenance, permitting, repair and closure obligations related to the extraction well(s) and related property utilized in connection with the GET conveyed by Aerojet to County. Pending conveyance of the extraction well(s) utilized in connection with the GET to County, Aerojet and County will cooperate in good faith to reach agreement about whether the extraction well should continue to be operated and to ensure continued operation of the extraction well if it is agreed that operation should continue. For purposes of this Agreement, the groundwater extracted after Aerojet's operation of the GET has been terminated is included within the definition of Granted Water that is available to serve Aerojet's Water Needs. In the event that operation of a GET is deemed necessary by a government regulatory agency exercising jurisdiction over the remedial actions performed by Aerojet in the Eastern Portion of the Sacramento County after the conveyance of any such facility to County, the County will reconvey to Aerojet any and all extraction wells and rights to extract groundwater therefrom as conveyed by Aerojet to County pursuant to this subparagraph 3.3.

3.4 Upon the written agreement of the City of Folsom, Aerojet will as soon as practicable convey and grant to County all rights, title and interest that it may have to the Folsom Water. County and Aerojet will cooperate in good faith to reach agreement with the City of Folsom regarding the quantity of Folsom Water that Aerojet will grant and convey to County. In the event such an agreement is reached with City of Folsom and unless otherwise agreed to by the City of Folsom, County and Aerojet, County's rights to the Folsom Water will vest at that point where Aerojet's rights to such water currently

vest. The cost to construct, operate and maintain a system to convey this water from City of Folsom to the Aerojet Lands will be the responsibility of Aerojet.

3.5 Aerojet and County will as soon as practicable after the execution of this Agreement, jointly notify the EPA, the RWQCB, the SWRCB and the DTSC of the conveyance of rights in the Granted Water to County, and Aerojet will acknowledge and proactively work to advance County's claim to the Granted Water in all appropriate legal forums, including, without limitation, before the EPA, RWQCB and SWRCB.

4.0 County Obligation to Manage Water.

4.1 County assumes full and complete responsibility for the obligations of Aerojet to satisfy the Replacement Water Supply Needs of ASWC, California-American Water Company ("Cal-Am"), County and any other adversely affected water purveyors, except such replacement or contingency water actually provided for by Aerojet as set forth in Exhibit 4 hereto. Any inability or failure on the part of Aerojet to accomplish any of the projects set forth in Exhibit 4 will not be deemed a breach of this Agreement by Aerojet, but will not in any way obligate County to accomplish any of the projects set forth in Exhibit 4 or their equivalent. County may, with Cost Recovery, satisfy Replacement Water Supply Needs obligations under this Agreement with either surface or groundwater supplies or a combination of those supplies. For purposes of this subparagraph, "Cost Recovery" as it relates to costs of supplying water to satisfy RWSN means the costs that a water purveyor would have had to expend, absent contamination, to produce, treat and distribute the quantities of water necessary to satisfy its RWSN. County will not charge the water purveyors for Granted Water that is provided to water

purveyors to satisfy their RWSN in excess of the Cost Recovery. County's obligations in this subparagraph are subject to compliance with all environmental laws and regulations, including but not limited to CEQA, and provided Aerojet is not in default of its payment obligation pursuant to Paragraph 7.0.

4.2 Subject to the requirements of subparagraph 4.1 and Paragraph 8.0 and subject to any conditions on the use of Folsom Water, County may use the Granted Water for any reasonable beneficial uses.

4.3 Upon County's satisfaction of RWSN obligations pursuant to subparagraph 4.1 and providing potable water to meet Aerojet's Water Needs pursuant to Paragraph 8.0, County may, in its sole discretion allocate and impose charges for Granted Water conveyed to it pursuant to this Agreement to other water purveyors, including, but not limited to, Cal-Am and ASWC. To the extent County provides water for Replacement Water Supply Needs in excess of the Granted Water, County may charge for the costs of supplying such water from the party to which it supplies the water. Any dispute between County and a water purveyor concerning charges for the costs of supplying such water will not diminish County's obligations under subparagraph 4.1.

4.4 In no event will County be obligated to provide a volume of water (measured by actual volume or flow rate) in order to satisfy Replacement Water Supply Needs in any one calendar year that exceeds the volume of Granted Water it receives during that same time period. As soon as practicable, County will provide notice to Aerojet if the volume of water needed to satisfy Replacement Water Supply Needs is likely to exceed the volume of Granted Water. County and Aerojet will cooperate in good faith to determine how to supply the volume of water needed for Replacement

Water Supply Needs that cannot be met by the Granted Water. Any volume of water necessary to meet the Replacement Water Supply Needs in excess of the volume of Granted Water will be provided at Aerojet's cost, unless the shortfall of Granted Water is due to County's lack of infrastructure to deliver that water.

4.5' County assumes full and complete responsibility for providing potable water to water purveyors pursuant to this Paragraph in accordance with regulations of the California Department of Health Services.

4.6 County acknowledges that its assumption of the obligations in this Agreement coupled with the conveyance of the Granted Water by Aerojet fully satisfies any and all obligations that Aerojet may have to County now or in the future to provide water necessary to satisfy the Replacement Water Supply Needs of the County as a water purveyor.

4.7 (a) In the event that (i) any government regulatory agency or court orders Aerojet to provide immediate replacement water to any third party in a proceeding for which Aerojet has provided County notice, Aerojet has advocated County's right to participate and Aerojet has consulted with County in formulating its position, or (ii) the Parties mutually agree to provide immediate replacement water to any third party (items (i) and (ii), collectively, "Emergency Water"), on a schedule that does not allow sufficient time for approval and construction of the RWSP before such Emergency Water must be provided, then County will provide sufficient Granted Water to such third parties, and Aerojet will pay for those facilities reasonably necessary to convey sufficient replacement water, consistent with such regulatory or court order or mutual agreement.

In the event that County approves and commences construction of the RWSP, any money

paid by Aerojet pursuant to this subparagraph, up to a maximum of \$5,000,000 will be credited to Aerojet and any such credit will be used to offset Aerojet's \$12.5 million payment obligation set forth in subparagraph 7.2 of this Agreement. If County fails to approve the RWSP, regardless of whether this Agreement is terminated pursuant to subparagraph 7.5, County will not be obligated to reimburse Aerojet for any payments Aerojet makes pursuant to this subparagraph, but Aerojet will be deemed to have satisfied its obligation to provide replacement water as ordered or otherwise agreed upon.

(b) In the event this Agreement is terminated for any of the reasons set forth in Paragraph 10.0, any and all new water supply wells, pipelines and other related improvements constructed or installed by County at its cost or other water supply acquired by County at its cost after execution of this Agreement to satisfy the provisions of this subparagraph 4.7 will remain the property of County. County will continue to provide Emergency Water for a period not to exceed six months from termination of this Agreement, provided that the cost of such obligation is borne by Aerojet, after which time Aerojet will assume such obligation. In the event Aerojet has not already paid County for those water supply wells, pipelines and other related improvements or other water supplies acquired or constructed by or on behalf of County after execution of this Agreement necessary to satisfy the provisions of this subparagraph 4.7, Aerojet will have the right to acquire those wells, pipelines, related improvements or other water supplies at the same capital cost paid or expended by County, less depreciation. In the event Aerojet has paid for the referenced wells, pipelines, related improvements or other water supplies, County, upon Aerojet's written request, will transfer any right, title and interest it has in those wells, pipelines, related improvements and other water supplies to Aerojet.

5.0 Statement of Intent Regarding Construction and Operation of Facilities

5.1 Subject to compliance with all environmental laws and regulations, including but not limited to CEQA, County intends to design, construct and operate the RWSP to satisfy the Replacement Water Supply Needs and for reasonable beneficial use within Sacramento County.

5.2 Subject to compliance with all environmental laws and regulations, including but not limited to CEQA, the Parties will meet and confer and cooperate in good faith to reach agreement regarding the location and alignment of all pipelines and appurtenances necessary for the transmission of Granted Water across Aerojet Lands. Aerojet agrees that it will cooperate with and provide reasonable site access to County for the purpose of County's surveying the location, alignment and construction of pipelines and appurtenances on Aerojet Lands. County understands and agrees that this access may be reasonably constrained for reasons related to national security at Aerojet's sole and absolute discretion. The Parties agree that within 90 days following the execution of a subsequent agreement regarding the specific location and alignment of pipelines and appurtenances, Aerojet will execute and convey to County, without cost to County, the licenses or non-exclusive easements necessary to construct, operate and maintain these pipelines and appurtenances on Aerojet Lands. County will be responsible for the costs of construction, operation and maintenance of these pipelines and appurtenances. So long as County desires, Aerojet will operate these pipelines and appurtenances at County's expense. Aerojet may seek County approval for any relocation of a pipeline or equipment relating thereto needed because of development of the Aerojet Lands, and

approval of a requested relocation by County will not be unreasonably withheld. Aerojet will be responsible for the reasonable cost of the relocation requested by Aerojet.

5.3 With respect to any County employees, contractors, agents or other personnel ("County Personnel") entering upon Aerojet Lands for purposes of inspection, survey, construction, maintenance or repair, County will provide Aerojet with evidence that such persons and their activities are reasonably insured in accordance with local standards and Aerojet is named as an additional named insured on any applicable insurance policies. Such evidence will be provided to Aerojet prior to entry upon Aerojet's Lands and Aerojet's approval will not be unreasonably withheld.

5.4 County will indemnify, defend and hold Aerojet harmless from and against any and all claims, liabilities, damages, litigation, costs or other expenses, including reasonable attorneys fees, related to or arising from County Personnel's entry onto Aerojet Lands or construction activities pursuant to this Agreement.

5.5 With respect to any County construction activity on Aerojet Lands, County will provide Aerojet with sufficient advance written notice such that Aerojet may file appropriate notices of non-responsibility with respect to such construction. County will be responsible for and ensure the release of any mechanics liens or other liens or encumbrances arising from any such construction activity.

5.6 County will cooperate with Aerojet with respect to Aerojet's construction and operation of the GETs, including but not limited to County's expeditious issuance of all permits, regulatory approvals, easements and rights of way within County's control to Aerojet that may be necessary for the construction and operation of the GETs and delivery of the GET Water to County. County's cooperation will include, without

limitation, expedited review and processing of any permit applications and/or environmental reviews necessary to the construction and operation of the GETs. County will not unreasonably deny or delay Aerojet's access to property owned or controlled by County that is necessary for the construction or operation of the GETs.

6.0 Temporary Discharge of GET Water.

6.1 Until County provides notice to Aerojet that it intends to put the GET Water to a different beneficial use and/or discharge GET Water through a different means or at a different location, Aerojet is entitled to discharge GET Water from GETs D, E/F and ARGET directly into the American River, in accordance with all applicable regulatory requirements. In accordance with Paragraph 3.0, Aerojet will make the GET Water available to County upon receiving notice from County to begin delivery of such water to County.

6.2 County will cooperate with Aerojet for the issuance of all permits and regulatory approvals necessary for the use of County owned rights of way and storm drains for conveyance and discharge of GET Water to the American River pursuant to subparagraph 6.1. County's cooperation will include, without limitation, expedited review and processing of any permit applications and/or environmental reviews necessary for such discharges. In the event that this Agreement terminates for reasons that are not the fault of Aerojet, Aerojet may continue to exercise any rights that have been granted through permits and regulatory approvals to use County owned rights of way and storm drains for conveyance and discharge of GET Water to the American River.

6.3 County may sell or transfer GET Water discharged pursuant to this paragraph. Any proceeds from the sale or transfer of GET Water discharged pursuant to this paragraph will be shared equally between Aerojet and County. County will provide Aerojet with copies of any agreements for sale or transfer prior to their execution and County will provide Aerojet an accounting no less frequently than quarterly.

7.0 Payment

7.1 Upon execution of this Agreement, the County will undertake a process of environmental review under CEQA, and any other applicable laws, as necessary for the RWSP. In exchange for the consideration set forth in this Agreement, Aerojet will fund a portion of the costs of preparing the environmental documentation to allow County to consider the approval of the RWSP and, if and when approved, to fund a portion of the cost of designing and constructing the RWSP. The amount of Aerojet funding for the purposes stated herein is set forth in subparagraph 7.2. It is further understood and agreed that Aerojet's payment to County of all amounts set forth below is a condition precedent to County's assumption of the various obligations set forth in subparagraph 8.1 hereof.

7.2 In order to fulfill Aerojet's financial obligations to County under this Agreement, Aerojet will make payments to County totaling Twelve Million Five Hundred Thousand Dollars (\$12,500,000). Such payments will be made as follows:

- (i) Within thirty (30) days of the effective date of this Agreement, Aerojet will pay County Two Hundred Fifty Thousand Dollars (\$250,000). These funds will be used by County to fund the cost of preparing a project description

for the RWSP and to prepare the necessary environmental documentation to allow County to consider approval of the RWSP. Such funds may also be utilized by County to pay for legal and other professional services associated with the preparation of the environmental documentation and the defense of any litigation challenging the validity of this Agreement, the environmental documentation for the RWSP and any County approval of the RWSP.

(ii) Aerojet will make additional payments to County in equal annual installments. The first such payment will be due sixty (60) days after County notifies Aerojet that it has received final approval of the RWSP under CEQA and the period for any legal challenge to such approval has expired and no suit has been filed or, if a suit has been filed, such litigation has been finally resolved. Each subsequent payment will be due on the anniversary of the first payment. The County will provide Aerojet with a schedule for construction of the RWSP within thirty (30) days after it receives CEQA approval. The number of payments will be determined by the number of years of construction projected in the schedule. The amount of each payment will be determined by dividing the total amount of money to be paid (Twelve Million Two Hundred Fifty Thousand Dollars (\$12,250,000)) by the number of years in the construction schedule. Thus, for example, if the construction schedule calls for a five-year construction period, the payments will be made in five equal installments of Two Million Four Hundred Fifty Thousand Dollars (\$2,450,000) each.

7.3 If any portion of Aerojet's right, title and interest in a GET is conveyed by Aerojet to County to enable County to take possession of the GET Water conveyed to it

by Aerojet pursuant to this Agreement, County will give Aerojet a credit for the actual cost of constructing that portion of the GET that is transferred to County. Credits will be used to offset Aerojet's \$12,500,000 payment obligation set forth in subparagraph 7.2. In the event that any such credit is earned by Aerojet prior to payment of the entire \$12,500,000, such credit will be applied to the next payment owed by Aerojet.

7.4 If Aerojet fails to make any payment required by this Paragraph within the times specified herein, Aerojet will pay interest on the late payment at the rate of 7 percent per annum. Failure by Aerojet or another party on behalf of Aerojet to make any payment in accordance with this Paragraph within ninety (90) days of the deadline for such payment will result in County having the right to terminate the Agreement upon thirty (30) days written notice. In the event this Agreement is terminated, both Parties will be free to pursue whatever legal remedies that would have been available had they not entered into this Agreement. In the event of termination of this Agreement due to Aerojet's failure to make payments pursuant to this subparagraph to County, County will be entitled to retain all payments made by Aerojet to County prior to such termination and all rights to the Granted Water conveyed by Aerojet.

7.5 If County fails to complete and certify the environmental documentation necessary to approve the RWSP and approve the RWSP within three years after the effective date of this Agreement, or makes a formal determination not to proceed with the RWSP prior to the end of such three-year period (collectively, the "triggering event"), this Agreement may be terminated by either Party upon written notice to the other and, if terminated, County will reimburse Aerojet for all payments made by Aerojet pursuant to subparagraph 7.2 except for the \$250,000 associated with the costs of environmental

review, pursuant to subparagraph 7.2(i). Such reimbursement payment to Aerojet will be made within thirty (30) days of termination of this Agreement pursuant to this subparagraph.

7.6 In the event this Agreement is terminated for any reason, the Parties agree that all applicable statutes of limitation, contractual time defenses, the equitable defense of laches and any other time-related bar or defense, including but not limited to that imposed under California Water Code section 13330 (collectively referred to as the "Time Defenses") will have been tolled, from the date of this Agreement for a period of three years and the Parties waive any rights to assert any Time Defenses arising during the tolling period.

8.0 Water Available to Aerojet

8.1 Subject to satisfaction of the provisions in Paragraphs 3.0 and 7.0 of this Agreement, and consistent with County's authority to provide water within County boundaries, and subject to compliance with all applicable environmental laws and regulations, including but not limited to CEQA, County will provide Aerojet or its successors in title or assigns with potable water sufficient to meet Aerojet's Water Needs, not to exceed the amount of GET Water transferred to County pursuant to subparagraph 3.1 less the water necessary to satisfy all RWSN. To the extent that Folsom Water is conveyed hereunder, the maximum quantity of water that County is obligated to provide to meet Aerojet's Water Needs will be increased by an amount equal to the amount of Folsom Water conveyed to County pursuant to Paragraph 3.4 of this Agreement. This water will be delivered immediately to Aerojet or to the appropriate

water purveyors for delivery to Aerojet Lands, as and when Aerojet's Water Needs occur. The obligation to provide water pursuant to this Paragraph may be satisfied with either surface or groundwater supplies or a combination of those supplies.

8.2 County further agrees to provide Aerojet or its successors in title or assigns, upon request, with the following:

(a) a water supply assessment, in accordance with Stats. 2001, chapter 643 (SB 610) and Stats. 2001, chapter 642 (SB 221), and any amendments thereto or comparable statutory enactment, that County possesses and will commit water supplies sufficient to serve the Elliot Homes Property, subject to compliance with all applicable environmental laws and regulations, including but not limited to CEQA, and to construction of the RWSP;

(b) a water supply assessment, in accordance with Stats. 2001, chapter 643 (SB 610) and Stats. 2001, chapter 642 (SB 221), and any amendments thereto or comparable statutory enactment, that County possesses and will commit water supplies sufficient to meet Aerojet's Water Needs, not included in subparagraph 8.2(a), not to exceed the amount of Granted Water less the water necessary to satisfy all RWSN, subject to compliance with all applicable environmental laws and regulations, including but not limited to CEQA, and further subject to construction of the RWSP and Aerojet's satisfaction of the provisions in Paragraphs 3.0 and 7.0 of this Agreement;

(c) to the extent County is the retail water service provider for the Aerojet Lands, subject to construction of the RWSP, County will provide Aerojet or its successors in title or assigns with legally binding assurances that County

will provide and serve water sufficient to meet Aerojet's Water Needs, not to exceed the amount of Granted Water less the water necessary to satisfy all RWSN, as and when those needs occur;

(d) to the extent County is not the retail water service provider for the Aerojet Lands, subject to construction of the RWSP, County will provide legally binding assurances to Aerojet or its successors in title or assigns that County will provide the appropriate water purveyor(s) water sufficient to meet Aerojet's Water Needs, not to exceed the amount of Granted Water less the water necessary to satisfy all RWSN, as and when those needs occur.

8.3 In the event that County (i) fails to provide sufficient legally binding assurances or (ii) fails to deliver sufficient potable water to meet Aerojet's Water Needs, as required under subparagraphs 8.1 and 8.2, Aerojet will be entitled to terminate this Agreement, seek specific performance (it being agreed that Aerojet cannot be adequately compensated by monetary damages), damages or any other appropriate legal or equitable relief from County.

8.4 County will, at its sole expense, construct, maintain and repair all pumps, pipes, equipment or other items necessary to deliver the transferred GET Water set forth in this Paragraph 8.0 to a mutually satisfactory point of delivery on the boundary of Aerojet Lands, or elsewhere as mutually agreed upon by the Parties. All pumps, pipes, equipment and other items shall be sized sufficiently to allow for the delivery of the maximum amount of potable water that County is required to deliver to Aerojet pursuant to this Agreement. Aerojet will be responsible for the costs to construct, maintain and

repair all pumps, pipes, equipment or other items necessary to deliver any Folsom Water set forth in this Paragraph 8.0 to the Aerojet Lands.

8.5 All assurances by County to provide water to a specific planned development on Aerojet Lands will trigger an independent duty of County, subject to the conditions set forth in subparagraph 8.2, to continue that supply as long as it is required to service the development on Aerojet Lands. Nothing in this Agreement will be deemed to grant Aerojet or its successors in title or assigns, any entitlements for the development of the Aerojet Lands. Any development of the Aerojet Lands by Aerojet or its successors in title or assigns must conform to land development policies, plans, ordinances and codes of the entity or entities with land use jurisdiction over the Aerojet Lands. Nothing in this Agreement eliminates Aerojet's obligation to construct or provide for the costs of construction of any on-site facilities necessary to supply water to development on the Aerojet Lands to the extent such obligations are imposed on property owners/developers in a non-discriminatory fashion and unrelated to any condition of contamination.

8.6 Written Verification of Availability of Water

In further consideration of the provisions of Paragraphs 3.0 and 7.0 of this Agreement, and subject to compliance with all environmental laws and regulations, including but not limited to CEQA, County will provide, whenever requested by Aerojet, written verification in legally sufficient form and content, reasonably satisfactory to Aerojet, any public agency having jurisdiction over any land development proposal comprising all or any portion of the Aerojet Lands, a water purveyor, or purveyors, whether public or private, or any other person or entity at the request of Aerojet, that

water, both potable and non-potable, is available for delivery in accordance with Paragraph 8.0, to Aerojet, its successors and assigns, to meet Aerojet's Water Needs.

9.0 Hold Harmless and Indemnification

(a) In consideration for, among other covenants in this Agreement, the provisions of Paragraphs 3.0 and 7.0 of this Agreement, County will, immediately upon execution of this Agreement, defend, indemnify and hold Aerojet and its past and present parent entities, subsidiaries, shareholders, directors, officers, employees, contractors, attorneys, agents, successors and assigns harmless from any claims brought by a third party (1) relating to Aerojet's obligation to satisfy Replacement Water Supply Needs, including without limitation, fines, penalties or other types of sanctions levied or imposed because of a failure to perform or the manner in which that obligation has been performed on the part of County, except such replacement or contingency water provided or agreed to be provided for by Aerojet as set forth in Exhibit 4 hereto, including, but not limited to, any and all claims by real estate developers related to construction and operation of the North Vineyard well field system or any other system intended to provide water for the Sunrise-Douglas Development; or (2) relating to County's failure to satisfy the Replacement Water Supply Needs or its actions regarding allocation, pricing or delivery of water to any third party. County's obligation also includes defending, indemnifying and holding Aerojet harmless, at County's cost, in any groundwater adjudication for the Eastern Portion of Sacramento County to the extent that the adjudication addresses rights to the GET Water or groundwater prior to its extraction and treatment through the GET system, or any proceeding in which rights to the GET Water

are sought to be resolved by any party. Notwithstanding the foregoing, County will have no obligation to indemnify Aerojet for (i) claims for impairment of water rights, separate and apart from the Replacement Water Supply Needs water; (ii) any expense or damages relating to lost water supplies incurred solely before the effective date of this Agreement that are the subject of any civil lawsuit or complaint that is pending and has been served on Aerojet and/or County prior to the effective date of this Agreement; (iii) claims for water rights or damages related to lost water supplies that are not within the Eastern Portion of Sacramento County; (iv) claims that result from Aerojet producing insufficient GET Water to satisfy Replacement Water Supply Needs; or (v) claims by other purveyors, including Cal-Am and ASWC, for costs for upgrades to existing systems that are made necessary by implementation of the RWSP.

(b) Aerojet maintains the right to appear in opposition to any proceeding and/or challenge any regulatory agency or court determination in which it is contended or determined that Aerojet is responsible for damages or subject to other remedies to any third party or agency related to the indemnification and hold harmless provision of Paragraph 9.0(a). With respect to any and all of these claims, County will defend such claims at its sole cost and expense, including but not limited to attorney's fees but will not be responsible for any costs incurred by Aerojet, including its attorneys fees, in its appearance in those proceedings. County will keep Aerojet reasonably apprised of the status of such claims. County will not settle any claim for which it is defending and indemnifying Aerojet without first obtaining prior written consent of Aerojet, unless the County agrees to fully pay said settlement without recourse against Aerojet.

(c) In the event that any person or entity recovers monetary damages from County for the purchase of replacement water to meet Replacement Water Supply Needs, County will be entitled to offset the amount of replacement water to which that person or entity may be entitled to satisfy its Replacement Water Supply Needs by the amount of replacement water that formed the basis for the calculation of the monetary damages, provided such action does not result in any claim against or liability of Aerojet against which County does not provide a complete defense and indemnity.

(d) County's obligations to hold harmless and indemnify Aerojet as provided in Paragraph 9.0 will cease immediately upon termination of this Agreement.

10.0 Environmental Review

10.1 County will initiate the CEQA process by preparing and completing an Initial Study, in accordance with CEQA, within 180 days of the date of this Agreement.

10.2 Except as provided in this Agreement, no improvement will be constructed pursuant to this Agreement until after any environmental review that may be required under CEQA has been completed and all findings required by CEQA have been made. Aerojet will be entitled to all rights, if any, that a project proponent would have under CEQA.

10.3 In the event County declines to approve the RWSP after completing its review of the RWSP pursuant to CEQA and this Agreement is terminated pursuant to subparagraph 7.5, all right, title and interest in the Granted Water and the consideration paid by Aerojet to County with interest in the amount of the County Treasury Investment Pool rate, except for the \$250,000 for environmental review, including monetary

payments and Aerojet's right, title and interest in the Granted Water, will be reconveyed to Aerojet within thirty (30) days of termination of this Agreement.

11.0 Water Rights

This Agreement is not intended and cannot be used to confirm or deny any water rights that the Parties have or may have in the absence of the Agreement.

12.0 Invalidity of Agreement

In the event any court, administrative body or regulatory agency issues a final order invalidating the conveyance of the Granted Water or any other material provision of this Agreement and all appeals of such order have been denied or the time for appeal has otherwise expired, this Agreement, in its entirety, will become null and void and all consideration returned or reconveyed within thirty (30) days of the invalidity determination and unsuccessful appeal or expiration of time to bring such appeal.

13.0 State and Federal Funding

The Parties agree that some of the costs associated with reuse of the Granted Water may be the appropriate subject of either state or federal funding. The Parties therefore agree to develop a program to pursue this state or federal funding and to cooperate in good faith to secure and use these state and federal funds for this purpose and determine how, if at all, such funds successfully obtained will be shared between the Parties.

14.0 American States Lawsuit

14.1 Aerojet has denied and continues to deny that it is liable for any injury or any damages claimed in the *American States Lawsuit*, nor does Aerojet believe that it is liable for any potential, future injury to groundwater supplies used by ASWC or by any other water purveyor. Regardless of the cause of injury, to the extent injury to groundwater supplies used by water purveyors has resulted or may result in the future, Aerojet is providing Granted Water to County pursuant to this Agreement for the express purpose of ensuring that water purveyors, including ASWC and Cal-Am, will have sufficient water to replace any water supplies that have been or may be lost.

14.2 So that Aerojet may continue to pursue its good faith efforts to reach a settlement with ASWC of the *American States Lawsuit*, County, upon written request of Aerojet, will convey to Aerojet as soon as practicable, a reasonable amount of potable water from the RWSP for transfer to ASWC to satisfy, in whole or in part, its Replacement Water Supply Needs, on such terms and conditions as Aerojet deems appropriate, subject to the provisions of this subparagraph. The referenced conveyance is conditioned on Aerojet's submittal of its written request to County prior to December 31, 2003. If Aerojet does not provide County its written request to convey the potable water as provided herein by the close of business on December 31, 2003, County's obligation to convey that water to Aerojet as provided in this subparagraph will become null and void. County may reject Aerojet's request if County, in its sole discretion, determines that the amount of water requested by Aerojet for transfer to ASWC is not reasonable.

14.3 In the event ASWC recovers monetary damages against Aerojet by settlement or by judgment in the *American States Lawsuit* based on its claim for costs of

future water rights and/or future water supplies that are allegedly needed to replace water supplies that are made unavailable as a result of groundwater contamination, County, unless Aerojet and County agree otherwise, will reduce the amount of Replacement Water Supply Needs to which ASWC would otherwise be entitled pursuant to Section 3.3 of this Agreement in an amount equal to that portion of Replacement Water that formed the basis for the calculation of the monetary settlement or judgment.

15.0 Legal Opinion

Legal counsel for County has provided a legal opinion to Aerojet, concurrently with this Agreement, a copy of which is attached as Exhibit 5, upon which Aerojet will rely, that (i) there are no material limitations on the authority of Sacramento County or Sacramento County Water Agency to perform the obligations or receive the benefits provided in this Agreement. Sacramento County will assume any obligation under this Agreement in the event a legal right of Sacramento County Water Agency to perform its obligations under this Agreement is otherwise limited and (ii) subject to the limitations set forth in this Agreement, that the obligations of County under Paragraph 8.0 are enforceable, continuing and binding obligations upon County.

16.0 No Levy On Granted Water

County will not levy any assessment, tax or other charges directed specifically at Aerojet on or relating to Granted Water. This condition will not limit County's ability to levy charges on the treatment or distribution costs for potable water that are equitably apportioned to all water users and County is not obligated to reimburse Aerojet for these

charges to the extent that they are imposed on a non-discriminatory basis and without regard to any existing or alleged condition of contamination.

17.0 No Third Party Beneficiary.

This Agreement does not confer third party beneficiary status on any party including, but not limited to, Cal-Am or ASWC.

18.0 Release of Claims

18.1 Except as specifically provided in this Agreement, County covenants not to sue and hereby releases Aerojet and its predecessors and successors, as well as its present and former parent entities, subsidiaries, partners, related entities of any nature, and the foregoing entities' respective past and present officers, directors, present or former shareholders, employees, consultants, contractors, attorneys, agents or assigns, known or unknown, from any and all claims, whether such claims are at common law, in equity or under statutory law, whether such claims are known or unknown, whether suspected or unsuspected, whether existing or arising or may hereafter arise, that County may have with respect to any costs, damages, demands, causes of action, debts, expenses or obligations arising out of or in any way related to the groundwater contamination within the Eastern Portion of Sacramento County (collectively, "Claims"). These claims include, but are not limited to, past costs associated with the Paseo Tank, County labor and purchases of water, and future costs associated with the Paseo Tank, overseeing work related to groundwater contamination in the Eastern Portion of Sacramento County and additional water purchases.

18.2 Except as specifically provided in this Agreement, Aerojet covenants not to sue and hereby releases County and its predecessors, successors, agencies, related entities of any nature, and the foregoing entities' respective past and present officers, directors, employees, attorneys, agents or assigns, known or unknown, from any and all Claims that it may possess against County arising out of or in any way related to the groundwater contamination within the Eastern Portion of Sacramento County. These claims include, but are not limited to, enhancements to County's water distribution system provided by Aerojet at Aerojet's cost prior to the effective date of this Agreement.

18.3 Each of the Parties providing releases pursuant to this Agreement has read and understands the contents of California Civil Code section 1542, and hereby waives that section, which provides:

“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 A RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

18.4 If, and to the extent that, Section 1542 or similar law or statute may otherwise apply to this Agreement, the Parties, and each of them, do hereby waive and relinquish all rights and benefits that they may have under Section 1542 of the California Civil Code or under the law of any other state or jurisdiction to the same or similar effect respecting the Claims.

18.5 The releases contained herein do not apply to any and all claims any of the Parties have made or may in the future make in the litigation styled *California Department of Toxic Substances Control et al. v. Brighton Oil Co. et al.*, Eastern District of California, Case No. CIV S-02-0018 GEB JFM.

19.0 Determination of Replacement Water Supply Needs

As part of its obligation to provide water purveyors potable water to satisfy the RWSN, County will determine its best estimate of the Replacement Water Supply Needs for each affected water purveyor. In determining such estimates, County will consider, among other things, information submitted by the water purveyors seeking such water, the provisions of the Water Forum Agreement, the views of Aerojet, the efforts of the affected purveyors to implement water conservation measures, other matters pertinent to regional water planning, and whether the affected purveyor seeks water in order to serve existing or new customers. County will explain the bases of such estimates, as appropriate, to the EPA, the RWQCB, the SWRCB, the California Public Utilities Commission, the California Department of Health Services and/or other regulatory agencies, other water purveyors and, if necessary, the courts. If any of the foregoing regulatory agencies determine that the County estimates are insufficient to satisfy a water purveyor's Replacement Water Supply Needs, County, subject to its right to challenge that determination in any forum, will make water available to satisfy a water purveyor's Replacement Water Supply Needs as determined by the EPA, the RWQCB and the SWRCB. Nothing herein will limit the rights of Aerojet or any water purveyor that has requested water from County to satisfy its RWSN to contest County's estimate and decision regarding RWSN and any agency determination regarding RWSN. Any challenge made by Aerojet will not relieve County of its indemnity obligation under Paragraph 9.0 of this Agreement.

20.0 Governing Law

This Agreement will be interpreted and enforced pursuant to the laws of the State of California without regard to choice of law principles.

21.0 Modifications

No supplement, modification or amendment of this Agreement will be binding unless executed in writing by County and Aerojet.

22.0 Entire Agreement

This Agreement constitutes the entire agreement of the Parties related to their interests, obligations, and rights in connection with the subject matter set forth herein. This Agreement supersedes all prior and contemporaneous agreements, understandings and representations between the Parties, whether written or oral.

23.0 Assigns and Successors

This Agreement is binding upon, and inures to the benefit of, the assigns or successors-in-interest of the Parties herein.

24.0 No Admissions

This Agreement pertains to a disputed claim and is the result of compromise. As such, it does not constitute and will not be deemed as an admission of liability by any Party hereto.

25.0 Counterparts

This Agreement may be executed in counterparts with the same force and effect as if executed in one complete document.

26.0 Ownership of Claims

Each of the Parties warrants and represents that it exclusively owns the respective claims that are the subject of this Agreement, and that it has the exclusive right to release such claims. Each of the Parties warrants that it has the sole right and exclusive authority to execute this Agreement, and to receive the consideration therefore, and that it has not sold, assigned, transferred, conveyed or otherwise disposed of any claim covered under this Agreement.

27.0 Authority to Execute

Each signatory to this Agreement represents and warrants that he or she is over the age of eighteen years, of sound mind and otherwise competent to execute this Agreement, and that he or she has the authority to execute this Agreement.

28.0 Attorneys' Fees

If any subsequent action is brought to enforce this Agreement, or for a breach thereof, the prevailing party will be entitled to its reasonable attorneys' fees and costs.

29.0 Notices

Any and all notices required or permitted under this Agreement will be in writing and will be deemed to be given when: (1) hand-delivered; (2) sent by overnight mail; or (3) upon receipt after mailing when mailed by certified mail return receipt requested, postage prepaid addressed to the party for whom it is intended as follows:

Aerojet:

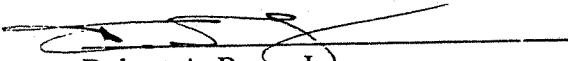
Aerojet-General Corporation
Attn: President
With copies to:
GenCorp General Counsel
GenCorp Vice President, Environment, Health & Safety
P.O. Box 537012
Sacramento, CA 95853-7012
If hand-delivered or by overnight mail
Highway 50 and Aerojet Road
Rancho Cordova, CA 95670

County of Sacramento:

County of Sacramento
Director of Water Resources
827 Seventh Street, Suite 301
Sacramento, CA 95814
With copies to:
County of Sacramento
Office of County Counsel
700 H Street, Suite 2650
Sacramento, CA 95814

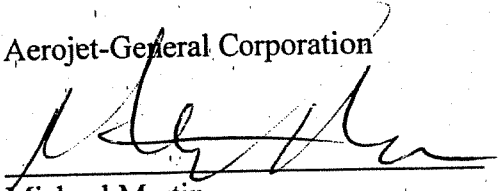
Dated: 8-27-03

County of Sacramento

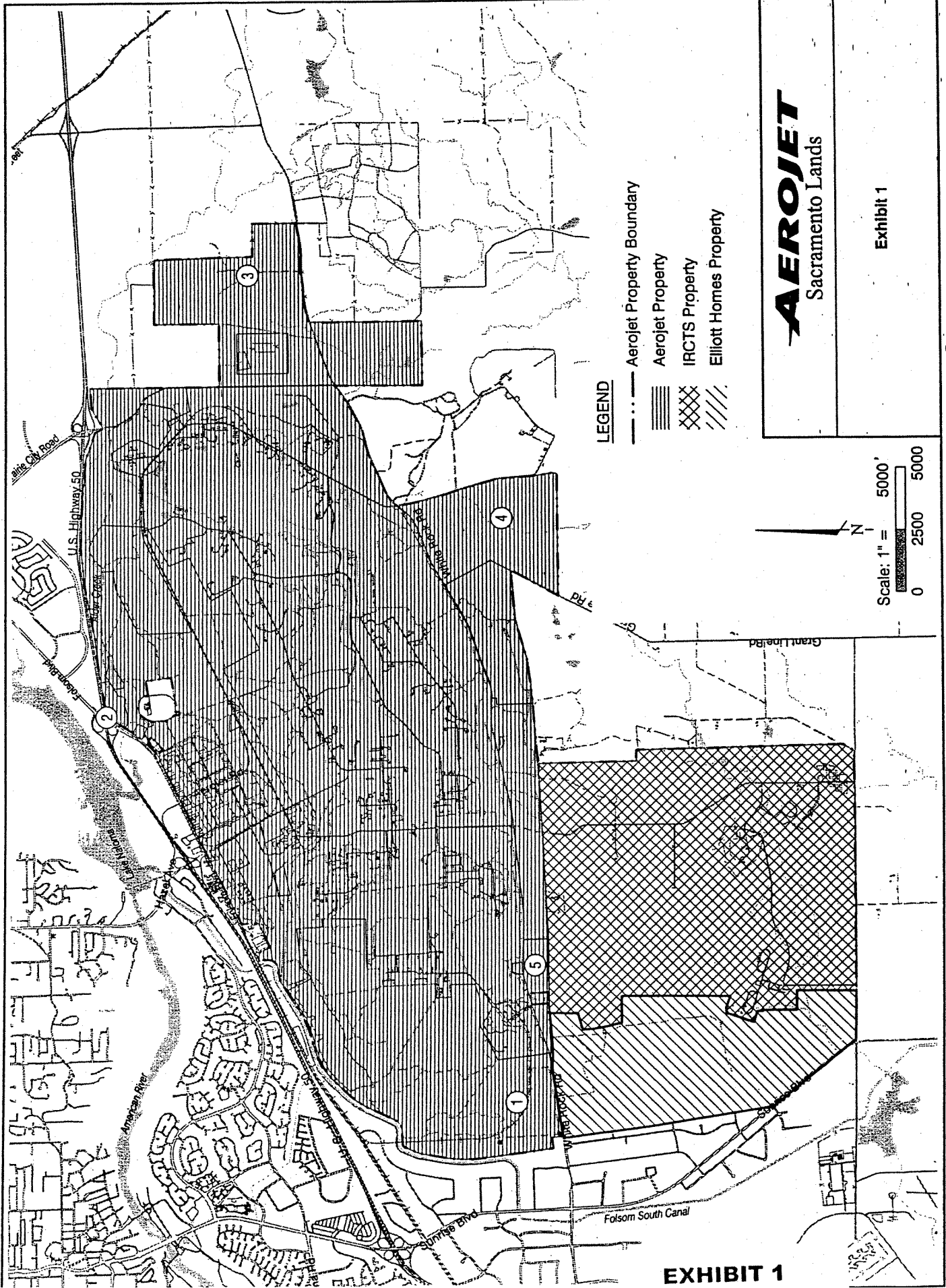

Robert A. Ryan, Jr.
County Counsel

Dated: 8/26/03

Aerojet-General Corporation



Michael Martin
President



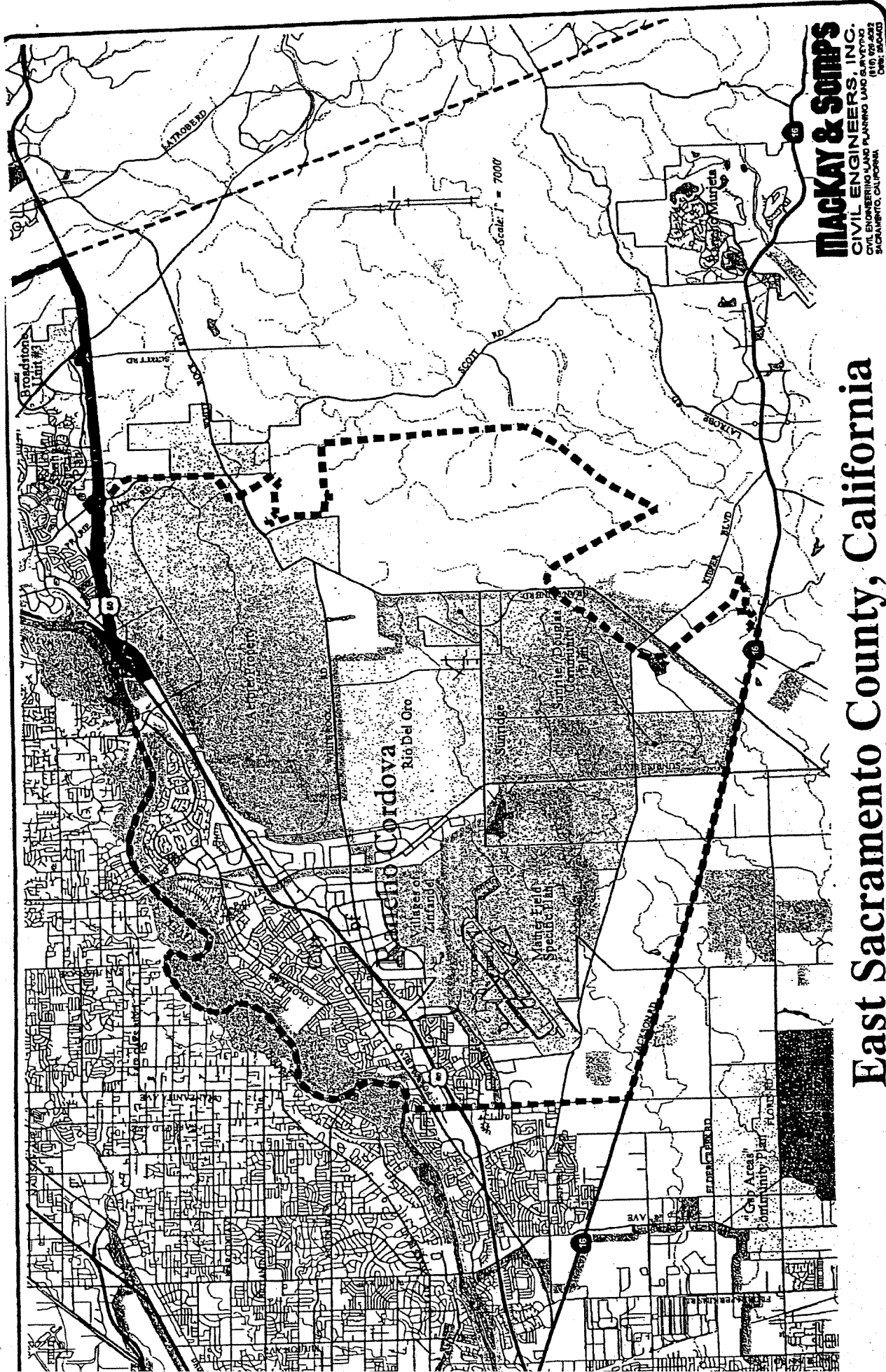
- LEGEND**
- Aerojet Property Boundary
 - ==== Aerojet Property
 - XXXX IRCTS Property
 - //// Elliott Homes Property

AEROJET
Sacramento Lands

Exhibit 1

Scale: 1" = 5000'
0 2500 5000

EXHIBIT 1



MACKAY & SOMPS
CIVIL ENGINEERS, INC.
 ENGINEERING, LAND PLANNING, LAND SURVEYING
 1815 9th AVE
 SACRAMENTO, CALIFORNIA 95811
 (916) 442-8800

CONTRACT FOR WATER SERVICE

THIS CONTRACT is made this 2nd day of June, 1986, between the CITY OF FOLSOM, a municipal corporation in the County of Sacramento, State of California, herein called "CITY", and AEROJET-GENERAL CORPORATION, a corporation organized and existing under and by virtue of the laws of the State of Ohio and authorized to do business in the State of California, herein called "AEROJET";

RECITALS

(a) CITY and AEROJET have heretofore entered into a contract, made August 30, 1967, herein called the "1967 Contract", for a supply of untreated water to AEROJET by CITY for a maximum term of 40 years.

(b) The 1967 Contract provides for CITY to deliver to AEROJET ten million (10,000,000) gallons per day (GPD) of untreated water from the American River with provision for delivery of amounts in excess thereof under certain conditions.

(c) CITY has made delivery of untreated water under the 1967 Contract via Willow Hill Reservoir and a portion of the Rebel Hill Ditch running between that reservoir and AEROJET property. AEROJET, at its expense, has replaced said portion of the Rebel Hill Ditch with a buried pipeline, herein called the Rebel Hill Pipeline, such that delivery of

untreated water to AEROJET is now made through that pipeline.

(d) Since the 1967 Contract, CITY has constructed facilities financed through the Nimbus Water Assessment District which now have capacity to furnish one million (1,000,000) GPD of potable water to AEROJET at the rates of payment applicable thereto, as established from time to time by the CITY.

(e) CITY has constructed additional facilities through its Folsom South Assessment District which have the capacity to provide two million (2,000,000) GPD of potable water to AEROJET at rates of payment applicable thereto, as established from time to time by the CITY.

(f) In return for service of potable water through the two CITY assessment districts, an extension of the term for which untreated water will be supplied, and certain other changes in the service of untreated water, AEROJET is willing to modify the 1967 Contract to reduce its entitlement to untreated water from CITY.

(g) CITY, in return for a reduction in AEROJET's entitlement under the 1967 Contract and for adjustments in the price for the remaining untreated water supply, is willing to extend and modify the 1967 Contract as provided herein.

(h) CITY and AEROJET entered into a contract on March 17, 1983 to accomplish the purposes stated in (f) and (g) above, but by its terms, that contract expired on August 30,

1985 before becoming effective, and the parties therefore desire to enter into this new contract to accomplish said purposes and replace the 1967 contract.

AGREEMENTS

1. TERM: This Contract shall supersede the 1967 Contract, effective upon its execution by the parties. It shall remain in effect until December 31, 2036.

2. AEROJET PROPERTIES: As used in this Contract, "AEROJET properties" means: (a) all land owned by AEROJET in Sacramento County which it owned on March 17, 1983, as shown on the map attached hereto as Exhibit "A" (herein called "the 1983 land"); (b) those lands owned by AEROJET which it acquired after March 17, 1983, as shown on Exhibit "A"; and (c) lands hereafter acquired by Aerojet which are contiguous to the 1983 land (except for intervening public roads). Aerojet properties shall include any parts of such lands hereafter granted to others.

3. WATER TO BE FURNISHED TO AEROJET: During the term of this Contract CITY shall furnish to AEROJET on demand and AEROJET shall accept and pay for, as provided in Article 8 hereof, up to five million (5,000,000) GPD of untreated water.

4. RIGHT TO USE WATER: AEROJET shall have the right to use all or any part of the water furnished to it pursuant to this Contract for any beneficial purposes on:

(a) Any AEROJET properties, provided that no residential use shall be made of such water outside of the AEROJET lands shown on Exhibit A; and

(b) Any other lands pursuant to Article 12(b). Such right shall not be disturbed so long as AEROJET fulfills its obligations under this Contract.

5. DELIVERY, MEASUREMENT AND RESPONSIBILITY FOR DISTRIBUTION OF WATER:

(a) AEROJET shall be entitled to receive from CITY on demand its full entitlement of five million (5,000,000) GPD of untreated water at the point of entry of Rebel Hill Pipeline onto AEROJET property.

(b) AEROJET reserves the right to receive on demand all or any part of its five million (5,000,000) GPD entitlement at other points of delivery to be designated in writing by AEROJET, through other or additional delivery facilities to be arranged or installed and maintained by AEROJET at its expense. AEROJET shall bear all costs of relocating any of such additional delivery facilities in the event that relocation is required by CITY for utility or street purposes, or by any other governmental entity or public utility, and CITY is obligated for such costs.

(c) AEROJET shall, at its expense, furnish and install at or near the point of delivery specified in (a) above and at or near any point of delivery established pursuant to (b) above a meter or automatic recording gauge of a type approved by CITY to measure the flow of water delivered to

AEROJET. Upon installation, each meter or gauge shall become the property and responsibility of CITY, which shall thereafter calibrate, adjust, repair, replace and otherwise maintain it as necessary. CITY shall read each meter or gauge and shall furnish AEROJET with the information derived from such readings as provided in Article 8. AEROJET shall have full access at reasonable times to inspect each meter or gauge for the purpose of determining the accuracy and condition thereof, and any errors in measurement disclosed by said inspection shall be adjusted. If a meter or gauge is found to be defective or inaccurate, it shall be readjusted, repaired, or replaced by CITY.

(d) CITY shall be responsible for operation, maintenance, and replacement of the Rebel Hill Pipeline to its point of entry onto AEROJET property, and AEROJET hereby quitclaims to CITY any right, title, or interest in said pipeline to said point of entry.

(e) CITY shall make all reasonable efforts to maintain sufficient flows and levels of water in the transmission facilities to furnish water to AEROJET at the designated capacities of the turnouts established at or near all points of delivery, and shall assure a wet suction at all times at the pumps located at or near all points of delivery.

(f) CITY shall not be responsible for the control, carriage, handling, use, disposal, or distribution of water after delivery thereof at the points of delivery specified herein or designated by AEROJET.

(g) CITY may temporarily discontinue or reduce the quantity of water to be furnished to AEROJET as herein provided for the purposes of maintenance, repair, or replacement of any of the facilities necessary for furnishing water to AEROJET for a continuous period not to exceed three (3) days, but shall give AEROJET seven (7) days' notice in advance of such temporary discontinuance or reduction, except in case of emergency, in which case no notice need be given.

6. OWNERSHIP AND OPERATION AND MAINTENANCE OF CERTAIN WORKS AND FACILITIES: The following reservation in favor of CITY contained in the Grant Deed executed by Natomas Company, a corporation, on March 21, 1951, and recorded in the Office of the Recorder of Deeds of Sacramento County, California, in Book 2019 at Page 218, shall remain in effect:

Rights of way for the canals, ditches and pipe lines of Natomas Water Company as the same are now constructed and in use, including without limitation rights of way covering said company's Rebel Hill Ditch, Alder Creek Ditch, and portions of its Valley Ditch; also rights to use of the Channel of Alder Creek Reservoir; together with the right of entry to, upon and along the area comprised in said easements and rights for the full use and enjoyment thereof."

provided, however, that CITY hereby quitclaims to AEROJET all of its right, title and interest in and to those portions of the Rebel Hill Ditch and Valley Ditch which lie within the boundaries of the AEROJET lands shown on Exhibit

A.

7. QUALITY OF WATER AND RATE OF FLOW: CITY has acquired a perpetual right to 11/16ths of the water rights set forth in the contract dated June 18, 1951 between the Natomas Water Company and the United States of America, acting through the Corps of Engineers. CITY shall not be required to furnish any better quality of water than is furnished under said contract or to furnish water in any amount or at a rate of flow in excess of the amount or rate of flow specified in said contract.

8. CHARGES AND METHOD OF PAYMENT:

(a) AEROJET shall pay during the term of this Contract:

(i) A Basic Charge of Three Thousand Eight Hundred Fifty Dollars (\$3,850) per month for the first three million (3,000,000) GPD of its entitlement, whether delivery is taken or not.

(ii) An Availability Charge of Four Hundred Dollars (\$400) per month for each one million (1,000,000) GPD of its entitlement in excess of three million (3,000,000) GPD.

(iii) For any month in which it is incurred, a Delivery Charge for water delivered to AEROJET during the month in excess of three million (3,000,000) GPD. The Delivery Charge shall be the amount, if any, by which the sum obtained by:

 multiplying \$.0488 times each one thousand (1,000) gallons of water delivered to AEROJET during the month

in excess of the product, in gallons, of three million (3,000,000) gallons times the number of days in the month

exceeds the Availability Charge for the month.

(b) The charges of \$3,850 in paragraph (a)(i), \$400 in paragraph (a)(ii), and \$.0488 in paragraph (a)(iii) are subject to adjustment as provided in Article 9.

(c) CITY shall prepare and deliver to AEROJET on or before the twentieth (20th) day of each month an invoice or voucher setting forth the total amount of water delivered to AEROJET at each delivery point during the prior month and the amounts due under paragraph (a) above. Payment of said invoice or voucher shall be made within ten (10) days of receipt thereof by AEROJET.

9. ADJUSTMENT OF CHARGES: The charges which AEROJET shall pay for water set forth in Article 8, paragraphs (a)(i) through (a)(iii), shall be adjusted as follows:

(a) The Base Year shall be the calendar year 1986.

(b) On July 1 of each year the charge shall be adjusted to reflect increase or decrease in the annual Index of Implicit Price Deflators for Gross National Product, as published in Table 7.1 of the National Income and Product Accounts Tables of the United States Department of Commerce Publication entitled "Survey of Current Business", determined from the most recent revision prior to July 1 (hereinafter "IPD"), in accordance with the following formula:

$$\frac{\text{Preceding calendar year IPD} \times \text{charge}}{1986 \text{ IPD}} = \text{adjusted charge for current year.}$$

(c) In the event the index referred to in (b) above is altered or discontinued, the parties shall agree upon a substitute which would most nearly provide the same relative adjustment or, failing such agreement, shall submit the choice of a substitute index to arbitration under the rules of arbitration provided in the Code of Civil Procedure of the State of California.

10. COVENANT AGAINST IMPAIRMENT OF WATER RIGHTS: CITY shall not convey, encumber, or transfer its water rights in such manner as to impair its ability to perform the provisions of this Contract.

11. INVALIDITY OF ANY PROVISION: The invalidity of any part, term, or provision of this Contract shall not invalidate the whole contract nor relieve CITY of its obligation to furnish water service to AEROJET in accordance with the remaining provisions of this Contract, provided that such remaining provisions are not interdependent with and do not constitute a common consideration for the part, term, or provision held invalid.

12. RIGHT OF AEROJET TO SUPPLY OTHERS WITH WATER: AEROJET shall have the right and privilege, without the consent of CITY had or obtained, to supply water furnished under this Contract, to:

(a) Any permittee, licensee, joint user, tenant, subtenant, or grantee of AEROJET properties, subject to the provisions of Article 4.

(b) Any party upon or representing land in the vicinity of AEROJET properties where AEROJET concludes in good faith that it is necessary to provide such service in aid of its groundwater control program, until no longer required by such program; provided that AEROJET may not supply water pursuant to this paragraph to any land which is within the service area of CITY as established by CITY, and provided further that AEROJET shall cease to supply water pursuant to this paragraph at such time as the land served is brought within the service area of CITY and CITY is able to provide such service.

AEROJET may enter into such contractual arrangements with such permittee, licensee, joint user, tenant, subtenant, grantee, or party, by way of permit, license, transfer, assignment, subcontract, or otherwise, as AEROJET may determine proper for the exercise of the right and privilege herein granted.

13. REDUCTION OF ENTITLEMENT: By written notice to CITY at any time during the term of this Contract AEROJET may relinquish its right to receive any portion of its entitlement to water under Article 3 and it shall thereupon be relieved of any further obligation to pay for the amount of water so relinquished under Article 8.

IN WITNESS WHEREOF, the parties hereto have signed
this contract the day and year first above written.

ATTEST:

CITY OF FOLSOM, a municipal
corporation

Arlene Soto
Arlene Soto
City Clerk

BY: *Rodney M. Carmody*
Rodney M. Carmody
Mayor

ATTEST:

AEROJET-GENERAL CORPORATION

William L. Berry, Jr.
William L. Berry, Jr.
Assistant Secretary

By: *Rex W. Warden*
Rex W. Warden
Group Vice President

LANDS OWNED BY AEROJET WHICH IT OWNED ON MARCH 17, 1983

LANDS OWNED BY AEROJET WHICH IT ACQUIRED AFTER MARCH 17, 1983

SCALE: 1" = 6400'

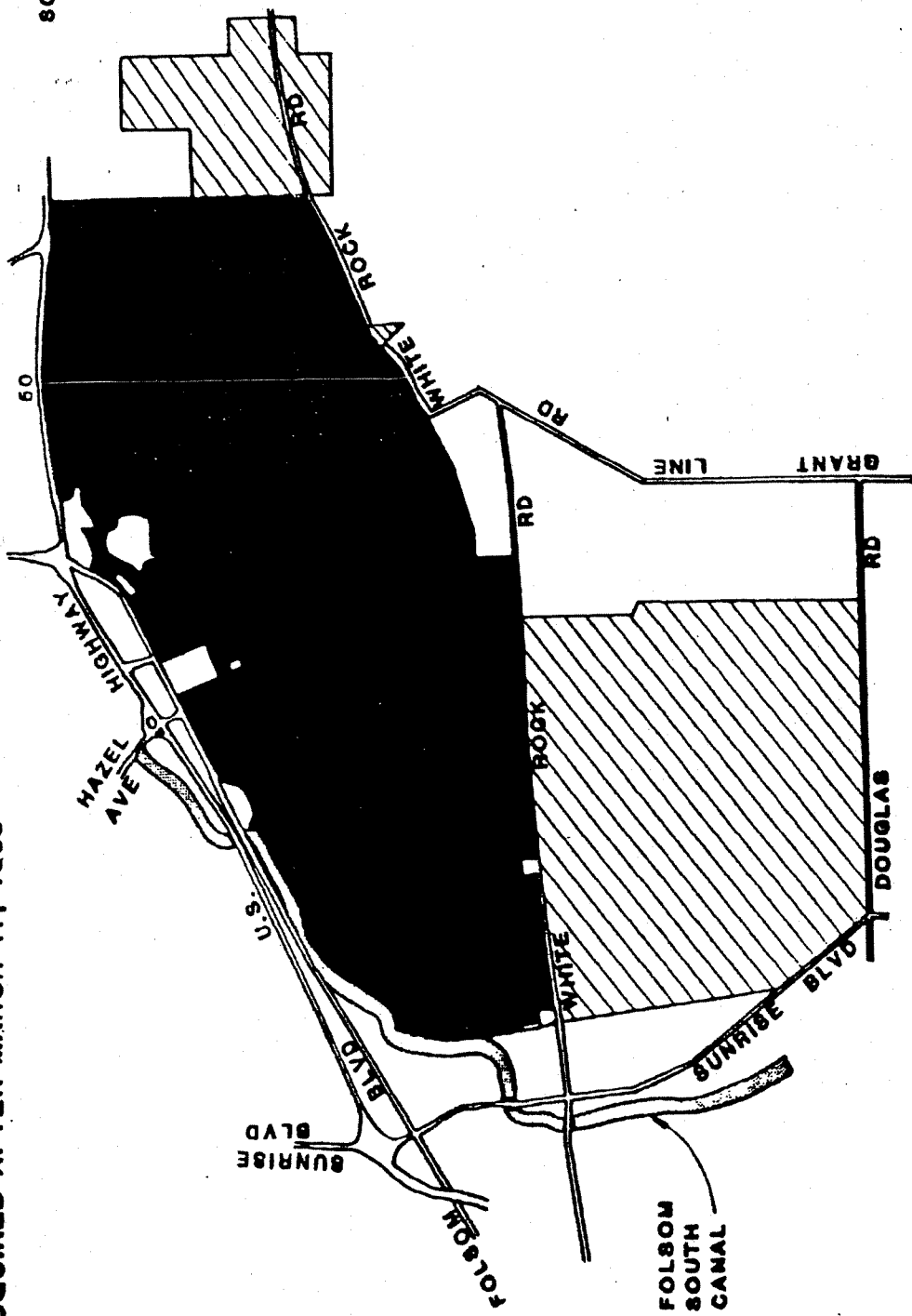


EXHIBIT A
AEROJET LANDS
MARCH 15, 1986

Exhibit 4

Replacement water already agreed to by Aerojet in Short-Term Water Replacement Contingency Plan and other agreements.

1. Rossmoor Bar Park Well (or comparable facility)– Aerojet will install this well and connect it to the Arden-Cordova Water Service system pursuant to designs and specifications already agreed to with American States Water Company. This well is anticipated to yield 2000 to 3000 gallons per minute.
2. ACWS Well 23 – Aerojet has offered to compensate American States Water Company for the cost of this well, so that the water it produces may be used as replacement water for supplies lost due to contamination. The US EPA estimates that this well may provide approximately 2000 gallons per minute.
3. ACWS Well 22B – Aerojet has offered to compensate American States Water Company for the cost of this well, so that the water it produces may be used as replacement water for supplies lost due to contamination. The US EPA estimates that this well may provide approximately 3700 gallons per minute.
4. Aerojet, along with Boeing, has agreed to pay certain portions of Cal-Am's costs associated with construction of the 3.1 million gallon storage tank and booster station on Old Placerville Road. The Cal-Am-owned portion of the tank and booster station are to be designated as Interim Water Supply for Cal-Am in the event various water supply sources are taken out of service due to contamination. [Not included in Short-Term Water Replacement Contingency Plan]
5. Aerojet, along with Boeing, has agreed to reimburse Cal-Am for the cost of constructing and maintaining in a standby mode a new well to be used as a permanent water supply in the event any of its existing water supply wells are taken out of service due to contamination. [Not included in Short-Term Water Replacement Contingency Plan]
6. Folsom Interconnection and Telemetry – Aerojet has funded installation of a telemetry system for an existing interconnection between the Arden-Cordova Water Service and Folsom water systems and has an agreement with the City of Folsom for the City to provide up to 1500 gallons per minute of potable water via the interconnection. The agreement remains in effect through June 21, 2005.



COUNTY OF SACRAMENTO
OFFICE OF THE COUNTY COUNSEL - DOWNTOWN OFFICE

700 H Street, Suite 2650, Sacramento, California 95814 Telephone (916) 874-5544 Facsimile (916) 874-8207

August 26, 2003

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Timothy D. Weiland
James R. Wood
Elizabeth H. Wright
James G. Wright

Bill Hvidsten
Gen-Corp
P.O. Box 537012
Sacramento, CA 95853-7012

Re: Legal Opinion

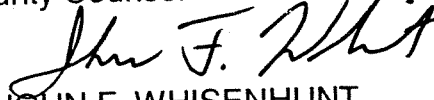
Dear Mr. Hvidsten:

This letter is written pursuant to Section 15.0 of the Agreement Between Sacramento County, the Sacramento County Water Agency, and Aerojet-General Corporation With Respect to Groundwater and Related Issues Within the Eastern Portion of Sacramento County ("Settlement Agreement"). Section 15.0 requires an opinion by legal counsel for the County of Sacramento ("County") and the Sacramento County Water Agency ("Water Agency") with respect to certain specified issues implicated by the Settlement Agreement.

This Office serves as legal counsel for both the County and the Water Agency. It is our opinion that there are no material limitations on the authority of the County or the Water Agency to perform the obligations or receive the benefits provided in the Settlement Agreement. It is our further opinion that the County will assume any obligations under the Settlement Agreement in the event that a legal right of the Water Agency to perform its obligations under the Settlement Agreement is otherwise limited. It is also our opinion that subject to the limitations set forth in the Settlement Agreement, the obligations of the Water Agency under Section 8.0 of the Settlement Agreement are enforceable, continuing and binding.

Sincerely,

ROBERT A. RYAN, JR.
County Counsel

By 
JOHN F. WHISENHUNT
Assistant County Counsel

w:\deprans\pubwrks\2003\water resources\ aerojet and boeing remediation\legal opinion aerojet (exhibit 5).doc

EXHIBIT 5

AGREEMENT BETWEEN SACRAMENTO COUNTY, THE SACRAMENTO
COUNTY WATER AGENCY, AND MCDONNELL DOUGLAS CORPORATION
WITH RESPECT TO GROUNDWATER AND RELATED ISSUES WITHIN THE
EASTERN PORTION OF SACRAMENTO COUNTY

This Agreement is entered into and effective as of this 29th day of August 2003 by and among the County of Sacramento and the Sacramento County Water Agency (collectively, "County") and McDonnell Douglas Corporation ("MDC"). County and MDC are hereinafter referred to collectively as the "Parties." This Agreement is intended to avoid prolonged litigation and to promote better management of groundwater within the Eastern Portion of Sacramento County, as defined in subparagraph 2.4, for their mutual benefit and for the general benefit of water users within Sacramento County.

NOW, THEREFORE, THE PARTIES AGREE as follows:

1.0 Recitals

1.1 County maintains that groundwater contamination within the Eastern Portion of Sacramento County has resulted in adverse or potentially adverse impacts to public water systems, including the closure of water supply wells owned and operated by County and other water purveyors within the Eastern Portion of Sacramento County.

1.2 Aerojet General Corporation ("Aerojet") and MDC have been ordered by certain government regulatory agencies to remediate the contaminated groundwater in the Eastern Portion of Sacramento County that such agencies contend was caused or contributed to by Aerojet and/or MDC and to provide replacement and contingency water to address water supplies that have been or may become affected by this groundwater contamination.

1.3 The groundwater remediation activities conducted by Aerojet and MDC include or will include the extraction and treatment of the contaminated groundwater and subsequent discharge of the treated water initially to Morrison Creek or a comparable point of discharge, and subsequently to the American River or waters tributary to the American River (collectively referred to as "American River").

1.4 County contends that the groundwater contamination and the extraction and treatment of the contaminated groundwater and the discharge of that water to surface waters has caused or will cause significant collateral problems for water purveyors, including the County, such as potential draw-down of the groundwater basin that may impair the ability of the water purveyors to rely upon groundwater as a source of their water supplies.

1.5 The County is a participating member of the Central Sacramento County Groundwater Forum ("Groundwater Forum"), a continuation effort of the Groundwater Element of the Sacramento Area Water Forum. The mission of the Groundwater Forum is to protect the groundwater basin as a sustainable resource for current and future generations. The Groundwater Forum encourages the maintenance of a sustainable and reliable supply of water, either through continued use of groundwater, through a conjunctive use program using groundwater and surface water or through access to a satisfactory alternative source of supply. The purpose of this Settlement Agreement is to provide a mechanism under which the GET Water will continue to be available for reasonable beneficial use within the Central Sacramento County groundwater basin.

1.6 Certain entities have raised questions before the State Water Resources Control Board ("SWRCB") pertaining to the groundwater that is or will be extracted,

**AGREEMENT BETWEEN SACRAMENTO COUNTY, THE SACRAMENTO COUNTY
WATER AGENCY, AND BOEING (MCDONNELL DOUGLAS CORPORATION) WITH
RESPECT TO GROUNDWATER AND RELATED ISSUES WITHIN THE EASTERN
PORTION OF SACRAMENTO COUNTY**

treated and discharged to surface water bodies. These questions include the legal classification of the water after its discharge, the rights of the discharger to that water and the ability of others to appropriate that water once it has been discharged.

1.7 The Sacramento County Water Agency has certain groundwater management authority conferred to it by the California Legislature pursuant to the Sacramento County Water Agency Act. West's Water Code Appendix § 66-1, et seq.

1.8 The County of Sacramento has groundwater management police powers separate from the Sacramento County Water Agency. These police powers are conferred upon the County of Sacramento pursuant to California Constitution, Article XI, Section 7 and Article X, Section 2. The powers and authorities conferred on County identified in this subparagraph and subparagraph 1.7 are collectively referred to as "groundwater management authority."

1.9 The Parties hereto believe that County's groundwater management authority will provide the most effective means by which water supply issues associated with the groundwater contamination and remediation programs can be addressed and intend to rely on the County's groundwater management authority to resolve water supply issues raised in various forums.

2.0 Definitions

2.1 "Aerojet Lands" means the Aerojet Property, the IRCTS Property and the Elliott Homes Property, as collectively depicted on Exhibit 1.

2.2 "Aerojet Property" means property currently owned by Aerojet north of Douglas Road (presuming as if such road is extended in the east and west directions)

excluding the IRCTS Property, as generally depicted on Exhibit 1 as the area covered by horizontal lines.

2.3 "CEQA" means the California Environmental Quality Act, as set forth in California Public Resources Code section 21000, et seq.

2.4 "Eastern Portion of Sacramento County" means that portion of Sacramento County within the Urban Services Boundary east of Bradshaw Road, south of the American River and north of the Jackson Highway, as shown on Exhibit 2, and any Aerojet Lands not within the Urban Services Boundary.

2.5 "Eastern Sacramento County Replacement Water Supply Project" or "RWSP" means a potential project that, subject to compliance with all environmental laws and regulations, including but not limited to CEQA, would consist of a system to transport the Granted Water to a treatment plant for treatment and eventual distribution so as to make it available for reasonable beneficial use within Sacramento County consistent with County's obligations under this Agreement.

2.6 "Elliott Homes Property" means the approximately 1,115 acres of property sold by Aerojet to Elliott Whiterock LLC and transferred pursuant to Grant Deed recorded November 30, 2001, as shown on Exhibit 1 as the area covered by hatched lines.

2.7 "Environmental Requirements" means all current and future obligations to remediate groundwater imposed on MDC and/or Aerojet by any government regulatory agency exercising jurisdiction over the contamination allegedly migrating from the IRCTS Property and the remedial actions of MDC and/or Aerojet relating thereto, including, but not limited to the June 30, 1994 California Department of Toxic Substances Control ("DTSC") Imminent and/or Substantial Determination and Consent

Order, and the Central Valley Regional Water Quality Control Board (“RWQCB”) Clean-up and Abatement Order 97-093; any modifications to such orders; and any other enforceable order or judgment, permit, or authorization from any other applicable government entity to MDC and/or Aerojet.

2.8 “GET” means the groundwater extraction and treatment system or replacement or relocation of any portion thereof that MDC, individually or in conjunction with Aerojet, has been required to construct and operate to comply with Environmental Requirements for groundwater remediation or groundwater control, and that will be located just west of the IRCTS, as described in Exhibit 3.

2.9 “GET Water” means groundwater that is extracted and treated at the GET by MDC or its assignee, individually, or in conjunction with Aerojet, for discharge to and in a manner that meets then existing applicable standards for discharge to surface water bodies tributary to the American River. GET Water does not include (i) water that is re-injected into the aquifer or discharged to ground pursuant to Environmental Requirements. Following consultation with MDC, County will determine whether groundwater extracted in connection with Source Area Remediation will be included within the definition of GET Water.

2.10 “Granted Water” means the sum total of the GET Water granted or otherwise conveyed by MDC to the Sacramento County Water Agency under this Agreement.

2.11 “IRCTS Property” means the Inactive Rancho Cordova Test Site property formerly owned by MDC that is located south of White Rock Road and west of Grantline Road, as depicted on Exhibit 1 as the area covered by crosshatched lines.

2.12 "Replacement Water Supply Needs" or "RWSN" means the requirements imposed on MDC to provide replacement and contingency water to adversely affected or potentially adversely affected water purveyors, but only with respect to requirements imposed on MDC by (a) any government regulatory agency exercising jurisdiction over the contamination allegedly migrating from the IRCTS Property, including without limitation the United States Environmental Protection Agency ("EPA"), RWQCB, DTSC, or SWRCB, or (b) any final court order in any proceeding brought by one of the foregoing agencies, or (c) with the County's consent, which shall not unreasonably be withheld, any court order in any third party proceeding or any contract. For purposes of illustration but not limitation, the Parties agree that the following include requirements imposed on MDC within the meaning of the preceding sentence: the June 30, 1994 DTSC Imminent and/or Substantial Determination and Consent Order and any modifications thereto; and RWQCB Cleanup & Abatement Order 97-093 and any modifications thereto.

2.13 "Source Area Remediation" means any actions taken to remediate groundwater at or allegedly migrating from the IRCTS, in which the contaminated groundwater will not be conveyed to the GET. These include, but are not limited to, groundwater treatment systems in the Alpha and Administration areas, and Extraction Well 5.

2.14 "Sunrise-Douglas Development" means all development projects in the Eastern Portion of Sacramento County south of Douglas Road in the Sunrise Douglas Community Plan dated July 17, 2002.

3.0 Ownership of Water

3.1 MDC hereby conveys and grants to Sacramento County Water Agency all rights, title and interest that it may have or subsequently obtains to the GET Water, subject to the terms of this Agreement. For purposes of this Paragraph, GET Water will include groundwater extracted in connection with Source Area Remediation, as defined in Paragraph 2.13 if County determines, after consultation with MDC, to include such water as provided by Paragraph 2.9. MDC makes no representation or warranty concerning any rights, title and interest it may have in the GET Water, and the County assumes all risks concerning MDC's rights, title and interest in the GET Water. County will take right, title, interest and delivery of MDC's GET Water and MDC's undivided interest in GET Water extracted and treated in conjunction with Aerojet upon completion of the treatment process at that point where the GET Water is discharged into pipelines for discharge to a surface water body. The Parties will measure water volume by using flow meters capable of providing instantaneous flow rate and total volume of GET Water discharged. Flow meters utilized will be read by MDC at intervals acceptable to the Parties. The meters will be calibrated annually by MDC. County will have no obligation to pay for, install, or maintain the meters. County will reasonably accept the flow meters installed by MDC.

3.2 MDC has no obligation to construct a pipeline or similar conveyance system in order to deliver the GET Water to the County. Subject to compliance with all environmental laws and regulations, including but not limited to CEQA, it is County's responsibility, at its own expense, to construct, operate and maintain the system necessary to make reasonable beneficial use of the GET Water from the point at which

County takes right, title and interest to the GET Water. Except as expressly provided for in this Agreement, County will be responsible for obtaining at its own expense all permits and approvals necessary for the construction and operation of that conveyance system, for the production and use of GET Water for potable water, and for storage of the GET Water, if any, except for the permit to discharge GET Water to a surface water body. At County's Request, MDC, at its expense, will apply for and/or hold in its own name the discharge permit authorizing any discharge of GET Water into a surface water body, including, if relevant, the American River.

3.3 In the event that the operation of a GET to treat groundwater is no longer required by Environmental Requirements, then MDC will convey and grant to Sacramento County Water Agency, by a reasonable easement with right of reversion, any and all rights, title and interest MDC may possess in the extraction well(s) utilized in connection with that GET and any and all rights, title and interest MDC may possess to extract and utilize groundwater therefrom. The conveyance of MDC's right, title and interest in the extraction well(s) utilized in connection with the GET and any and all rights, title and interest it may possess to extract and utilize groundwater therefrom will occur within six months after operation of the GET has been terminated as authorized by the applicable regulatory agencies. County will thereafter be responsible for all maintenance, permitting, repair and closure obligations related to the extraction well(s) and related property utilized in connection with the GET conveyed by MDC to County. Pending conveyance of the extraction well(s) utilized in connection with the GET to County, MDC will cooperate with County to ensure continued operation of the extraction well if County determines that continued operation is necessary to satisfy County's

obligations pursuant to this Agreement. In the event that operation of a GET is deemed necessary by a government regulatory agency exercising jurisdiction over the remedial actions performed by MDC in the Eastern Portion of Sacramento County after the conveyance of any such facility to County, the County will reconvey to MDC any and all extraction wells and rights to extract groundwater therefrom as conveyed by MDC to County pursuant to this subparagraph 3.3.

3.4 MDC and County will as soon as practicable after the execution of this Agreement, jointly notify the EPA, the RWQCB, the SWRCB, and the DTSC of the conveyance of rights in the Granted Water to County, and MDC will acknowledge and take reasonable and appropriate steps to proactively work to advance County's claim to the Granted Water in all appropriate legal forums, including, without limitation, before the EPA, RWQCB and SWRCB.

4.0 County Obligation to Manage Water

4.1 County assumes full and complete responsibility for the obligations of MDC to satisfy the Replacement Water Supply Needs of American States Water Company ("ASWC"), California-American Water Company ("Cal-Am"), County and any other adversely affected water purveyors, except such replacement or contingency water actually provided for by MDC as set forth in Exhibit 4 hereto. Any inability or failure on the part of MDC to accomplish any of the projects set forth in Exhibit 4 will not be deemed a breach of this Agreement by MDC, but will not in any way obligate County to accomplish any of the projects set forth in Exhibit 4 or their equivalent. County may, with Cost Recovery from the water purveyors, satisfy Replacement Water Supply

Needs obligations under this Agreement with either surface or ground water supplies or a combination of those supplies. For purposes of this subparagraph, "Cost Recovery" as it relates to costs of supplying water to satisfy RWSN means the costs that a water purveyor would have had to expend, absent the contamination, to produce, treat and distribute the quantities of water necessary to satisfy RWSN. The County will not charge the water purveyors for Granted Water that is provided to water purveyors to satisfy their Replacement Water Supply Needs in excess of the Cost Recovery. County's obligations in this subparagraph are subject to compliance with all environmental laws and regulations, including but not limited to CEQA, and provided MDC is not in default of its payment obligation pursuant to Paragraph 7.0.

4.2 Subject to the requirements of subparagraph 4.1 and the County's satisfaction of all Replacement Water Supply Needs, County may use the Granted Water for any reasonable beneficial uses.

4.3 Upon County's satisfaction of RWSN obligations pursuant to subparagraph 4.1, County may, in its sole discretion allocate, and impose charges for, Granted Water conveyed to it pursuant to this Agreement to other water purveyors, including, but not limited to, Cal-Am and ASWC. To the extent County provides water for Replacement Water Supply Needs in excess of the Granted Water, County may charge for the costs of supplying such water from the party to which it supplies the water. Any dispute between County and a water purveyor concerning charges for the costs of supplying such water will not diminish County's obligations under subparagraph 4.1.

4.4 In no event will County be obligated to provide a volume of water (measured by actual volume or flow rate) in order to satisfy Replacement Water Supply

Needs in any one calendar year that exceeds the volume of Granted Water it receives during that same time period. As soon as practicable, County will provide notice to MDC if the volume of water needed to satisfy Replacement Water Supply Needs is likely to exceed the volume of Granted Water. County and MDC will cooperate in good faith to determine how to supply the volume of water needed for Replacement Water Supply Needs that cannot be met by the Granted Water. Any volume of water necessary to meet the Replacement Water Supply Needs in excess of the volume of Granted Water will be provided at MDC's cost, unless the shortfall of Granted Water is due to County's lack of infrastructure to deliver that water.

4.5 County assumes full and complete responsibility for providing potable water to other water purveyors pursuant to this Paragraph in accordance with regulations of the California Department of Health Services.

4.6 The provisions of paragraph 4.4 notwithstanding, County acknowledges that its assumption of the obligations in this Agreement coupled with the conveyance of the Granted Water by MDC fully satisfies any and all obligations that MDC may have to County now or in the future to provide water necessary to satisfy the Replacement Water Supply Needs of the County as a water purveyor.

4.7 (a) In the event that (i) any government regulatory agency or court orders MDC to provide immediate replacement water to any third party in a proceeding for which MDC has provided County notice, MDC has advocated County's right to participate and MDC has consulted with County in formulating its position, or (ii) the Parties mutually agree to provide immediate replacement water to any third party (items (i) and (ii), collectively, "Emergency Water"), on a schedule that does not allow

sufficient time for approval and construction of the RWSP before such Emergency Water must be provided, then County will provide sufficient Granted Water to such third parties, and MDC will pay for those facilities reasonably necessary to convey sufficient replacement water, consistent with such regulatory or court order or mutual agreement. In the event that County approves and commences construction of the RWSP, any money paid by MDC pursuant to this subparagraph, up to a maximum of \$5,000,000 will be credited to MDC and any such credit will be used to offset MDC's \$12.5 million payment obligation set forth in subparagraph 7.2 of this Agreement. If County fails to approve the RWSP, County will not be obligated to reimburse MDC for any payments MDC makes pursuant to this subparagraph, but MDC will be deemed to have satisfied its obligation to provide replacement water as ordered or otherwise agreed upon.

(b) In the event this Agreement is terminated for the reasons set forth in Paragraph 9.0, any and all new water supply wells, pipelines and other related improvements constructed or installed by County at its cost or other water supply acquired by County at its cost after execution of this Agreement to satisfy the provisions of this subparagraph 4.7 will remain the property of County. County will continue to provide Emergency Water for a period not to exceed six months from termination of this Agreement, provided that the cost of such obligation is borne by MDC, after which time MDC will assume such obligation. In the event MDC has not already paid County for those water supply wells, pipelines and other related improvements or other water supplies acquired or constructed by or on behalf of County after execution of this Agreement necessary to satisfy the provisions of this subparagraph 4.7 MDC will have the right to acquire those wells, pipelines, related improvements and other water supplies

at the same capital cost paid or expended by County, less depreciation. In the event MDC has paid for the referenced wells, pipelines, related improvements or other water supplies, County, upon MDC's written request, will transfer any rights, title and interest it has in those wells, pipelines, related improvements or other water supplies to MDC.

5.0 Statement of Intent Regarding Construction and Operation of Facilities

5.1 Subject to compliance with all environmental laws and regulations, including but not limited to CEQA, and provided MDC is not in default of its payment obligations pursuant to paragraph 7.0, County intends to design, construct and operate the RWSP at its sole expense to satisfy the Replacement Water Supply Needs and for reasonable beneficial use within Sacramento County.

5.2 Subject to compliance with all environmental laws and regulations, including but not limited to CEQA, the Parties will meet and confer and cooperate in good faith to reach agreement regarding the location and alignment of all pipelines and appurtenances necessary for the transmission of Granted Water across property owned by MDC. MDC agrees that it will cooperate with and provide reasonable site access to County for the purpose of County's surveying the location, alignment and construction of pipelines and appurtenances on property owned by MDC. The Parties agree that within ninety (90) days following the execution of a subsequent agreement regarding the specific location and alignment of pipelines and appurtenances, MDC will execute and convey to County, without cost to County, the licenses or non-exclusive easements necessary to construct, operate and maintain these pipelines and appurtenances on property owned by MDC. County will be responsible for the costs of construction,

operation and maintenance of these pipelines and appurtenances. MDC will operate these pipelines and appurtenances at County's expense, so long as County desires, until such time as the operation of the GET to treat groundwater is no longer required by Environmental Requirements.

5.3 With respect to any County employees, contractors, agents or other personnel ("County Personnel") entering upon property owned by MDC for purposes of inspection, survey, construction, maintenance or repair, County will provide MDC with evidence that such persons and their activities are reasonably insured in accordance with local standards and MDC is named as an additional named insured on any applicable insurance policies. Such evidence will be provided to MDC prior to entry upon property owned by MDC and MDC's approval will not be unreasonably withheld.

5.4 County will indemnify, defend and hold MDC harmless from and against any and all claims, liabilities, damages, litigation, costs or other expenses, including reasonable attorneys fees, related to or arising from County Personnel's entry onto property owned by MDC or construction activities pursuant to this Agreement.

5.5 With respect to any County construction activity on property owned by MDC, County will provide MDC with sufficient advance written notice such that MDC may file appropriate notices of non-responsibility with respect to such construction. County will be responsible for and ensure the release of any mechanics liens or other liens or encumbrances arising from any such construction activity.

5.6 County will cooperate with MDC with respect to MDC's construction and operation of the GETs, including but not limited to County's expeditious issuance of all permits, regulatory approvals, easements and rights of way within County's control to

MDC that may be necessary for the construction and operation of the GETs and delivery of the GET Water to County. County's cooperation will include, without limitation, expedited review and processing of any permit applications and/or environmental reviews necessary to the construction and operation of the GETs. Subject to County's right to negotiate access agreements containing reasonable terms and conditions for the use of County property, the County will not unreasonably deny or delay MDC's access to property owned or controlled by County that is necessary for the construction or operation of the GETs.

6.0 Temporary Discharge of GET Water

6.1 Until County provides notice to MDC that it intends to put the GET Water to a different beneficial use and/or discharge GET Water through a different means or at a different location and has completed the construction of a system that will allow discharge of GET Water, MDC is entitled to discharge the GET Water from the system that treats the GET Water directly into Morrison Creek or a comparable point of discharge, in accordance with all applicable regulatory requirements. In accordance with Paragraph 3.0, MDC will make the GET Water available to County upon receiving notice from County to begin delivery of such water to County.

6.2 County will cooperate with MDC for the issuance of all permits and regulatory approvals necessary for the use of County owned rights of way and storm drains for conveyance and discharge of GET Water pursuant to subparagraph 6.1. County's cooperation will include, without limitation, expedited review and processing of any permit applications and/or environmental reviews necessary for such discharges. In

the event this Agreement terminates for reasons that are not the fault of MDC, MDC may continue to exercise any rights that have been granted through permits and regulatory approvals to use County owned rights of way and storm drains for conveyance and discharge of GET Water pursuant to subparagraph 6.1.

6.3 County may sell or transfer GET Water discharged pursuant to this paragraph. Any proceeds from the sale or transfer of GET Water discharged pursuant to this paragraph will be shared equally between MDC and County. County shall not sell or transfer GET water discharged pursuant to this paragraph in a way that would defeat MDC's rights to Granted Water under subparagraphs 7.5 and 9.3. County will provide MDC with copies of any agreements for sale or transfer prior to their execution and County will provide MDC an accounting no less frequently than quarterly.

7.0 Payment

7.1 Upon execution of this Agreement, the County will undertake a process of environmental review under CEQA, and any other applicable laws, as necessary for the RWSP. In exchange for the consideration set forth in this Agreement, MDC will fund a portion of the costs of preparing the environmental documentation to allow the County to consider the approval of the RWSP and, if and when approved, to fund a portion of the cost of designing and constructing the RWSP. The amount of MDC funding for the purposes stated herein is set forth in subparagraph 7.2.

7.2 In order to fulfill MDC's financial obligations to the County under this Agreement, MDC will make payments to the County totaling Twelve Million Five Hundred Thousand Dollars (\$12,500,000). Such payments will be made as follows:

(i) Within thirty (30) days of the effective date of this Agreement, MDC will pay the County Two Hundred Fifty Thousand Dollars (\$250,000). These funds will be used by County to fund the cost of preparing a project description for the RWSP and to prepare the necessary environmental documentation to allow County to consider approval of the RWSP. Such funds may also be utilized by County to pay for legal and other professional services associated with the preparation of the environmental documentation and the defense of any litigation challenging the validity of this Agreement, the environmental documentation for the RWSP and any County approval of the RWSP.

(ii) MDC will make additional payments to the County in equal annual installments. The first such payment will be due sixty (60) days after the County notifies MDC that it has received final approval of the RWSP under CEQA and the period for any legal challenge to such approval has expired and no suit has been filed or, if a suit has been filed, such litigation has been finally resolved. Each subsequent payment will be due on the anniversary of the first payment. The County will provide MDC with a schedule for construction of the RWSP within thirty (30) days after it receives CEQA approval. The number of payments will be determined by the number of years of construction projected in the schedule. The amount of each payment will be determined by dividing the total amount of money to be paid (Twelve Million Two Hundred Fifty Thousand Dollars (\$12,250,000)) by the number of years in the construction schedule. Thus, for example, if the construction schedule calls for a five year construction

period, the payments will be made in five equal installments of Two Million Four Hundred Fifty Thousand Dollars (\$2,450,000) each.

7.3 If any portion of MDC's right, title and interest in a GET is conveyed by MDC to County to enable County to take possession of the GET Water conveyed to it by MDC pursuant to this Agreement, County will give MDC a credit for the actual cost of constructing that portion of the GET that is transferred to County. Credits will be used to offset MDC's \$12,500,000 payment obligation set forth in subparagraph 7.2. In the event that any such credit is earned by MDC prior to payment of the entire \$12,500,000, such credit will be applied to the next payment owed by MDC.

7.4 If MDC fails to make any payment required by this Paragraph within the times specified herein, MDC will pay interest on the late payment at the rate of the County's Treasury Investment Pool. Failure by MDC or another party on behalf of MDC to make any payment in accordance with this Paragraph within ninety (90) days of the deadline for such payment will result in County having the right to terminate the Agreement upon thirty (30) days written notice. MDC will have the right to cure any alleged nonpayment within the thirty (30) day period. In the event this Agreement is terminated, both Parties will be free to pursue whatever legal remedies that would have been available had they not entered into this Agreement. In the event of termination of this Agreement due to MDC's failure to make payments pursuant to this subparagraph to County, County will be entitled to retain all payments made by MDC to County prior to such termination and all rights to the Granted Water conveyed by MDC, to the extent such payments have been expended in relation to the RWSP.

7.5 If County fails to complete and certify the environmental documentation necessary to approve the RWSP and approve the RWSP within three years after the effective date of this Agreement, or makes a formal determination not to proceed with the RWSP prior to the end of such three-year period (collectively, the "triggering event"), this Agreement will be terminated and County will reimburse MDC for all payments made by MDC pursuant to subparagraph 7.2 of this Paragraph with interest at the rate of the County Treasury Investment Pool rate, except for the \$250,000 associated with the costs of environmental review, pursuant to subparagraph 7.2(i). Such reimbursement payment to MDC will be made within thirty (30) days of the triggering event. County will also immediately reconvey to MDC all rights, title and interest to GET Water that MDC conveyed to County under this agreement.

7.6 In the event this Agreement is terminated for any reason, the Parties agree that all applicable statutes of limitation, contractual time defenses, the equitable defense of laches and any other time-related bar or defense, including but not limited to that imposed under California Water Code section 13330 (collectively referred to as the "Time Defenses") will have been tolled, from the date of this Agreement for a period of three years and the Parties waive any rights to assert any Time Defenses arising during the tolling period.

8.0 Hold Harmless and Indemnification

(a) In consideration for, among other covenants in this Agreement, the provisions of Paragraphs 3.0 and 7.0 of this Agreement, the County will defend, indemnify and hold MDC and its past, present and future parent entities, subsidiaries,

shareholders, directors, officers, employees, contractors, attorneys, agents, successors and assigns harmless from any claims brought by a third party: (1) relating to MDC's obligation to satisfy Replacement Water Supply Needs, including without limitations, fines, penalties or other types of sanctions levied or imposed because of a failure to perform or the manner in which that obligation has been performed on the part of County, except such replacement or contingency water provided or agreed to be provided for by MDC as set forth in Exhibit 4 hereto, including, but not limited to, any and all claims by real estate developers or any other third party related to construction and operation of the North Vineyard well field system or any other system intended to provide water for the Sunrise-Douglas Development; or (2) relating to County's failure to satisfy the Replacement Water Supply Needs or its actions regarding allocation, pricing or delivery of water to any third party. County's obligation also includes defending, indemnifying and holding MDC harmless, at County's cost, in any groundwater adjudication for the Eastern Portion of Sacramento County to the extent that the adjudication addresses rights to the GET Water or groundwater prior to its extraction and treatment through the GET system, or any proceeding in which rights to the GET Water are sought to be resolved by any party. Notwithstanding the foregoing, County will have no obligation to indemnify MDC for (i) claims for impairment of water rights, separate and apart from the Replacement Water Supply Needs water; (ii) any expense or damages relating to lost water supplies incurred solely before the effective date of this Agreement and that are the subject of any civil lawsuit or complaint that is pending and has been served on MDC and/or County prior to the effective date of this Agreement; (iii) claims for water rights or damages related to lost water supplies that are not within the Eastern Portion of

Sacramento County; (iv) claims that result from MDC producing insufficient GET Water to satisfy Replacement Water Supply Needs; or (v) claims by other purveyors, including Cal-Am and ASWC, for costs for upgrades to existing systems that are made necessary by implementation of the RWSP.

(b) MDC maintains the right to appear in opposition to any proceeding and/or challenge any regulatory agency or court determination in which it is contended or determined that MDC is responsible for damages or subject to other remedies to any third party or agency related to the indemnification and hold harmless provision of Paragraph 8.0(a). With respect to any and all of these claims, the County will defend such claims at its sole cost and expense, including but not limited to attorney's fees but will not be responsible for any costs incurred by MDC, including its attorneys fees, in its appearance in those proceedings. The County will keep MDC reasonably apprised of the status of such claims. The County will not settle any claim for which it is defending and indemnifying MDC without first obtaining the prior written consent of MDC unless the County agrees to fully pay said settlement without recourse against MDC.

(c) In the event that this Agreement is terminated due to MDC's failure to make any payment pursuant to Paragraph 7.0, County's obligations to indemnify MDC pursuant to this Paragraph 8.0 will immediately terminate and MDC will assume all obligations of the County under this Paragraph 8.0. If County's obligations to indemnify MDC are terminated pursuant to this subparagraph, MDC will reimburse County for any costs County has incurred in assuming the indemnification obligations of this Paragraph.

(d) In the event that any person or entity recovers monetary damages from County for the purchase of replacement water to meet Replacement Water Supply Needs,

County will be entitled to offset the amount of replacement water to which that person or entity may be entitled to satisfy its Replacement Water Supply Needs by the amount of replacement water that formed the basis for the calculation of the monetary damages, provided such action does not result in any claim against or liability of MDC against which County does not provide a complete defense and indemnity.

(e) County's obligations to hold harmless and indemnify MDC as provided in Paragraph 8.0 will cease immediately upon termination of this Agreement.

9.0 Environmental Review

9.1 County will initiate the CEQA process by preparing an Initial Study, in accordance with CEQA, within 180 days of the date of this Agreement.

9.2 Except as provided in this Agreement, no improvement will be constructed pursuant to this Agreement until after any environmental review that may be required under CEQA has been completed and all findings required by CEQA have been made. MDC will be entitled to all rights, if any, that a project proponent would have under CEQA.

9.3 In the event County declines to approve the RWSP after completing its review of the RWSP pursuant to CEQA and this Agreement is terminated pursuant to subparagraph 7.5, all right, title and interest in the Granted Water and the consideration paid by MDC to County with interest in the amount of the County Treasury Investment Pool rate, except for the \$250,000 for environmental review, including monetary payments and MDC's right, title and interest in the Granted Water, will be reconveyed to MDC within thirty (30) days of termination of this Agreement.

10.0 Water Rights

This Agreement is not intended and cannot be used to confirm or deny any water rights that the Parties have or may have in the absence of the Agreement.

11.0 Invalidity of Agreement

In the event any court, administrative body or regulatory agency issues a final order invalidating the conveyance of the Granted Water or any other material provision of this Agreement and all appeals of such order have been denied or the time for appeal has otherwise expired, this Agreement, in its entirety, will become null and void and all consideration returned or reconveyed within thirty (30) days of the invalidity determination and unsuccessful appeal or expiration of time to bring such appeal.

12.0 State and Federal Funding

The Parties agree that some of the costs associated with reuse of the Granted Water may be the appropriate subject of either state or federal funding. The Parties therefore agree to take reasonable and appropriate steps to develop a program to pursue this state or federal funding and to cooperate in good faith to secure and use these state and federal funds for this purpose and determine how, if at all, such funds successfully obtained will be shared between the Parties.

13.0 Legal Opinion

Legal counsel for the County has provided a legal opinion to MDC, concurrently with this Agreement, a copy of which is attached as Exhibit 5, upon which MDC will

rely, that there are no material limitations on the authority of Sacramento County or Sacramento County Water Agency to perform the obligations or receive the benefits provided in this Agreement. Sacramento County will assume any obligation under this Agreement in the event a legal right of the Sacramento County Water Agency to perform its obligations under this Agreement is otherwise limited.

14.0 No Levy On Granted Water

County will not levy any assessment, tax or other charges directed specifically at MDC on or relating to Granted Water. This condition will not limit County's ability to levy charges on the treatment or distribution costs for potable water that are equitably apportioned to all water users and County is not obligated to reimburse MDC for such charges to the extent that they are imposed on a non-discriminatory basis and without regard to any existing or alleged condition of contamination.

15.0 No Third Party Beneficiary.

This Agreement does not confer third party beneficiary status on any party including, but not limited to, Cal-Am or ASWC.

16.0 Release of Claims

16.1 Except as specifically provided in this Agreement, County covenants not to sue and hereby releases MDC and its predecessors and successors, as well as its present, future and former parent entities, subsidiaries, partners, related entities of any nature, and the foregoing entities' respective past, present and future officers, directors,

present, future or former shareholders, employees, consultants, contractors, attorneys, agents or assigns, known or unknown, from any and all claims, whether such claims are at common law, in equity or under statutory law, whether such claims are known or unknown, whether suspected or unsuspected, whether existing or arising or may hereafter arise, that the County may have with respect to any costs, damages, demands, causes of action, debts, expenses or obligations arising out of or in any way related to the groundwater contamination within the Eastern Portion of Sacramento County (collectively, "Claims"). These claims include, but are not limited to, past costs associated with the Paseo Tank, County labor and purchases of water, and future costs associated with the Paseo Tank, overseeing work related to groundwater contamination in Eastern Sacramento County and additional water purchases.

16.2 Except as specifically provided in this Agreement, MDC covenants not to sue and hereby releases County and its predecessors, successors, agencies, related entities of any nature, and the foregoing entities' respective past and present officers, directors, employees, attorneys, agents or assigns, known or unknown, from any and all Claims that it may possess against the County arising out of or in any way related to the groundwater contamination within the Eastern Portion of Sacramento County.

16.3 Each of the Parties providing releases pursuant to this Agreement has read and understands the contents of California Civil Code Section 1542, and hereby waives that section, which provides:

"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 A RELEASE, WHICH IF

KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS
SETTLEMENT WITH THE DEBTOR.”

16.4 If, and to the extent that, Section 1542 or similar law or statute may otherwise apply to this Agreement, the Parties, and each of them, do hereby waive and relinquish all rights and benefits that they may have under Section 1542 of the California Civil Code, or under the law of any other state or jurisdiction to the same or similar effect respecting the Claims.

16.5 The releases contained herein do not apply to any and all claims any of the Parties have made or may in the future make in the litigation styled *California Department of Toxic Substances Control et al. v. Brighton Oil Co. et al.*, Eastern District of California, Case No. CIV S-02-0018 GEB JFM.

17.0 Determination of Replacement Water Supply Needs

As part of its obligation to provide water purveyors potable water to satisfy the RWSN, County will determine its best estimate of the Replacement Water Supply Needs for each affected water purveyor. In determining such estimates, County will consider, among other things, information submitted by the water purveyors seeking such water, the provisions of the Water Forum Agreement, the views of MDC, the efforts of the affected purveyors to implement water conservation measures, other matters pertinent to regional water planning, and whether the affected purveyor seeks water in order to serve existing or new customers. County will explain the bases of such estimates, as appropriate, to EPA, the RWQCB, the SWRCB, the California Public Utilities Commission, the California Department of Health Services, and/or other regulatory

agencies, other water purveyors and, if necessary, the courts. If any of the foregoing regulatory agencies determine that the County estimates are insufficient to satisfy a water purveyor's Replacement Water Supply Needs, County, subject to its right to challenge that determination in any forum, will make water available to satisfy a water purveyor's Replacement Water Supply Needs as determined by the EPA, the RWQCB and the SWRCB. MDC and any water purveyor that has requested water from County to satisfy its RWSN will have the right to challenge County's estimate and decision regarding Replacement Water Supply Needs and any agency determination regarding Replacement Water Supply Needs. Any challenge made by MDC will not relieve the County of its indemnity obligations under Paragraph 8.0 this Agreement.

18.0 Governing Law

This Agreement will be interpreted and enforced pursuant to the laws of the State of California without regard to choice of law principles.

19.0 Modifications

No supplement, modification or amendment of this Agreement will be binding unless executed in writing by County and MDC.

20.0 Entire Agreement

This Agreement constitutes the entire agreement of the parties related to their interests, obligations, and rights in connection with the subject matter set forth herein.

This Agreement supersedes all prior and contemporaneous agreements, understandings and representations between the Parties, whether written or oral.

21.0 Assigns and Successors

This Agreement is binding upon, and inures to the benefit of, the assigns or successors-in-interest of the Parties herein.

22.0 No Admissions

This Agreement pertains to a disputed claim and is the result of compromise. As such, it does not constitute and will not be deemed as an admission of liability by any Party hereto. Neither this Agreement nor its contents will be admissible in any legal proceeding, except in an action to enforce this Agreement.

23.0 Counterparts

This Agreement may be executed in counterparts with the same force and effect as if executed in one complete document.

24.0 Ownership of Claims

Each of the Parties warrants and represents that it exclusively owns the respective claims that are the subject of this Agreement, and that it has the exclusive right to release such claims. Each of the Parties warrants that it has the sole right and exclusive authority to execute this Agreement, and to receive the consideration therefor, and that it has not

sold, assigned, transferred, conveyed or otherwise disposed of any claim covered under this Agreement.

25.0 Authority to Execute

Each signatory to this Agreement represents and warrants that he or she is over the age of eighteen years, of sound mind and otherwise competent to execute this Agreement, and that he or she has the authority to execute this Agreement.

26.0 Attorneys' Fees

If any subsequent action is brought to enforce this Agreement, or for a breach thereof, the prevailing party will be entitled to its reasonable attorneys' fees and costs.

27.0 Notices

Any and all notices required or permitted under this Agreement will be in writing and will be deemed to be given when: (1) hand-delivered; (2) sent by overnight mail; or (3) upon receipt after mailing when mailed by certified mail return receipt requested, postage prepaid addressed to the party for whom it is intended as follows:

MDC:

Jeff Prophet/Sam Penrod
5301 Bolsa Avenue
Huntington Beach, CA 92647
Mail Code H012-A202
With copies to:
David Cohen
Post Office Box 2515
Seal Beach, CA 96740-1515
Mail Code WSB 33

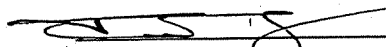
County of Sacramento:

County of Sacramento
Director of Water Resources
827 Seventh Street, Suite 301
Sacramento, CA 95814

With copies to:
County of Sacramento
Office of County Counsel
700 H Street, Suite 2650
Sacramento, CA 95814

Dated: 8-29-03

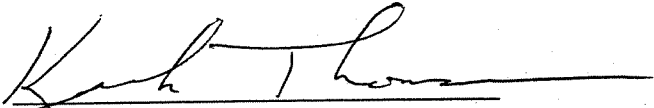
County of Sacramento



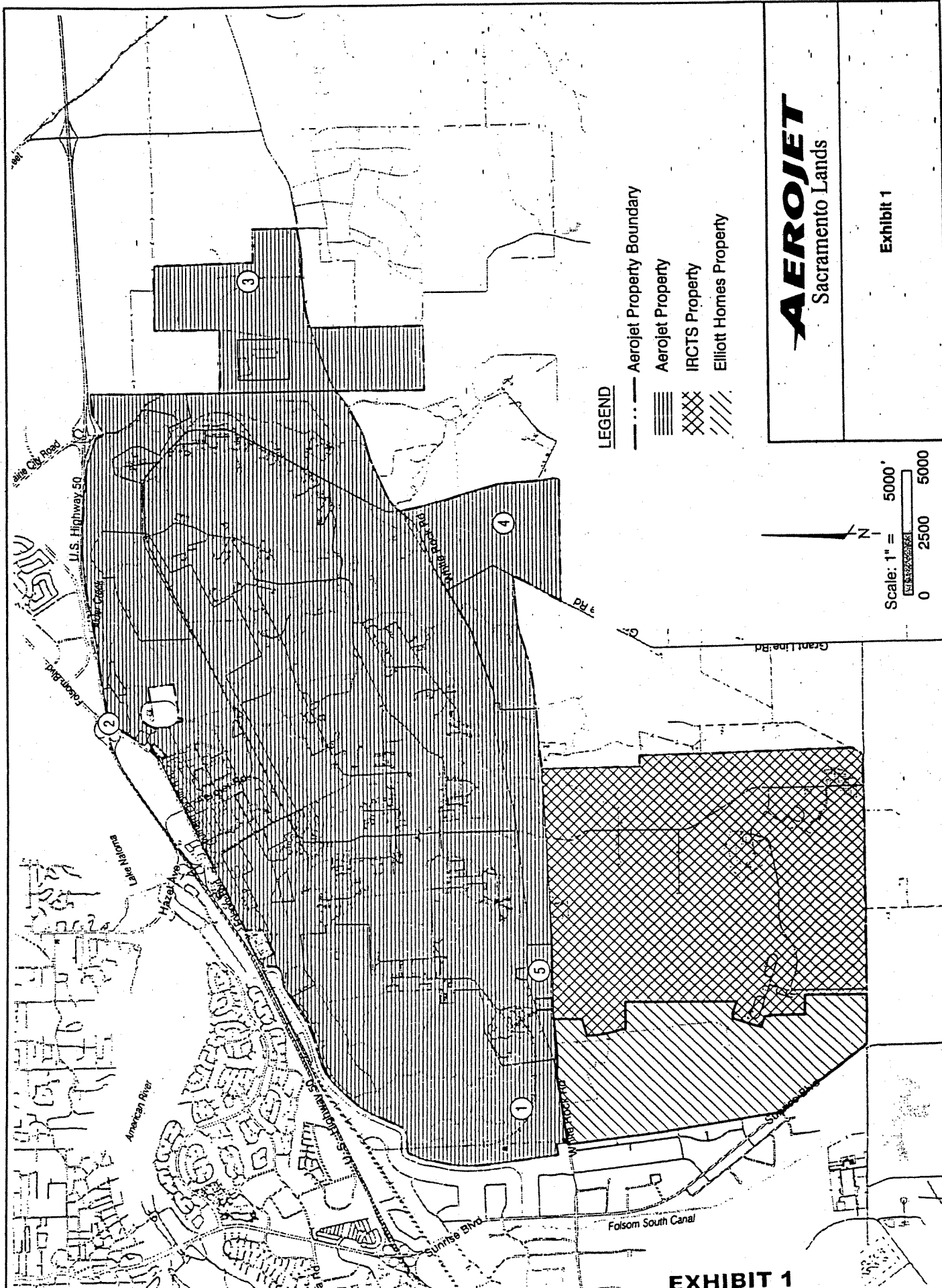
Robert A. Ryan, Jr.
County Counsel

Dated: 8/20/03

McDonnell Douglas Corporation



Kirk Thomson
Director, Environmental Affairs
The Boeing Company



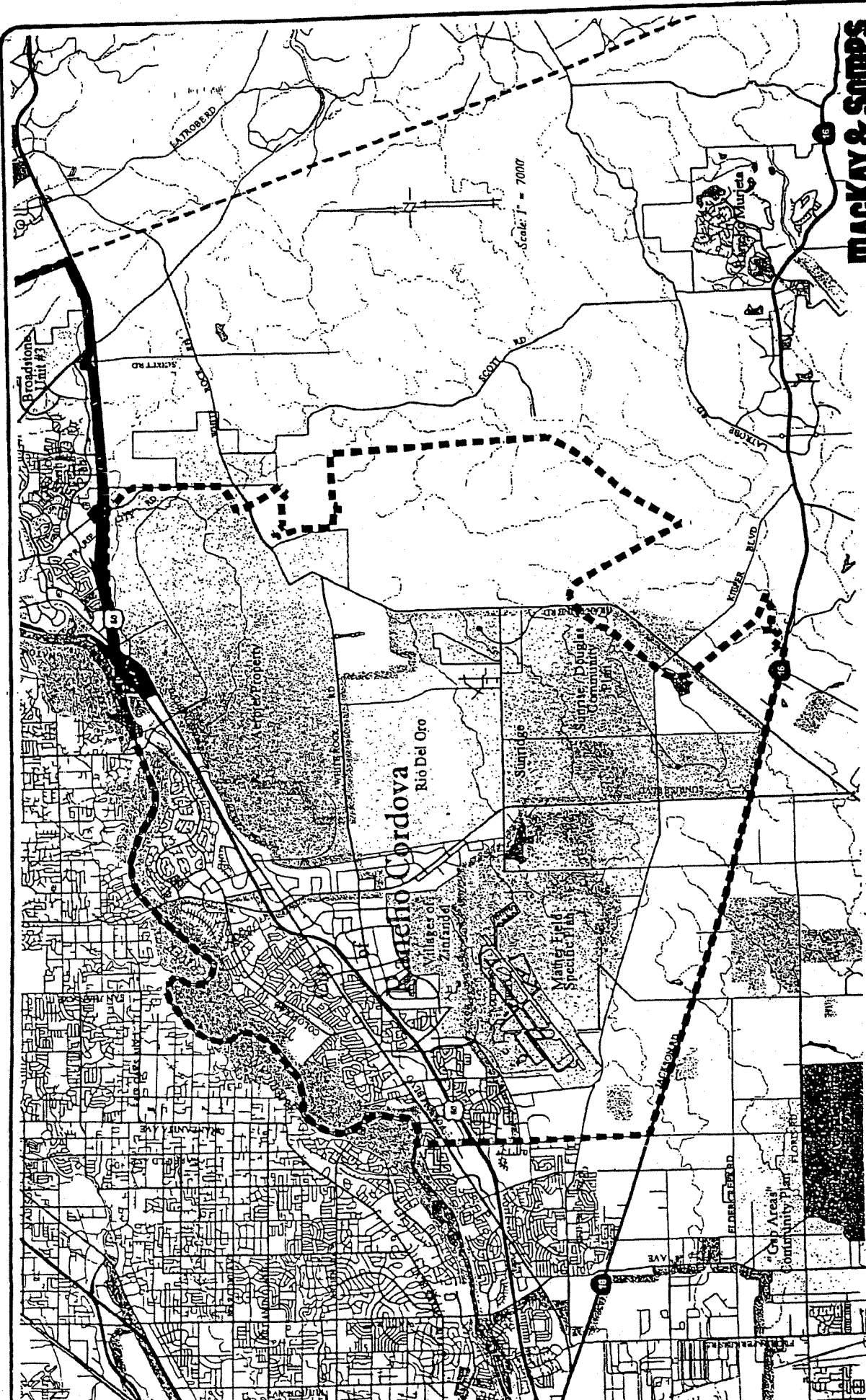
- LEGEND**
- · — · Aerojet Property Boundary
 - ▬▬▬▬ Aerojet Property
 - XXXXXX IRCTS Property
 - ▨▨▨▨ Elliott Homes Property

AEROJET
Sacramento Lands

Exhibit 1

Scale: 1" = 5000'
0 2500 5000

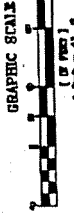
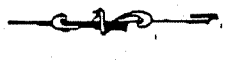
EXHIBIT 1



MACKAY & SOMPS
 CIVIL ENGINEERS, INC.
 CIVIL ENGINEERING, LAND PLANNING AND SURVEYING
 8110 YORKVILLE
 SACRAMENTO, CALIFORNIA
 (916) 485-7572

East Sacramento County, California

PRELIMINARY DRAFT



PROPERTY LOCATION:
 LOT 8 58 PM 19
 PARCEL 11 (APN 072-0510-012)
 ELK CIRCLE, RANCHO CONCORDIA, CA

THE BOEING COMPANY AND AERONET GENERAL CORPORATION INC.
 REPRESENTATIVE/NO

MATHER GET SYSTEM SITE MAP

DATE PREPARED	DATE CHECKED	DATE APPROVED
11/11/10	11/11/10	11/11/10
BY: [Signature]	BY: [Signature]	BY: [Signature]

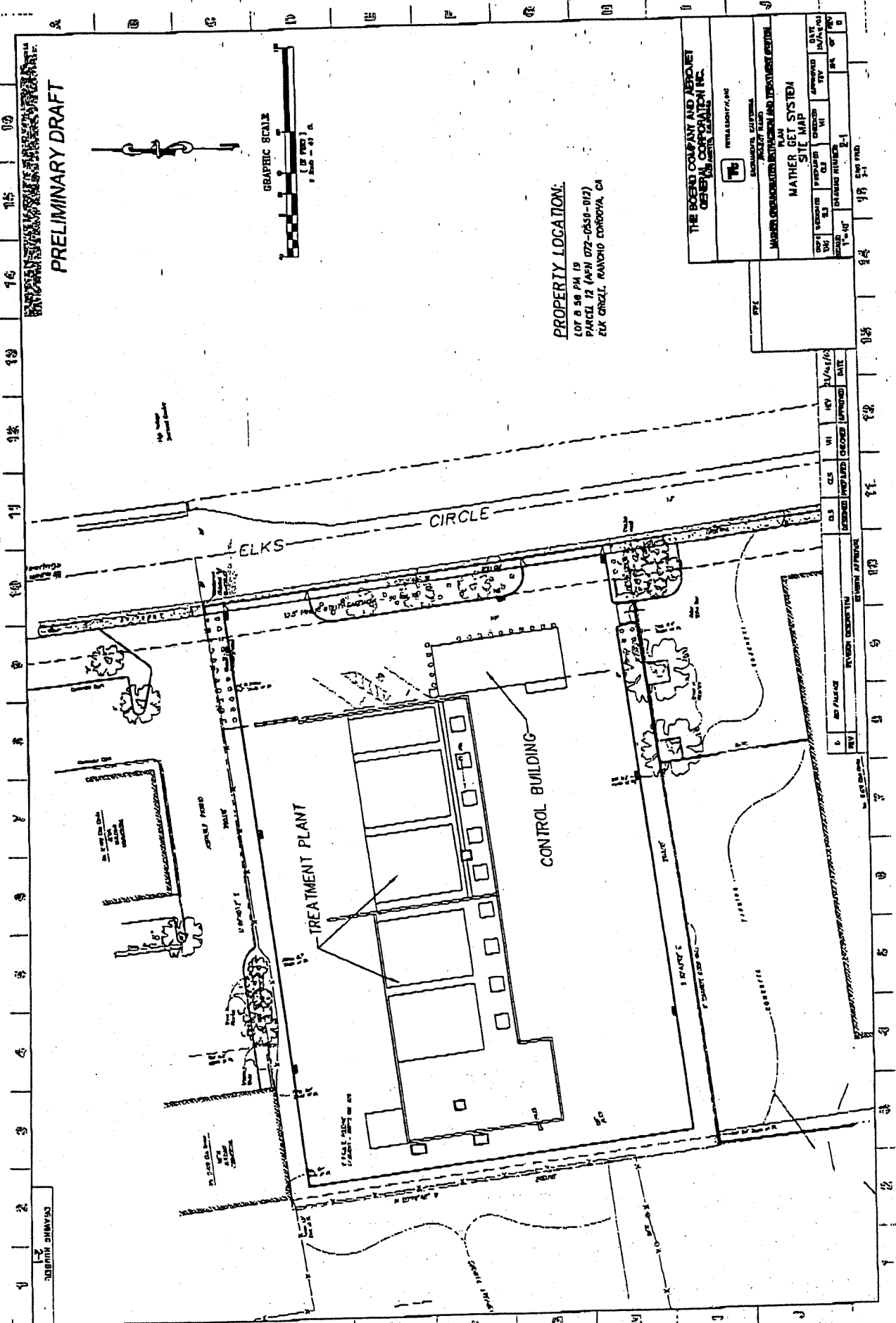


Exhibit 4

Replacement water already agreed to by MDC:

1. MDC has agreed to pay certain portions of Cal-Am's costs associated with construction of the 3.1 million gallon storage tank and booster station on Old Placerville Road. The Cal-Am-owned portion of the tank and booster station are to be designated as Interim Water Supply for Cal-Am in the event various water supply sources are taken out of service due to contamination.
2. MDC has agreed to reimburse Cal-Am for the cost of constructing and maintaining in a standby mode a new well to be used as a permanent water supply in the event any of its existing water supply wells are taken out of service due to contamination.



COUNTY OF SACRAMENTO
OFFICE OF THE COUNTY COUNSEL - DOWNTOWN OFFICE

700 H Street, Suite 2650, Sacramento, California 95814 Telephone (916) 874-5544 Facsimile (916) 874-8207

COUNTY COUNSEL
Robert A. Ryan, Jr.

August 26, 2003

ASSISTANT COUNTY COUNSEL
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John F. Whisenhunt

David Cohen
The Boeing Company
MC WSB 33
Post Office Box 2515
Seal Beach, CA 96740-1515

SUPERVISING DEPUTY
COUNTY COUNSEL
Michele Bach
John H. Dodds
M. Holly Gilchrist
Richard G. Llata
Kathleen A. O'Connor
Krista C. Whitman
Denis J. Zilaff

Re: **Legal Opinion**

DEPUTY COUNTY COUNSEL

Michael G. Arkelian
Rebecca B. Armstrong
Richard L. Bowser
J. Steven Burris
Alan C. Campbell
Renaldo Carboni
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Carly Hegie
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Tina L. Izen
Karla Kowaleyk
Traci F. Lee
Jason A. Manoogian
Diane E. McElhern
Henry D. Nanjo
Stephanie G. Percival
Nanci A. Porter
Martha E. Potiriades
June Powells-Mays
Carol F. Pulido
Joy A. Ramos
John E. Reed
Diana L. Ruiz
John T. Seyman
Kathryn A. Shurtleff
John J. Soika
Ray C. Thompson
Lisa A. Travis
Claire van Dam
Silvia B. Viarnes
Dian M. Vorters
Timothy D. Weinland
James R. Wood
Elizabeth H. Wright
James G. Wright

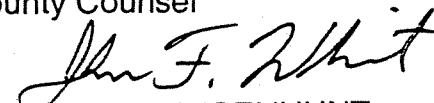
Dear Mr. Cohen:

This letter is written pursuant to Section 13.0 of the Agreement Between Sacramento County, the Sacramento County Water Agency, and Aerojet-General Corporation With Respect to Groundwater and Related Issues Within the Eastern Portion of Sacramento County ("Settlement Agreement"). Section 13.0 requires an opinion by legal counsel for the County of Sacramento ("County") and the Sacramento County Water Agency ("Water Agency") with respect to certain specified issues implicated by the Settlement Agreement.

This Office serves as legal counsel for both the County and the Water Agency. It is our opinion that there are no material limitations on the authority of the County or the Water Agency to perform the obligations or receive the benefits provided in the Settlement Agreement. It is our further opinion that the County will assume any obligations under the Settlement Agreement in the event that a legal right of the Water Agency to perform its obligations under the Settlement Agreement is otherwise limited.

Sincerely,

ROBERT A. RYAN, JR.
County Counsel

By 
JOHN F. WHISENHUNT
Assistant County Counsel

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EXHIBIT 5