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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT, Plaintiff, vs. CITY OF ALHAMBRA, et al, Defendants.	Case No: C 924 128 PETITION BY WATERMASTER FOR APPROVAL OF BALDWIN PARK OPERABLE UNIT PROJECT AGREEMENT RENEWAL *Assigned for All Purposes to the Honorable Maureen Duffy-Lewis, Dept. 38* Hearing on Petition Date: April 28, 2017 Time: 9:30 a.m. Place: Dept. 38 **RES ID: 170106186042**

I. INTRODUCTION.

On May 9, 2002, this Court approved Watermaster's participation in the Baldwin Park Operable Unit ("BPOU") Project Agreement ("2002 Agreement"). The 2002 Agreement set a landmark precedent providing over $350 million dollars to clean-up contaminated water supplies for beneficial re-use in the Main San Gabriel Groundwater Basin ("Basin").

The 2002 Agreement represented the culmination of many years of intense negotiations among Watermaster, the United States Environmental Protection Agency ("EPA") and 15 parties with widely divergent interests,[1] resulting in a funding mechanism to both cleanup contaminated groundwater and restore critically needed water supplies. (Zampiello Decl., ¶ 5). This remediation effort involves the operation of six treatment projects by Basin water purveyors, the cost of which is funded by the Cooperating Respondents ("Project").

By its express terms, the 2002 Agreement is set to expire on May 9, 2017. Pursuant to Article 9.2 of the Project Agreement, the parties[2] agreed to negotiate the terms and conditions for renewal in good faith.[3] Consistent with this contractual provision, for the past two years, the Watermaster, the Water Quality Authority ("WQA"), the Water Entities, the Cooperating Respondents, and the United States Environmental Protection Agency ("EPA") have engaged in negotiations to establish the terms for Project renewal. (Zampiello Decl., ¶ 8).

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[1] The original parties to the Project Agreement are: Main San Gabriel Basin Watermaster, San Gabriel Basin Water Quality Authority, San Gabriel Valley Water Company, La Puente Valley County Water District, Valley County Water District, California Domestic Water Company and Suburban Water Systems (collectively, the "Water Entities") on the one hand, and Aerojet-General Corporation known as Aerojet Rocketdyne, Inc. ("Aerojet"), Azusa Land Reclamation Co. Inc. ("ALR"), Fairchild Holding Corporation ("Fairchild"), Hartwell Corporation ("Hartwell"), Huffy Corporation ("Huffy"), Oil & Solvent Process Company now known as Chemical Waste Management, Inc. (Chemical Waste"), Reichhold, Inc. ("Reichhold"), and Wynn Oil Company now known as Winco Enterprises, Inc. ("Wynn") (collectively, the "Cooperating Respondents") on the other hand.

[2] Since the execution of the Agreement, three of the original parties have declared bankruptcy and are no longer subject to the 2002 Agreement, to wit: Fairchild, Huffy, and Reichhold. Accordingly, the parties to the 2017 Agreement are Aerojet, ALR, Hartwell, Chemical Waste, and Wynn.

[3] Section 9.2 of the Project Agreement provides: "Extension of the Term: The Parties agree to negotiate in good faith in an effort to reach agreement as to the terms and conditions of an extension of the Term in the event that the Final ROD anticipates, or any of the Parties desire, the continued operation of all or a substantial portion of the Project Facilities."

Attached hereto as Exhibit "A" is the proposed BPOU Project Renewal Agreement ("2017 Agreement"). This form of Agreement has been approved by counsel for all of the Parties. (Zampiello Decl., ¶ 18). However the 2017 Agreement must be approved by the Parties themselves, which process is ongoing. (Zampiello Decl., ¶ 18). Watermaster has already approved the 2017 Agreement subject to the approval of all the other Water Entities involved. (Zampiello Decl., ¶ 19). Watermaster also recommends that the Court approve the 2017 Agreement, which approval is a precondition to the effectiveness of the 2017 Agreement. (Zampiello Decl., ¶ 20). Watermaster shall file a Supplemental Brief with the Court which shall update the status of the Agreement's approval by the Parties, prior to the hearing. This procedure is being utilized in order to bring this matter before the Court prior to the expiration of the 2002 Agreement.

The basic principles of the 2017 Agreement are consistent with those of the 2002 Agreement. (Zampiello Decl., ¶ 16). The 2017 Agreement calls for the operation of six subprojects to pump and treat contaminated Basin waters for potable use within the Basin. (Zampiello Decl., ¶ 10). The costs of the Project are funded in their entirety by the Cooperating Respondents and financial assurances are posted to secure their funding obligations. (Zampiello Decl., ¶ 17).

Watermaster's role under the 2017 Agreement continues to be that of providing administration, coordination and monitoring services for the Project as a whole. (Zampiello Decl., ¶ 16). The reasonable and necessary costs of the services performed by Watermaster will be funded by the Cooperating Respondents. (Zampiello Decl., ¶ 17).

Renewal of the 2002 Agreement will require approval by this Court. Renewal of the 2002 Agreement is essential so that the funding obligations and treatment facilities can be maintained, without dramatic adverse impacts to the more than 1.2 million people who rely on the Basin as a source of water supply. (Zampiello Decl., ¶¶ 21, 23). The importance of this renewal is underscored by the recent state of the Basin which suffered from the worst drought in California's recorded history, extremely low water levels, and severe limitations on imported water supplies due to prolonged drought conditions and other factors including environmental,

judicial and regulatory constraints on water supplies from the Bay-Delta. (Zampiello Decl., ¶ 22). Approval by this Court of the 2017 Project Agreement will effectuate the cooperative solution among the parties necessary to continue essential groundwater remediation efforts in the Basin. (Zampiello Decl., ¶ 23).

II. HISTORY OF THE PROJECT.

Extensive groundwater contamination was discovered in the Basin, resulting from the use and improper handling and disposal of various chemicals. High levels of trichloroethylene ("TCE") were first detected in 1979, and since then over 30 wells have been impacted by varying concentrations of TCE, perchloroethylene ("PCE"), carbon tetrachloride ("CTC"), and other volatile organic compounds ("VOCs"). EPA began investigating groundwater contamination in the Basin during the early 1980's, and in 1984, the Basin was declared a Superfund site. EPA divided the contaminated area into several discrete units, known as Operable Units. The BPOU is a several-mile long area of groundwater contamination in and near the cities of Baldwin Park, Azusa and Irwindale.

From the mid-1980's to the mid-1990's, EPA conducted extensive investigation and developed a cleanup plan to address the contamination. In the meantime, water purveyors were dealing with the water supply impacts of the contamination by building treatment facilities where practical, and by building new wells and finding alternative sources of water.

In March 1994, EPA selected an interim remedy for the BPOU through the issuance of a Record of Decision ("ROD"). The objectives of the ROD are to: (1) prevent the contaminated groundwater from moving into clean or less contaminated areas and depths; (2) remove a significant mass of contamination from the groundwater; and (3) provide the necessary data to determine final cleanup standards for the area. Shortly after the issuance of the ROD, EPA began to name the companies responsible for the groundwater contamination. In 1997, during the final pre-implementation stages of the ROD, three new contaminants, perchlorate, n-nitrosodimethylamine ("NDMA") and 1-4 dioxane, were discovered within the BPOU. Perchlorate is an inorganic chemical that does not respond to the treatment

technology used for VOC's. In fact, when the presence of perchlorate was initially discovered in the BPOU, there was no known cost-effective treatment for removal of perchlorate to the level necessary to meet state action levels.

As a result of the discovery of the new contaminants, a water supply crisis emerged in the southern portion of the BPOU and water purveyors were forced to shut down wells because there was no cost-effective treatment available. In addition, the discovery necessitated further investigation by EPA and modification of the remediation plan to address the newly discovered contaminants. In response to the new contamination problem, Watermaster spearheaded an effort to secure a practical technology to address perchlorate contamination in order to restore the impacted water supplies. In 1998, Watermaster initiated discussions with the Cooperating Respondents and EPA, with the objective of facilitating a cleanup plan that would not only treat the contaminated water but also provide potable water for delivery to customers.

In 1999, EPA updated the ROD, through the issuance of an Explanation of Significant Differences ("ESD"), to address the newly discovered contaminants. By 1999, effective technologies were available for the treatment of perchlorate. The ESD provides for the incorporation of treatment technologies to treat perchlorate, NDMA, and 1-4 dioxane. The updated ROD provides for the construction and operation of groundwater extraction wells, treatment facilities, and conveyance facilities capable of pumping and treating large amounts of groundwater from two broad sub-areas of contamination within the BPOU. The ROD also reflects EPA's preference that the treated groundwater be delivered to water purveyors for distribution to their residential and business customers through existing distribution systems.

In June 2000, EPA issued an Unilateral Administrative Order ("UAO") directing nineteen responsible parties to begin implementation of the groundwater cleanup under the ROD. Thereafter, Watermaster continued to participate in discussions among the responsible parties and certain impacted water purveyors, with the objective of developing a combined groundwater cleanup and potable water supply project that would address the requirements of the UAO.

Following several months of intense negotiations facilitated by EPA, the Water Entities and Cooperating Respondents executed a Memorandum of Understanding ("MOU") on January 12, 2001. Under the provisions of the MOU, the parties agreed to negotiate a definitive agreement for the funding, construction and operation of the Project over a 15-year period.

Following execution of the MOU in January 2001, the parties were engaged in intense negotiations for over a year in an effort to craft a definitive agreement that meets their respective needs and is satisfactory to EPA for implementing the requirements of the ROD. During the course of the negotiations, it was necessary to resolve a myriad of difficult issues, including Project technology issues, the funding mechanism and financial assurances to be provided by the Cooperating Respondents, responsibilities of the Water Entities, the scope of Project insurance and indemnities, and the nature and scope of public funding to be administered through the WQA. The negotiation process culminated in a final Project Agreement approved by all parties, the EPA and this Court. The 2002 Agreement represented a delicate balance among the competing interests and priorities of the parties and EPA, and set a national precedent for achieving the dual goals of groundwater cleanup and restoration of water supplies. (Zampiello Decl., ¶¶ 4, 5).

III. THE 2002 AGREEMENT AND OPERATION.

The 2002 Agreement called for: (1) the implementation of EPA's mandated clean-up of contaminated groundwater within the Basin; and (2) restoration of desperately needed water supplies within the San Gabriel Valley. (Zampiello Decl., ¶ 9).

The Project consists of six separate subprojects, each involving water extraction, treatment and distribution facilities owned and operated by a water purveyor within the San Gabriel Basin. (Zampiello Decl., ¶ 10). The Project facilities are designed to help meet the water supply needs of the purveyors and to address the groundwater remediation objectives formulated by the EPA. (Zampiello Decl., ¶ 10). The 2002 Agreement provided for, among other things: (1) the construction, operation and management of the Project facilities by the respective water purveyors; (2) funding and financial assurances by the Cooperating

Respondents for Project costs; (3) coordination and administration of the Project by Watermaster; and (4) administration and oversight by WQA of reimbursements from federal and state funding sources. (Zampiello Decl., ¶ 11).

The Project was originally funded and financially assured by eight of the responsible parties named in the EPA's Unilateral Administrative Order of June 30, 2000 ("the UAO") on a joint several basis. Since the initiation of the Project, three of the original responsible parties have declared bankruptcy and are no longer subject to the Project Agreement.

Expenditures pursuant to the 2002 Agreement have exceeded $350 million; of that amount, the public funding secured by WQA has totaled approximately $42 million. (Zampiello Decl., ¶ 15).

IV. THE 2017 AGREEMENT.

A. The Basic Principles Of The 2017 Agreement Are Consistent With Those Of The 2002 Agreement.

Similar to the 2002 Agreement, the 2017 Agreement calls for the operation of six subprojects to pump and treat contaminated Basin waters for potable use within the Basin. (Zampiello Decl., ¶ 16). The costs of the project are funded in their entirety by the Cooperating Respondents and financial assurances are posted to secure their funding obligations. (Zampiello Decl., ¶ 17).

Watermaster's role under the Project Agreement has included the following tasks:

1. Providing EPA interface for the subprojects, including technical and administrative coordination through Watermaster staff and consultants;

2. Participating on the technical coordinating committee for the Project and on each of the individual subproject committees;

3. Providing accounting services necessary to track Project costs, invoices, and payments, and to create budgets;

4. Retaining the services of an engineering consultant to oversee the

Project in accordance with the provisions of the Judgment;

5. In the event of a Project modification, determining which of the subproject operators will implement the required changes;

6. Arranging for and supervising required groundwater monitoring; and

7. Preparing and submitting required Project-wide reports to EPA. (Zampiello Decl., ¶ 12).

The individual subproject operators, along with the WQA, have been involved in assuring compliance with applicable federal and state environmental laws. (Zampiello Decl., ¶ 13). The EPA has maintained overall responsibility for the remediation of the groundwater and has been actively involved in supervising the work and monitoring the results to ensure that Project remediation goals are met. (Zampiello Decl., ¶ 13). Since the individual subprojects are owned and operated by several water purveyors, it is essential that an entity with Basin-wide authority be involved to help coordinate these subprojects to assist in meeting both the Basin water supply goals and the requirements of the Judgment. (Zampiello Decl., ¶ 14). Each of the operating Water Entities is a party to the Judgment and Watermaster is invested with authority to deal with Basin-wide groundwater contamination issues. (Zampiello Decl., ¶ 14).

Watermaster's role under the 2017 Agreement continues to be that of providing administration, coordination and monitoring services for the Project as a whole. (Zampiello Decl., ¶ 16). The reasonable and necessary costs of the services performed by Watermaster will be funded by the Cooperating Respondents. (Zampiello Decl., ¶ 17).

B. <u>Differences Between the 2017 Agreement and the 2002 Agreement.</u>

Although the basic principles of the 2017 Agreement and the 2002 Agreement are consistent, there are differences in several areas. The most significant differences are summarized below:

1. <u>Project Administration</u>. There are differences in how the overall project will be administered, by Watermaster. Watermaster no longer sits as a member of each Subproject Committee for the individual subprojects. Under the 2017 Agreement these Subproject

Committees are composed of the water purveyor managing the subproject and a Cooperating Respondent representative. However, any party can request the participation of Watermaster in the Subproject Committee deliberations. These changes are designed to streamline the day-to-day administration of the individual subprojects. Watermaster continues to oversee the administration, coordination, monitoring and the budgeting process for the subprojects through a Project Committee established for this purpose. Steve Johnson of Stetson Engineers, the Watermaster engineer, will serve as the Water Entity project coordinator. Mr. Johnson served as UAO Project Manager under the 2002 Agreement. This change has been approved by EPA. (Praskins Decl., ¶ 11)

2. EPA Ordered Modification for Non-COCs. The Cooperating Respondents are no longer *contractually* obligated under the 2017 Agreement to implement an EPA ordered modification to treat a contaminant which is not a Chemical of Concern. A Chemical of Concern is a contaminant for which the Cooperating Respondents have acknowledged responsibility. It is perhaps unlikely that the Cooperating Respondents will choose to challenge such an EPA order, so this change may not be of great consequence. However, the Water Entities operating treatment projects are not obligated to continue with the treatment if the Cooperating Respondents are unwilling to fund the required modification. Again, this is a change approved by the EPA. (Praskins Decl., ¶ 11)

3. New Provisions for Treating Contaminants Other than Chemicals of Concern. If a subproject is impacted by a contaminant which is not listed in the 2017 Agreement as a Chemical of Concern, and that treatment is required by any regulatory agency, the water purveyor operating the subproject is required to negotiate to achieve the continued operation of the subproject. If agreement cannot be reached, and the new contaminant can be treated using existing facilities, the Cooperating Respondents have agreed to provide up to $300,000 a year per subproject for increased operation and maintenance costs. If the subproject cannot be operated within that capped amount, the water purveyor may suspend operations. With regard to treatment of a new contaminant that requires new capital facilities, the Cooperating Respondents have agreed to provide a capped amount of $1.25 million of new capital for each

subproject and up to $600,000 for annual increased O&M costs for each subproject. If the new contaminant cannot be treated with the capital and O&M amounts provided by the 2017 Agreement, the water purveyor may suspend operations unless other arrangements are negotiated.

4. Nitrate Treatment. Nitrate treatment was not specifically addressed in the 2002 Project Agreement, but in the case of Valley County Water District was handled by a separate agreement. The 2017 Agreement has specific provisions permitting nitrate treatment to continue at Valley County Water District and proceed at the B-6 subproject operated by San Gabriel Valley Water Company.

5. Financial Assurances. The 2002 Agreement required the Cooperating Respondents to post financial assurances to secure their financial obligations in the form of cash or a letter of credit. The Cooperating Respondents and, in particular, Aerojet Rocketdyne, were desirous of expanding the permitted form of financial assurances to include a surety bond. The 2017 Agreement permits the use of a surety bond for 50% of the obligation of any Cooperating Respondent to post financial assurances.

6. Indemnity. For some time now, the Water Entities have been concerned about their potential legacy liability for the disposal of contaminants removed by the treatment projects at offsite locations, such as landfills. A significant new feature of the 2017 Agreement is the more expansive indemnity provided by the Cooperating Respondents for offsite disposal, which makes them fully responsible, for any liability that may be incurred by Water Entities.

7. Term of Agreement. In contrast to the 15 year term of the 2002 Agreement, the term of the 2017 Agreement is 10 years unless the Cooperating Respondents are able to satisfy the requirements of the UAO issued by the EPA before then. The 2017 Agreement also provides for good faith negotiations for continued operation of the Project Facilities if the Basin is not cleaned up when the term expires in 2027.

8. Insurance. The Insurance coverage for Watermaster's activities is the same as provided by the 2002 Agreement. The market for Project Insurance covering the Water Purveyors has proved to be much more difficult than it was for the 2002 Agreement, when a 15

year policy for $100 million in coverage was obtained. Nonetheless, the Water Purveyors have been able to secure $30,000,000 to $40,000,000 in insurance, the amount being dependent on the specific coverage involved. An insurance policy covering the full, 10 year term of the 2017 Agreement is not available in today's market, so the contract provides a mechanism and criteria for the renewal of the required insurance. These insurance provisions are agreeable to all parties and have been approved by the EPA. (Praskins Decl. ¶ 11)

V. WATERMASTER'S ROLE UNDER THE PROPOSED PROJECT AGREEMENT IS SUPPORTED BY THE JUDGMENT HEREIN.

This Court approved Watermaster's participation in the 2002 Agreement on May 9, 2002. Watermaster's role under the 2017 Agreement continues to be that of providing administration, coordination and monitoring services for the Project as a whole. (Zampiello Decl., ¶ 16). These tasks are (1) consistent with Watermaster's role under the 2002 Agreement approved by this Court; and (2) contemplated by provisions already in the Judgment before this Court.

As previously determined by this Court, section 40(a) of the Judgment requires Watermaster to develop an adequate and effective program of Basin management, including "the maintenance, improvement, and control of water quality and quantity of the Basin." Section 40(c) provides as follows:

> "Watermaster may act individually or participate with others to carry on technical and other necessary investigations of all kinds and collect data necessary to carry out the herein stated purposes. It may engage in contractual relations with the EPA or other agencies in furtherance of the cleanup of the Basin and enter into contracts with agencies of the United States, the State of California, or any political subdivision, municipality, or district thereof, to the extent allowed under the applicable federal or state statutes."

Further, Section 40(d) of the Judgment requires Watermaster to adopt "programs to promote, manage and accomplish cleanup of the Basin and its waters including but not limited to, measures to confine, move, and remove contaminants and pollutants."

Accordingly, the role of Watermaster under the 2017 Agreement will not require any change in the Judgment. Rather, Court approval is being sought to (1) meet a requirement of the 2017 Agreement; (2) ensure that the Court is fully informed of the continued workload to be undertaken by Watermaster; and (3) ensure that all parties to the Judgment have an opportunity to review the 2017 Agreement and raise any possible objections.

VI. CONCLUSION.

When previously approved by this Court, the 2002 Agreement set a national precedent by achieving agreement among parties with widely divergent interests to facilitate both the cleanup of contaminated groundwater and the abatement of the water supply crisis in the San Gabriel Valley. (Zampiello Decl., ¶ 4). The 2002 Agreement provided a necessary funding mechanism in excess of $350 million to address both the BPOU groundwater contamination and restore critically needed water supplies. (Zampiello Decl., ¶¶ 4, 5).

Consistent with the 2002 Agreement, Watermaster's role under the 2017 Agreement continues to be that of providing administration, coordination and monitoring services for the Project as a whole. (Zampiello Decl., ¶ 16). The reasonable and necessary costs of the services performed by Watermaster will be funded by the Cooperating Respondents and financial assurances are posted to secure their funding obligations. (Zampiello Decl., ¶ 17). In addition, insurance coverage will cover Watermaster's activities. (Zampiello Decl., ¶ 17). Indemnity is also provided by the Cooperative Respondents for offsite disposal, which makes the Cooperating Respondents responsible for any liability that may be incurred by the Water Entities. (Zampiello Decl., ¶ 17).

During its regularly scheduled public board meeting, Watermaster voted to recommend approval of the 2017 Agreement to this Court, subject to approval of the 2017 Agreement by all of the Water Entities. (Zampiello Decl., ¶ 19). All of these approvals are expected to be forthcoming prior to the date of hearing on this matter. (Zampiello Decl., ¶ 18). Watermaster

will file supplemental briefings, as appropriate, or brief the Court on the status of these approvals at the time of hearing.

Approval by this Court will formalize the collaborative, good faith negotiations among Watermaster, WQA, the Water Purveyors, the Cooperating Respondents, and the EPA to extend the Agreement to continue the necessary remediation efforts for the benefit of the more than 1.2 million people who rely on the Basin as a source of water supply. (Zampiello Decl., ¶¶ 8, 21, 23).

Accordingly, Watermaster respectfully requests Court approval of the 2017 Agreement.

Dated: March 15, 2017

NOSSAMAN LLP
Frederic A. Fudacz
Alfred E. Smith

By: _____
Frederic A. Fudacz
Attorneys for Main San Gabriel Basin Watermaster

Declaration of
Anthony Zampiello

DECLARATION OF ANTHONY ZAMPIELLO

I, Anthony Zampiello, declare that the following is true and correct and from personal knowledge:

1. I am the Executive Officer of the Main San Gabriel Basin Watermaster ("Watermaster"). I am making this declaration in support of Watermaster's Petition for Approval of the Baldwin Park Operable Unit ("BPOU") Project Agreement Renewal ("Project Agreement"), filed concurrently herewith

2. I have personal knowledge of the following facts, and if called upon to testify, I could and would competently testify thereto.

3. On May 9, 2002, this Court approved Watermaster's participation in the original BPOU Project Agreement ("2002 Agreement").

4. The 2002 Agreement set a landmark precedent providing over $350 million dollars to clean-up contaminated water supplies for beneficial re-use in the Main San Gabriel Groundwater Basin ("Basin").

5. The 2002 Agreement represented the culmination of many years of negotiations among Watermaster, the United States Environmental Protection Agency ("EPA") and 15 separate parties, resulting in a funding mechanism to both cleanup contaminated groundwater and restore critically needed water supplies.

6. The remediation effort contemplated by the 2002 Agreement provides for the operation of six treatment projects by Basin water purveyors ("Water Entities"), the cost of which is funded by the Cooperating Respondents, namely Aeroject Rocketdyne, Inc., Azusa Land Reclamation, Co., Hartwell Corporation, Chemical Waste, and Wynn Oil Company Inc. ("Project").

7. The 2002 Agreement is set to expire on May 9, 2017.

8. For the past two years, consistent with the Project Agreement's renewal provisions, the Watermaster, the Water Quality Authority ("WQA"), the Water Entities, the Cooperating Respondents, and the EPA have engaged in negotiations to establish the terms for Project renewal.

9. The 2002 Agreement called for: (1) the implementation of EPA's mandated clean-up of contaminated groundwater within the Basin; and (2) restoration of critically necessary water supplies within the San Gabriel Valley.

10. The Project consists of six separate subprojects, each involving water extraction, treatment and distribution facilities owned and operated by a water purveyor within the Basin. The Project facilities are designed to help meet the water supply needs of the purveyors and to address the groundwater remediation objectives formulated by the EPA.

11. The 2002 Agreement provided for, among other things: (1) the construction, operation and management of the Project facilities by the respective water purveyors; (2) funding and financial assurances by the Cooperating Respondents for Project costs; (3) coordination and administration of the Project by Watermaster; and (4) administration and oversight by WQA of reimbursements from federal and state funding sources.

12. Watermaster's role under the Project Agreement has included the following tasks:

a. Providing EPA interface for the subprojects, including technical and administrative coordination through Watermaster staff and consultants;

b. Participating on the technical coordinating committee for the Project and on each of the individual subproject committees;

c. Providing accounting services necessary to track Project costs, invoices, and payments, and to create budgets;

d. Retaining the services of an engineering consultant to oversee the Project in accordance with the provisions of the Judgment;

e. In the event of a Project modification, determining which of the subproject operators will implement the required changes;

f. Arranging for and supervising required groundwater monitoring; and

g. Preparing and submitting required Project-wide reports to EPA.

13. The individual subproject operators, along with the WQA, have been involved in assuring compliance with applicable federal and state environmental laws. The EPA has maintained overall responsibility for the remediation of the groundwater and has been actively involved in supervising the work and monitoring the results to ensure that Project remediation goals are met.

14. Since the individual subprojects are owned and operated by several water purveyors, it is essential that an entity with Basin-wide authority be involved to help coordinate these subprojects to assist in meeting both the Basin water supply goals and the requirements of the Judgment. Each of the operating Water Entities is a party to the Judgment and Watermaster is invested with authority to deal with Basin-wide groundwater contamination issues.

15. Expenditures pursuant to the 2002 Agreement have exceeded $350 million; of that amount, the public funding secured by WQA has totaled approximately $42 million.

16. The basic principles of the 2017 Agreement are consistent with those of the 2002 Agreement. The 2017 Agreement calls for the operation of six subprojects to pump and treat contaminated Basin waters for potable use within the Basin. Watermaster's role under the 2017 Agreement continues to be that of providing administration, coordination and monitoring services for the Project as a whole.

17. The costs of the Project are funded in their entirety by the Cooperating Respondents and financial assurances are posted to secure their funding obligations. In addition, insurance coverage will cover Watermaster's activities. Indemnity is also provided by the Cooperative Respondents for offsite disposal, which makes the Cooperating Respondents responsible for any liability that may be incurred by the Water Entities.

18. Attached hereto as Exhibit "A" is a true and correct copy of the 2017 Agreement. This form of Agreement has been approved by counsel for all of the Parties. The 2017 Agreement must still be approved by the Parties themselves, which process is ongoing and is expected to be completed prior to the time of hearing on this matter.

19. During its regularly scheduled public meeting on March 1, 2017, Watermaster approved the 2017 Agreement, subject to the approval of the Water Entities and this Court.

20. Watermaster respectfully recommends that this Court approve the 2017 Agreement, which approval is a precondition to the effectiveness of the 2017 Agreement.

21. Renewal of the 2002 Agreement is essential so that the funding obligations and treatment facilities can be maintained, without dramatic adverse impacts to the public.

22. The importance of this renewal is underscored by the recent state of the Basin which suffered from the worst drought in California's recorded history, extremely low water levels, and severe limitations on imported water supplies due to prolonged drought conditions and other factors including environmental, judicial and regulatory constraints on water supplies from the Bay-Delta.

23. Approval by this Court of the 2017 Project Agreement will effectuate the cooperative solution among the parties necessary to continue essential groundwater remediation efforts in the Basin for the benefit of the more than 1.2 million people who rely on the Basin as a source of water supply.

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

Executed on this 10th day of March, 2017 in Azusa, California.

Anthony Zampiello

Declaration of
Wayne Praskins

DECLARATION OF WAYNE PRASKINS

I, Wayne Praskins, declare that the following is true and correct and from personal knowledge:

1. I am a Remedial Project Manager for the U.S. Environmental Protection Agency's Region 9 Superfund Division.

2. Extensive groundwater contamination exists in the San Gabriel Valley. The groundwater contamination is believed to result from the use and improper handling and disposal of volatile organic chemicals (VOCs) including carbon tetrachloride (CTC), perchloroethylene (PCE), trichloroethene (TCE), and other chemicals such as N-nitrosodimethylamine (NDMA), 1,4-dioxane, and perchlorate.

3. The U.S. Environmental Protection Agency (EPA) began investigating groundwater contamination in the San Gabriel Valley in the 1980's, using its authority under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). For purposes of remediation, EPA has divided the contamination into several discrete units known as Operable Units.

4. The Baldwin Park Operable Unit ("BPOU") is a several-mile long area of groundwater contamination in the San Gabriel Valley in and near the cities of Azusa, Irwindale and Baldwin Park. The BPOU, also known as the San Gabriel Valley Area 2 site, was added to EPA's National Priorities List of most contaminated Superfund Sites in 1984.

5. Following extensive investigation, EPA in 1994 selected an interim remedy for the BPOU through the issuance of a Record of Decision ("ROD"). The objectives of the ROD are (1) to prevent the contaminated groundwater from moving into clean or less contaminated areas and depths, (2) to remove a significant mass of contamination from the groundwater and (3) to provide the necessary data to determine final cleanup standards for the area.

6. In 1997, during the final pre-implementation stages of the ROD, three new contaminants, (perchlorate, NDMA, and 1,4-dioxane) were discovered within the BPOU. Perchlorate is an inorganic chemical that is not efficiently removed by the treatment technologies typically used for VOCs.

7. EPA updated the ROD in 1999, through the issuance of an Explanation of Significant Differences ("ESD"), to address the presence of perchlorate, NDMA, and 1,4-dioxane. By 1999, effective technologies were available for the treatment of perchlorate. The ESD provides for the incorporation of treatment technologies to treat perchlorate, NDMA, and 1,4-dioxane. The updated ROD provides for the construction and operation of groundwater extraction wells, treatment facilities and conveyance facilities capable of pumping and treating large amounts of groundwater from two broad sub-areas of contamination within the BPOU.

8. The ROD reflects EPA's preference that the treated groundwater be delivered to water purveyors for distribution to their residential and business customers through existing distribution systems.

9. In June 2000, EPA issued a Unilateral Administrative Order (the "UAO") under Section 106 of CERCLA directing nineteen responsible parties to begin design and construction of the groundwater cleanup under the ROD.

10. Following issuance of the UAO, EPA facilitated negotiations between eight of the responsible parties and seven water entities, including Watermaster, to formulate a definitive agreement for a joint groundwater remediation and water supply project (the "Project") to be funded by the responsible parties. These negotiations led to the 2002 BPOU Project Agreement ("2002 Agreement"), which was strongly supported by the EPA, and approved by this Court. The 2002 Agreement has been the vehicle to implement the EPA's groundwater cleanup plan and provide needed water supplies for the BPOU.

11. EPA has similarly been a key participant in the negotiation of the 2017 BPOU Project Renewal Agreement ("2017 Agreement"), which is designed to continue the remediation efforts undertaken pursuant to the 2002 Agreement. EPA will have overall responsibility for the groundwater remediation aspects of the Project and will be actively involved in supervising the work and monitoring the results to ensure that Project remediation goals are met. The EPA strongly supports the 2017 Agreement in order to continue this critical remediation effort. The EPA has approved all of the changes in the 2017 Agreement from the provisions of the 2002 Agreement.

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

Executed this 9th day of March 2017, at San Francisco, California.

Wayne Praskins

Wayne Praskins

2017 BPOU PROJECT AGREEMENT

The Main San Gabriel Basin Watermaster, the San Gabriel Basin Water Quality Authority, La Puente Valley County Water District, San Gabriel Valley Water Company, Suburban Water Systems, California Domestic Water Company and Valley County Water District, collectively the "Water Entities," on the one hand, and Aerojet Rocketdyne, Inc., Azusa Land Reclamation Co., Inc., Hartwell Corporation, Chemical Waste Management, Inc., and Winco Enterprises Inc., collectively the "Cooperating Respondents," on the other hand, hereby enter into this Agreement referred to herein as the "2017 Project Agreement." This 2017 Project Agreement adopts certain provisions of the original BPOU Project Agreement, dated as of March 29, 2002, and as later amended ("2002 Project Agreement"), which terminates on May 8, 2017, and is effective as a binding obligation of the Parties upon the Effective Date. It shall be operative immediately upon the termination of the 2002 Project Agreement (the "Operative Date").

RECITALS

A. The United States Environmental Protection Agency ("EPA") has named the Original Cooperating Respondents[1] and several other persons and entities as potentially responsible parties ("PRPs") with respect to contamination of the groundwater in the Baldwin Park Operable Unit ("BPOU") of the San Gabriel Valley Superfund Sites in Los Angeles County, California. In June 2000, EPA issued Unilateral Administrative Order No. 2000-13 ("UAO") to the Original Cooperating Respondents and several other BPOU PRPs. Under the UAO, EPA directed the Original Cooperating Respondents and the other UAO recipients to (1) develop a remedial design for the interim remedy described in the Record of Decision for the Baldwin Park Operable Unit of the San Gabriel Valley Superfund Sites dated March 31, 1994 ("ROD") and the EPA Explanation of Significant Differences ("ESD") dated May 1999 (collectively "ROD/ESD"), and (2) implement the design by performing the interim remedial action.

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[1] Capitalized terms used herein are defined in these Recitals, in Article 1 of this 2017 Project Agreement, or when used for the first time.

B. The Water Entities filed lawsuits alleging claims against the Original Cooperating Respondents and other persons and entities for costs allegedly incurred in meeting their water supply and distribution needs and for damages allegedly suffered as a result of the alleged involuntary conversion of their property and rights due to contamination of the groundwater and water supply wells in the BPOU area. The Water Entities continue to claim a taking of and damage to their property and rights by the Cooperating Respondents and others. The Cooperating Respondents, and each of them, dispute these claims. While disputing the Water Entities' claims, and without admitting or acknowledging any fault or liability, the Original Cooperating Respondents settled the Water Entities' lawsuits and claims to the extent provided in the 2002 Project Agreement.

C. The Cooperating Respondents have been complying with the UAO by funding the reasonable and necessary costs of design, construction, operation, maintenance and management of groundwater extraction, treatment and distribution facilities within the scope of the Project, as described in Article 4 of the 2002 Project Agreement. In order to address water supply and distribution needs within the BPOU area, the Water Entities participated in a cooperative plan for the design, construction, operation and maintenance of water supply/treatment projects in the BPOU area. Under the 2002 Project Agreement, modifications to some water system operations were made and some of the Water Entities contend that they have developed a significant reliance on water supplies from the 2002 Project Agreement facilities.

D. The 2002 Project Agreement was entered for a fixed term that ends on May 8, 2017. This 2017 Project Agreement has been entered by the Parties to establish the relationship of the Parties upon expiration of the 2002 Project Agreement, and it satisfies the requirements of Section 9.2 of the 2002 Project Agreement. Through this 2017 Project Agreement, the Parties intend to continue to implement the water supply and treatment plan and to continue to incorporate the EPA groundwater remedy into the Project that was and shall be designed, constructed, installed, owned, operated, maintained and managed by the Water Entities in accordance with this 2017 Project Agreement. The Cooperating Respondents are obligated, on a joint and several basis, to pay all Project Costs incurred in accordance with this 2017 Project Agreement.

E. EPA confirmed by the letter attached to this 2017 Project Agreement as Exhibit A that (1) the Project, if constructed and operated in accordance with plans and specifications approved by EPA, is necessary and consistent with the 1990 National Oil and Hazardous Substances Pollution Contingency Plan (55 Federal Register 8666, March 8, 1990, as amended from time to time and codified at 40 Code of Federal Regulations Part 300) ("NCP") and constitutes compliance with the ROD/ESD and UAO by the Cooperating Respondents, and (2) a Force Majeure event (as defined in Article 7 herein) affecting a Party's performance under this 2017 Project Agreement shall excuse the corresponding obligation of the Cooperating Respondents pursuant to the UAO.

NOW, THEREFORE, the Water Entities and the Cooperating Respondents, acting in good faith and desiring to continue the resolution of their claims against each other, to the extent provided in this 2017 Project Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, agree as follows:

ARTICLE 1. DEFINITIONS

In addition to terms defined elsewhere in this 2017 Project Agreement, the following terms shall have the following meanings:

"Affected Party or Parties" means, for purposes of Article 8 of this 2017 Project Agreement, the Party or Parties making a demand for arbitration and the Party or Parties against which a cost is challenged or an action or obligation is demanded.

"Agency Requirement" means any water supply standard, order, directive, requirement or guideline adopted, required or imposed by any Regulating Agency that affects the operation of any Project Facility.

"Avoided Costs" means the costs that a Water Entity would have incurred for producing the same amount of water from its wells consisting of the costs of power, chemicals, testing, labor, repair and maintenance.

"BOR" means the U.S. Bureau of Reclamation.

"BPOU" means the Baldwin Park Operable Unit of the San Gabriel Valley Superfund Sites in Los Angeles County, California.

"CDWC" means California Domestic Water Company. CDWC is a California corporation and a mutual water company.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 et seq., as amended from time to time.

"Chemicals of Concern" or "CoCs" means those chemicals listed in Exhibit B attached hereto and those chemicals added to the Project by written Amendment under Section 10.5.

"Cooperating Respondents" means Aerojet Rocketdyne, Inc. (formerly known as Aerojet-General Corporation); Azusa Land Reclamation Co., Inc.; Hartwell Corporation; Chemical Waste Management, Inc. as successor to Oil & Solvent Process Company; and Winco Enterprises Inc., formerly known as Wynn Oil Company; and each of their respective successors and permitted assigns.

"CR Project Coordinator" means the person identified under Section 3.2.2 by the Cooperating Respondents as the CR Project Coordinator.

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

"DDW" means the Division of Drinking Water Programs, State Water Resources Control Board.

"Effective Date" means the date on which written notice is provided to the Parties that the Los Angeles County Superior Court with continuing jurisdiction over the Judgment (defined below) has approved this 2017 Project Agreement. Upon the Effective Date, this 2017 Project Agreement is binding on the Parties.

"EPA" means the United States Environmental Protection Agency and any successor department or agency of the United States.

"Escrow" means the Escrow Agreement, in substantially the form set forth in Exhibit C hereto, entered into by and among the Water Entities, the Cooperating Respondents and the Escrow Agent to establish the escrow account.

"Financial Records" means all books, records, accounts and supporting documentation necessary for financial management of the Project.

"**Funding Date"** means the later of the Operative Date or ten (10) Working Days after the Effective Date.

"Independent Consultant" means a third party consultant that is retained by one of the Parties where the terms and conditions of the retention require the consultant to maintain impartiality and independence as between the Water Entities, on the one hand, and the Cooperating Respondents, on the other hand, to provide a draft work product simultaneously to the Water Entities and Cooperating Respondents and to provide such Parties the opportunity to comment on such draft before a final report or recommendation is issued by the consultant.

"**Insurance Disputes**" means, for purposes of Article 8 of this 2017 Project Agreement, disputes relating to insurance under Sections 5.1.1(d) or 5.4.1(b).

"Judgment" means the judgment by the Los Angeles County Superior Court in the matter of Upper San Gabriel Valley Municipal Water District v. City of Alhambra, et al. (Case # 924128), as amended. The Judgment was entered in 1972 and has been amended multiple times, most recently in 2012.

"LPVCWD" means the La Puente Valley County Water District. LPVCWD is a public entity organized and existing under Water Code Section 30000 et seq.

"Major Contract" means any Project contract with a value greater than $750,000.

"Non-CoC" means a contaminant that is not a Chemical of Concern.

"Operating Water Purveyor" means VCWD, LPVCWD, SGVWC, or CDWC.

"Operative Date" means May 9, 2017, the date upon which obligations under this 2017 Project Agreement are operative and apply as between the Parties. Until the Operative Date, the provisions of the 2002 Project Agreement remain in full force and effect.

"Ordinary Operating Costs" means all costs incurred by Water Entities in the normal course of their respective businesses, including ordinary operating, maintenance and capital costs, but do not include costs arising from and allocable to the existence, migration control, treatment, proper management or removal of (i) Non-CoCs, solely to the extent described in Section 2.3.5, or (ii) Chemicals of Concern or (iii) disposal of waste residuals from the treatment of such Chemicals of Concern (as reflected in the methodology used to create the Subproject O&M Cost Budgets attached to this 2017 Project Agreement as Exhibit F).

"Original Cooperating Respondents" means Aerojet-General Corporation; Azusa Land Reclamation Co., Inc.; Fairchild Holding Corp.; Hartwell Corporation; Huffy Corporation; Oil & Solvent Process Company; Reichhold, Inc.; and Wynn Oil Company; and their respective successors and permitted assigns.

"Other Funding Sources" means funding provided for the implementation of the Subprojects (as defined in Section 2.1.3) by EPA or by third parties (i.e., persons or entities not a Party to this 2017 Project Agreement) that (i) are not respondents to the UAO or (ii) have otherwise been ordered by EPA to perform work in the BPOU and are acting pursuant to such order.

"Parties" refers to the Cooperating Respondents and the Water Entities collectively, and each Cooperating Respondent and Water Entity is referred to individually as a **"Party."**

"Project" means all of the projects described in the SOW including the design, construction, operation, maintenance, regulatory compliance and management of the groundwater extraction, treatment and distribution facilities and monitoring wells and the provision of replacement water as described in this 2017 Project Agreement.

"Project Administrative Costs" means all reasonable and necessary costs not excluded by the definition of Project Costs, incurred by Watermaster or WQA in accordance with this 2017 Project Agreement.

"Project Capital Costs" means all reasonable and necessary Project Costs associated with the design, construction, installation and Modification of the Project Facilities.

"Project Costs" means the reasonable and necessary costs of the Project, including reasonable and necessary attorney fees; provided, however, that no attorney fees or costs (or other consultant fees or costs) related to (i) the execution, negotiation or drafting of this 2017 Project Agreement including any court or agency approval, or (ii) associated with resolution of a dispute or objection following decision of the Project Committee under Section 3.8.4 shall be deemed Project Costs. Project Costs do not include Ordinary Operating Costs.

"Project Facilities" or "Project Facility" means groundwater extraction, treatment, and distribution facilities and monitoring wells designed, constructed, operated, maintained and/or managed as part of the Project, as described in detail in the SOW.

"Project O&M Costs" means Subproject O&M Costs and Project Administrative Costs.

"Public Funding Sources" means BOR funds and funding provided pursuant to Public Law 106-554, App. D, Section 110, the San Gabriel Basin Water Quality Initiative introduced by U.S. Congressman David Dreier ("Restoration Funds," sometimes also referred to as "Dreier Funds"), and any other potentially available federal or state funds.

"PUC" means the California Public Utilities Commission.

"Regulating Agency" means any government entity that has legal authority to regulate or otherwise impose restrictions or limitations on any Project Facility, including but not limited to the PUC, EPA, and DDW.

"Replacement Water Supply" means the water necessary to meet customer need (as more fully described in the SOW) (i) to replace the flow of treated water that had been received by a Water Purveyor from a Project Facility and that has been reduced or discontinued as a result of any condition or occurrence relating to Chemicals of Concern for which the Cooperating Respondents are financially responsible to remedy pursuant to this 2017 Project Agreement, (ii) that is otherwise not available due to the effects of Chemicals of Concern for use by CDWC from the CDWC Bassett Wellfield or SWS from the SWS 139 or 140 Wellfields, (iii) as specified in Section 2.2(c), or (iv) to the extent specified in Section 2.3.5(d) as to Non-CoCs.

"ROD/ESD Performance Standards" means the migration control and treatment standards and other measures of achievement of the goals of the interim remedial action in the ROD/ESD.

"SGVWC" means the San Gabriel Valley Water Company. SGVWC is a California corporation and a public utility water company regulated by the PUC and the DDW.

"Statement of Work" or **"SOW"** means the description of work set forth in that document attached hereto as Exhibit D and as may subsequently be modified pursuant to the procedures set forth in this 2017 Project Agreement.

"Subproject O&M Costs" means all reasonable and necessary costs (including reasonable and necessary attorney fees) incurred by the Water Purveyors for the operation, maintenance, regulatory compliance, and management of their respective Subprojects under their respective sections of the SOW, such as costs for the management and/or disposal of waste products from the treatment of Chemicals of Concern under the SOW, costs associated with the repair or replacement of the Project Facilities for Chemicals of Concern, and Replacement Water Supply costs.

"**SWS**" means Suburban Water Systems. SWS is a California corporation and a public utility water company regulated by the PUC and the DDW.

"Trust Agreement" means the Trust Agreement attached hereto as Exhibit E.

"VCWD" means the Valley County Water District. VCWD is a public entity organized and existing under Water Code Section 30000 et seq.

"Watermaster" means the Main San Gabriel Basin Watermaster, an entity created by the Judgment with the authority and responsibility set forth therein.

"Water Entities" means collectively Watermaster, WQA, and the Water Purveyors.

"WE Project Coordinator" means the person or company identified under Section 3.5.2 by Watermaster as the WE Project Coordinator.

"Water Entity Representative" means the person identified by each Water Entity under Section 3.2.1. The Water Entity Representative shall be the point of contact for the Water Entity in communications with the Cooperating Respondents.

"Water Purveyor(s)" means any of LPVCWD, SGVWC, SWS, CDWC, VCWD, and their respective successors. The Water Purveyors produce water from wells in the BPOU and other locations and serve customers located within the geographical boundaries of the San Gabriel Basin and elsewhere.

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

"WQA" means the San Gabriel Basin Water Quality Authority. The WQA is an entity formed by special act of the California Legislature (1992 Senate Bill 1679, Russell, codified at California Water Code Appendix Chapter 134, § 134-101 et seq.) ("WQA Act"). The WQA Act gives WQA authority, *inter alia*, to plan for and to coordinate among several agencies with authority affecting cleanup of the San Gabriel Basin.

ARTICLE 2. THE PROJECT

2.1 Project Description

The Project consists of groundwater contaminant capture and mass removal to meet ROD/ESD and UAO requirements and to make the supply of replacement water available to the Water Purveyors, all as more fully described in this 2017 Project Agreement.

2.1.1 Contaminant Capture and Mass Removal

The UAO directed the Cooperating Respondents, among others, to either design, construct, and implement the remedy described in the ROD/ESD or enter into an agreement with Water Entities to do so, and thereby achieve performance standards in accordance with the UAO as to the Cooperating Respondents. EPA has confirmed, by the letter attached to this 2017 Project Agreement as Exhibit A, that the Project, if constructed and operated in accordance with plans and specifications approved by EPA, satisfies the requirements of the UAO. The Water Purveyors (either directly or through contractors) have designed and constructed groundwater extraction and treatment facilities and are operating and managing the facilities, which provide for groundwater extraction and treatment in two areas of the BPOU designated in the ROD/ESD as Subarea 1 and Subarea 3. The treated groundwater is supplied for direct potable use.

2.1.2 Supply of Replacement Water

The Project includes provisions to supply Water Purveyors with replacement water as described in this 2017 Project Agreement.

2.1.3 Subprojects

The Project consists of six Subprojects, as defined below. Four of the Subprojects — the Subarea One, LPVCWD, SGVWC B-5 and SGVWC B-6 Subprojects — are known as "the UAO Subprojects". The SWS and CDWC Subprojects are included in the Project for purposes of water supply and controlling and limiting migration of Chemicals of Concern. EPA has determined that the operation of the CDWC Subproject is necessary to achieve containment of the BPOU contamination.

(a) The Subarea One Subproject (also sometimes referred to as the "VCWD Subproject") is described in the Subarea One section of the SOW.

(b) The LPVCWD Subproject is described in the LPVCWD section of the SOW.

(c) The SGVWC B-5 Subproject is described in the B-5 section of the SOW.

(d) The SGVWC B-6 Subproject is described in the B-6 section of the SOW.

(e) The CDWC Subproject is described in the CDWC section of the SOW.

(f) The SWS Subproject is described in the SWS section of the SOW.

2.1.4 Performance of SOW

Each Water Purveyor responsible for a Subproject, as described in Section 2.1.3 herein, shall design, construct, operate, maintain and otherwise implement its respective Subproject(s) as set forth in the section of the SOW for that Subproject (including any Modifications to that section of the SOW implemented in accordance with Section 2.3), and in accordance with its operating permits, this 2017 Project Agreement, and all applicable laws and regulations.

(a) EPA has approved the sections of the SOW for the UAO Subprojects ("UAO SOW sections") and this 2017 Project Agreement as satisfying the ROD/ESD Performance Standards and the UAO, and the Cooperating Respondents believe, upon the advice and consent of EPA, that implementation of the UAO Subprojects as set forth in the UAO SOW sections will satisfy the ROD/ESD Performance Standards and the requirements of the UAO. EPA has approved the sections of the SOW for the CDWC Subproject and this 2017 Project Agreement as satisfying the ROD/ESD Performance Standards and the Cooperating Respondents believe, upon advice and consent of EPA, that implementation of the CDWC Subproject will satisfy the ROD/ESD Performance Standards. The Water Entities do not guarantee, warrant or represent that the design, construction, operation, maintenance and management of the Subprojects will achieve the ROD/ESD Performance Standards or satisfy the requirements of the UAO for contaminant capture and mass removal.

(b) As to the SWS Subproject, the Water Purveyor responsible for this Subproject shall operate its respective Project Facilities in a manner that complies with all requirements of its permits, with the SOW, and with all applicable laws and regulations. The inclusion in this 2017 Project Agreement of the SWS Subproject does not subject it to ROD/ESD Performance Standards or the requirements of the UAO. The inclusion in this 2017 Project Agreement of the CDWC Subproject does not subject CDWC to the requirements of the UAO.

2.1.5 Standards Applicable to Removal of Chemicals of Concern

The Project Facilities shall be operated, maintained and managed to remove Chemicals of Concern to the lowest levels achievable through application of Best Available Technology as defined in 22 Cal. Code Regs. Sections 64447, 64447.2 and 64447.4. The project technologies identified in this 2017 Project Agreement and in the SOW constitute Best Available Technology.

2.2 Provision of Replacement Water Supply

(a) Replacement Water Supply shall be selected as described in Section 2.2(b) and the costs shall be calculated in accordance with Section 4.5.6.

(b) To the extent that a Water Entity obtains a Replacement Water Supply, the following provisions apply:

(i) except to the extent agreed by the Cooperating Respondents, such Replacement Water Supply shall be obtained from the lowest available cost source, which provides quality water and is compatible with existing water supplies, and otherwise meets the exigencies of the situation;

(ii) the selection of such Replacement Water Supply shall be made in accordance with the procedures for incurring and auditing Project Costs set forth in Article 4, except in the event of an emergency situation requiring immediate action;

(iii) water generated from a Subproject Facility and from SWS's three new wells (121 W-1, 151 W-2 and 142 W-2) shall be used for Replacement Water Supply (as described in the SOW) to the extent it is excess of customer need and is the lowest cost source and shall be priced as described in Section 4.5.6; and

(c) SGVWC shall make available to CDWC a Replacement Water Supply as described in Section III of the B5 and B6 sections of the SOW.

2.3 Modifications to the Project

This Section 2.3 sets forth provisions as to modifications to the Project ("Modification" or "Modifications"). Any such Modification to the SOW shall constitute an amendment to this 2017 Project Agreement but shall not be subject to the requirements of Section 10.5 of this 2017 Project Agreement.

2.3.1 Modifications By Agreement

The Cooperating Respondents and the affected Water Entities may from time to time agree to modify the section of the SOW for a Subproject, following thirty (30) days prior written notice of the proposed Modification to all Water Entities, and, with regard to the UAO Subprojects and the CDWC Subproject, to EPA. All such changes shall be undertaken in a manner that is cost-effective and consistent with the NCP and any applicable ROD/ESD Performance Standards. Any such agreed to Modification shall be in writing and executed on behalf of the Cooperating Respondents and the affected Water Entities, and, as to the UAO Subprojects and the CDWC Subproject, shall be approved by EPA before implementation.

2.3.2 Modifications Through Evaluation Process

The Cooperating Respondents, on the one hand, or any Water Entity, on the other hand, may propose consideration of a cost-effective change in technology, plant facilities, treatment processes or consumables as to which Cooperating Respondents are financially responsible to pay as Project Costs at any Project Facility subject to the terms of this Section:

(a) Only one proposal at a time shall be evaluated with respect to each Subproject unless otherwise agreed by the affected Parties

(b) For those Subprojects at which any Water Entity has agreed to undertake performance evaluations in their respective sections of the Statement of Work for this 2017 Project Agreement, the affected Parties shall meet and confer to determine whether it is

appropriate to identify any new or additional evaluations before the SOW evaluations are completed.

(c) Any request for consideration of a proposed Modification shall include a description of the proposed approach sufficient for an Independent Consultant to be tasked with an evaluation of the proposal under the following factors, or, if already evaluated, a description of the proposed Modification or change sufficient to (a) determine any increase or decrease in costs for the change and the impact on costs over time; (b) determine the acceptability of the change to DDW and EPA; and (c) provide a schedule to implement the change including best estimates of necessary permitting requirements.

(d) Independent Consultants retained to evaluate the proposed Modification as set forth in the preceding sentence shall be jointly retained on behalf of both the Cooperating Respondents and the relevant Water Entities, and the cost of such evaluation shall be a Project Cost.

(e) The determination of whether to implement any proposed Modification shall be considered and decided by the relevant Subproject Committee(s). If, after the evaluation, the Cooperating Respondents and the affected Water Entities agree to the Modification, the Parties will proceed under Section 2.3.1.

(f) If the proposed Modification is to be implemented, such Modification shall be undertaken in a manner that is cost-effective and consistent with the NCP.

(g) If the Parties do not agree, either Party can request review by the Project Committee. As to any proposed Modification where the Parties do not agree as to the appropriateness of the implementation, the arbitrator shall not have the authority to require that the proposed Modification be undertaken but shall have the authority to determine the reasonableness and necessity of the affected Water Entity's costs that are payable by Cooperating Respondents arising from undertaking or not undertaking the proposed Modification. Cost-effectiveness of a proposed Modification shall be measured over the remaining term of the 2017 Project Agreement as of the date reviewed by the Subproject Committee. No award to the Cooperating Respondents under this Section 2.3.2(g) may include costs that have been incurred prior to the date of the arbitrator's decision.

2.3.3 EPA Modifications, New Orders and Directives

(a) Subject to Section 2.3.3(b) below, if EPA determines that a Modification to the SOW is reasonable and necessary to achieve and maintain the ROD/ESD Performance Standards as to Chemicals of Concern, then such Modification, upon EPA's written direction or upon such other agency's written direction with which EPA has concurred in writing, shall be incorporated into the Project. To the extent that there is uncertainty as to which Water Purveyor is to implement such Modification, the matter shall be addressed as set forth in Section 3.5.3. Reasonable and necessary costs incurred by the Water Entities in accordance with this 2017 Project Agreement (other than Ordinary Operating Costs) as a result of any such Modification, including costs of Replacement Water Supply, capital costs, and other costs of participating in the Modification process, shall be Project Costs.

(b) Nothing herein shall be construed to preclude any of the Parties to this 2017 Project Agreement from challenging the appropriateness of any such Modification; provided, however, that any such challenge shall not suspend the Cooperating Respondents' obligations to fund and provide Financial Assurances for the Project, including such Modification. If, as a result of a challenge, EPA (or such other agency with EPA's written concurrence) stays implementation of the Modification, the Water Entities' obligation to implement the Modification and the Cooperating Respondents' obligation to provide further funding and Financial Assurances for the Modification shall be stayed for the period of time that implementation of the Modification is stayed by the EPA (or such other agency with EPA's written concurrence). If, while funding is stayed, the affected Water Purveyor is unable to deliver water from its Subproject without implementation of the Modification, the Parties shall meet and confer in good faith to consider options for the continued operation of the Project. Thereafter, the affected Water Purveyor may, at its sole discretion, terminate any part of its operation of the Subproject affected by the Modification and shall provide the Cooperating Respondents with notice of such action. The Cooperating Respondents shall have no right to compel a Water Purveyor to operate any affected Subproject as long as the Cooperating Respondents are not paying for the Modification.

2.3.4 Change in Water Supply Standards as to Chemicals of Concern

The Water Entities shall undertake all changes in Project Facilities or operations that are made necessary by changes in any Agency Requirement applicable to Chemicals of Concern. All such changes in Project Facilities or operations shall be undertaken in a manner that is cost-effective and consistent with the NCP. The Water Entity shall provide reasonable notice and an opportunity to the Cooperating Respondents to review and comment on such Agency Requirement and on any changes in Project Facilities or operations proposed by the Water Entities in response to changes in Agency Requirements. Reasonable and necessary costs incurred by the Water Entities as a result of any such changes in Project Facilities or operations that are made necessary by any change in any Agency Requirement applicable to Chemicals of Concern, including costs of Replacement Water Supply, disposal costs, and capital costs, shall be Project Costs.

2.3.5 Contaminants Other Than Chemicals of Concern

If a contaminant is detected in any extraction well being operated as part of the Project, and such contaminant (1) is a Non-CoC and (2) requires treatment pursuant to any Agency Requirement, then:

(a) If existing Project Facilities can treat the Non-CoC, and the treatment does not increase Project Costs at the affected Subproject by more than $300,000 per year for operations and/or maintenance costs for the Non-CoC ("the Subsection (a) capped amount"), then the affected Operating Water Purveyor shall treat for the Non-CoC and be obligated to continue to operate the Project Facilities, and the Cooperating Respondents shall pay the increased Project Costs up to the Subsection (a) capped amount and be entitled to recover such costs if the Project Insurance provides reimbursement.

(b) If existing Project Facilities can treat the Non-CoC but the cost of treatment exceeds the Subsection (a) capped amount, then the Cooperating Respondents have the option to pay the full costs for treating the Non-CoC, in which case the affected Operating Water Purveyor shall treat for the Non-CoC and be obligated to continue to operate the Project Facilities as long as the full costs to treat the Non-CoC are paid by the Cooperating Respondents,

and the Cooperating Respondents shall be entitled to recover such costs from any available insurance.

(c) If existing Project Facilities can treat the Non-CoC but neither subsection (a) nor (b) apply, then the Parties shall meet and confer in good faith to consider options for the continued operation of the Subproject. If the Parties are unable to reach agreement on the continued operation of the Subproject, then each affected Operating Water Purveyor may at its sole discretion either continue to operate the affected Subproject, with up to $300,000 per year for operations and/or maintenance costs payable by the Cooperating Respondents as Project Costs ("the Subsection (c) capped amount") or reduce, modify or terminate any part of its operation of the Subproject to the extent necessary to meet Agency Requirements.

(d) If the Non-CoC cannot be treated using existing Project Facilities, then the Parties shall meet and confer in good faith to consider options for the continued operation of the Subproject. If the Parties are unable to reach agreement on the continued operation of the Subproject, then each affected Operating Water Purveyor may at its sole discretion:

(i) continue to operate the affected Subproject and be responsible for the continued treatment of the water as to the Non-CoC in accordance with applicable Agency Requirements; or

(ii) reduce, modify or terminate any part of its operation of the Subproject to the extent necessary to meet Agency Requirements.

(e) The affected Operating Water Purveyor shall provide Cooperating Respondents with notice of its election under subsection (d), above. Should the affected Operating Water Purveyor select subsection (d)(i), then, for each affected Subproject, up to $1.25 million of new capital costs (with all or a portion able to be used for Replacement Water Supply for the Operating Water Purveyor) ("Subsection (d) capital costs capped amount") and up to $600,000 for annual operations and/or maintenance costs in the aggregate, inclusive of the Subsection (a) capped amount and the Subsection (c) capped amount ("Subsection (d) O&M capped amount"), shall be Project Costs reimbursable by the Cooperating Respondents; and the Operating Water Purveyor gives up any right to seek additional costs for the affected Subproject from the Cooperating Respondents for treatment, capital costs, or Replacement Water Supply for

the subject Non-CoC that may be incurred during the term of this 2017 Project Agreement (as defined in Section 9.1) ("Term"). Once an Operating Water Purveyor has selected subsection (d)(i) above in order to address a Non-CoC at the affected Subproject and the Cooperating Respondents have committed to pay the Subsection (d) capital costs capped amount and the Subsection (d) O&M capped amount, then the affected Operating Water Purveyor shall treat for the Non-CoC and be obligated to continue to operate the Project Facilities and can no longer elect to reduce, modify or terminate any part of its operation of the Subproject under subsections (c) or (d)(ii) as a result of that Non-CoC.

(f) The Cooperating Respondents shall have no right under this 2017 Project Agreement to require an Operating Water Purveyor to operate any affected Subproject that has been so reduced, modified or terminated under subsections (c) or (d)(ii) above. If any action undertaken pursuant to this Section 2.3.5 results in the complete termination of the operations of any Subproject then the affected Water Entity and the Cooperating Respondents shall meet and confer to reach agreement on the disposition of impacted Project Facilities for the balance of the term of the 2017 Project Agreement and the payment of related costs.

(g) To the extent that the costs described above are to be paid by Project Insurance and there is a self-insured retention or deductible for which Cooperating Respondents are responsible under Article 5, then the amount of the self-insured retention or deductible shall count toward any applicable capped amount.

(h) The dollar limits for operations and maintenance set forth in subsections (a) - (e) above shall be increased annually starting one year after the Effective Date, by a two percent (2%) inflation factor.

(i) Each Operating Water Purveyor shall be entitled to rely upon Section 2.3.5(e) to obtain up to $1.25 million for capital costs for only one Non-CoC for each Subproject during the Term of this 2017 Project Agreement. In the event of a new Non-CoC, and if the total dollar limits in subsections (a) - (e), as appropriate, are exhausted during the Term of this 2017 Project Agreement, then the Parties shall meet and confer, and thereafter each affected Operating Water Purveyor shall have the right to terminate pursuant to the subsections above and provide the Cooperating Respondents notice of such action.

(j) This Section 2.3.5 does not apply to nitrate-related costs, except as follows:

(i) As to the Subarea One Subproject, all costs arising from or related to the treatment of nitrate that are in excess of those paid from Public Funding Sources will be paid and financially assured by the Cooperating Respondents and treated under this 2017 Project Agreement as Subproject O&M Costs of the SA-1 Subproject.

(ii) As to the SGVWC B-6 Subproject, the Cooperating Respondents shall pay as a Subproject O&M Cost to SGVWC $322,811 per year (the "Annual Payment") during the term of this 2017 Project Agreement to implement nitrate treatment at the B-6 Subproject, and to resolve SGVWC's claims against the Cooperating Respondents for payment of any "wheeling" costs to transfer water to CDWC at the targeted flow rates and total production amounts described in Section III of the SGVWC B5 and B6 sections of the SOW ("the Committed Rate"), the terms of which are incorporated into this subsection. The Cooperating Respondents' obligation to make the Annual Payment under this subsection 2.3.5(j)(ii) shall be controlled by the following terms:

(A) Fifty percent (50%) of the initial Annual Payment ($161,405.50) may be invoiced (and subsequently paid as a Subproject O&M Cost) ten (10) days or later following the date that either (1) SGVWC has provided written notice to the Cooperating Respondents that all necessary start-up testing for nitrate treatment is complete, that nitrate treatment at the B-6 Subproject has been permitted by DDW, and that nitrate treatment operations have commenced, or (2) SGVWC has provided written notice to the Cooperating Respondents that a pipeline and connection have been permitted and constructed such that water is available for transfer to CDWC from SGVWC at the Committed Rate in accordance with Agency Requirements as a Replacement Water Supply, consistent with the terms of the sections of the SOW for both SGVWC and CDWC. The date this initial portion of the Annual Payment is invoiced shall be treated as the "50% anniversary date" for determining when the next Annual Payment is invoiced one year later, with such date subject to modification in writing between SGVWC and the Cooperating Respondents. Except as otherwise provided in subsection (B) below, the second Annual Payment may be invoiced the later of one year after the 50% anniversary date or beginning ten (10) days following the date that SGVWC provides written

notice to the Cooperating Respondents that both subsections (A)(1) and (A)(2) above have been satisfied, and subsequent Annual Payments shall be paid one year after the second Annual Payment, with such date subject to modification if agreed to in writing between SGVWC and the Cooperating Respondents.

(B) In the event that subsection (A)(1) above is relied upon to require the initial 50% payment in subsection (A) above, then the remaining fifty percent (50%) of the initial Annual Payment ($161,405.50) (the "remaining 50% payment") may be invoiced (and subsequently paid as a Subproject O&M Cost) by the earlier of December 31, 2017, or ten (10) days following the date that SGVWC provides written notice to the Cooperating Respondents that subsection (A)(2) above has been satisfied. If by December 31, 2017, SGVWC is still not able to make water available to CDWC as contemplated in subsection (A)(2), then (I) the Cooperating Respondents shall provisionally pay the remaining 50% payment subject to their right to pursue arbitration against, and thereby seek a credit or repayment from, SGVWC on the exclusive ground that SGVWC's action or inaction (including failure to obtain authorizations from third parties or governmental agencies) materially contributed to the delay in satisfying subsection (A)(2), and (II) if subsection (A)(2) has not been satisfied by one year after the 50% anniversary date and SGVWC's action or inaction did not materially contribute to the failure to satisfy subsection (A)(2), then: on such date, and on an annual basis thereafter, $161,405.50 may be separately invoiced by SGVWC for nitrate treatment costs (and subsequently paid as a Subproject O&M Cost); the Cooperating Respondents' obligation to pay the $161,405.50 remaining balance of the Annual Payment will be suspended until subsection (A)(2) has been satisfied; and once subsection (A)(2) has been satisfied, a pro-rata portion of the $161,405.50 remaining balance may be invoiced based on the number of months left until the next annual payment for nitrate treatment costs would be coming due, at which point, and on an annual basis thereafter, the full Annual Payment amount may be invoiced. In the event that subsection (A)(2) is relied upon to require the initial 50% payment in subsection (A) above, then the remaining 50% payment may be invoiced ten days or later following the date that SGVWC provides written notice to the Cooperating Respondents that both subsections (A)(1) and (A)(2) above have been satisfied.

(C) If for any reason CDWC is unable or unwilling to accept the transfer of water from SGVWC at the Committed Rate, the Cooperating Respondents shall still be obligated to make the Annual Payments to SGVWC under this Section, provided that SGVWC's action or inaction did not materially contribute to the failure to transfer water to CDWC at the Committed Rate. SGVWC and the Cooperating Respondents will conduct a true-up each year to confirm that SGVWC delivered water to CDWC at the Committed Rate over the previous year. If SGVWC's action or inaction materially contributed to the failure to transfer water to CDWC at the Committed Rate in the previous year, or if, despite (1) a pipeline and connection having been permitted and constructed, and (2) CDWC's ability and willingness to accept the water at the Committed Rate, SGVWC delivered water at less than the Committed Rate over the previous year, the Cooperating Respondents shall receive a credit against the next Annual Payment based upon a pro rata downward adjustment to reflect the actual delivery of water by SGVWC to CDWC (*e.g.*, if CDWC had both the ability and willingness to accept all of the water at the Committed Rate over the previous year and if SGVWC delivered no water during that year, then the Cooperating Respondents would receive a credit for the full Annual Payment of $322,811).

(D) Nothing in this subsection 2.3.5(j)(ii) affects any obligations of the Water Entities, as between each other, with respect to calculation or payment of Avoided Costs under Section 4.5.6. All payments invoiced under this Section 2.3.5(j)(ii) shall be paid as Subproject O&M Costs.

(iii) As to nitrate treatment at the LPVCWD, CDWC, and SGVWC B-5 Subprojects, the Parties shall meet and confer in good faith to consider options for the continued operation of the Subproject. If the Parties are unable to reach agreement on the continued operation of the Subproject, then each affected Operating Water Purveyor may at its sole discretion:

(A) continue to operate the affected Subproject and be responsible for the continued treatment of the water as to nitrate in accordance with applicable Agency Requirements; or

(B) reduce, modify or terminate any part of its operation of the Subproject to the extent necessary to meet Agency Requirements.

ARTICLE 3. PROJECT MANAGEMENT

3.1 Coordination and Cooperation

The Parties recognize that implementation of the Project requires coordination and cooperation. All Parties shall strive to cooperate and communicate with each other in all matters relating to the Project.

3.2 Division of Responsibility

3.2.1 Water Entities

The Water Entities have divided responsibility for implementing the Project as set forth herein and in the attached SOW. Notwithstanding any other provision of this 2017 Project Agreement, except Section 3.4.1(b), no Water Entity shall be liable or responsible for any aspect of the Project that is the responsibility of another Water Entity. Each Water Entity shall designate a Water Entity Representative, who can be changed from time to time upon electronic or other notice to the Cooperating Respondents pursuant to Section 10.7. The Water Entity Representative shall be the point of contact for the Water Entity in communications with the Cooperating Respondents.

3.2.2 Cooperating Respondents

The Cooperating Respondents shall be jointly and severally responsible for funding of the Project and posting of Financial Assurances in accordance with the provisions of Article 4 of this 2017 Project Agreement. Except as stated in Section 2.3.5(d), no Water Entity shall have any obligation to perform any work under this 2017 Project Agreement unless the Cooperating Respondents have provided the funding and Financial Assurances required by this 2017 Project Agreement for such work. The Cooperating Respondents shall designate a CR Project Coordinator, who can be changed from time to time upon electronic or other notice to the Water Entities pursuant to Section 10.7. The CR Project Coordinator shall be the point of contact for the Cooperating Respondents in communications with the Water Entities and EPA; however, notice requirements shall be as described in this 2017 Project Agreement and the notice section herein.

3.3 Water Entities

3.3.1 Standard of Care

The Water Entities and their respective agents, servants, employees, contractors, subcontractors, laboratories and vendors shall use sound technical, engineering and environmental principles, practices, procedures and judgment and shall apply the degree of care and skill necessary to assure that the Project is designed, built, operated and maintained for the purposes set forth in the SOW in accordance with good professional practices.

3.3.2 Compliance with Applicable Laws

The Water Entities shall at all times comply with all laws, ordinances, statutes, rules and regulations applicable to the Project.

3.3.3 Retention of Records

(a) Financial Records. The Water Entities shall maintain all Financial Records in accordance with generally accepted accounting principles or, with respect to SGVWC and SWS, in accordance with the Uniform System of Accounts for Water Utilities prescribed by the PUC. All such Financial Records shall be subject to audit pursuant to Section 4.9 hereof. Financial Records shall be maintained until the later of (i) six (6) years from the "as of" date or period applicable to the Financial Record, (ii) the Internal Revenue Service retention period for such Financial Records, or (iii) the PUC retention period for such Financial Records.

(b) Environmental Records. Notwithstanding any corporate or agency record retention policy to the contrary, the Water Entities and the WE Project Coordinator shall preserve and retain all records and documents related to the Project, including without limitation all log books, records, data, reports, and all other information relating to environmental testing, quality assurance, water quality before transmission to a public water supply pipeline, and compliance with EPA and DDW standards.

(c) Retention of Environmental Records. The Water Entities shall preserve and maintain the environmental records and documents described in subsection (b) of this Section 3.3.3 and shall instruct their contractors, subcontractors and agents to preserve and retain

all such records and documents under the 2002 Project Agreement and this 2017 Project Agreement until the later of (i) ten (10) years after the Term of this 2017 Project Agreement, or (ii) six (6) years after EPA provides notice that all work required under the UAO has been completed. If stored electronically, environmental records shall be stored in a computer-usable electronic form using then-appropriate technology that is commonly accessible to EPA and to the Cooperating Respondents. The Water Entities shall deliver a copy of all such records in their possession, custody, and control to the Cooperating Respondents at the conclusion of the term of this 2017 Project Agreement, unless otherwise agreed to by the Parties or destruction is approved by EPA.

(d) Project Costs. All reasonable and necessary costs associated with retaining records for the Project shall be Project Costs.

3.3.4 Contractors and Subcontractors

(a) The Water Entities shall use competitive bidding when contracting for the design, construction, maintenance and operation of the Project Facilities; provided, however, that a Water Entity may procure a contract by non-competitive proposals if such procurement complies with applicable law, including without limitation the applicable requirements of the BOR, the U.S. Department of the Interior, and administrators of Public Funding Sources, and is reasonable and necessary in order to implement the Subproject. Draft and final versions of contracts procured through non-competitive proposals shall be circulated to the Cooperating Respondents for their review and comment in the Subproject Committees.

(b) The Water Entities shall use best efforts to comply with the requirements of Section 3.3.4(a), but no decision to procure a contract shall be invalidated by the failure to follow such requirements.

(c) Each Water Entity shall ensure that all contractors and subcontractors cooperate with the WE Project Coordinator in preparing the necessary design drawings, technical flow-charts and other materials that may be necessary in order to file timely reports with EPA, DDW, or any other regulatory agency.

(d) If additional terms of a Major Contract are negotiated with the selected contractor after the Major Contract was considered in a Subproject Committee meeting, then prior to execution of the Major Contract, the final form of the Major Contract shall be presented to the Cooperating Respondents for concurrence. If there is no concurrence, the matter can be referred to the Project Committee and, if necessary, the dispute resolutions procedures of Article 8. The Water Entity can proceed with the Major Contract if the Water Entity deems it necessary and appropriate, but any amounts incurred while the issue is in dispute shall be subject to reimbursement pursuant to the dispute resolution provisions in Article 8.

(e) All contracts entered into by the Water Entities with third parties to implement the Project shall contain commercially reasonable terms and conditions for the work to be undertaken.

(f) Each Water Entity shall be responsible for enforcing all contractual guarantees, indemnities, and warranties of contractors, subcontractors, laboratories and vendors that it has retained. The reasonable and necessary cost of such enforcement efforts shall be Project Costs. If the Cooperating Respondents request the enforcement of contractual rights, the Water Entity shall take commercially reasonable steps to take such action; or the Water Entity shall in its sole discretion: (i) grant the Cooperating Respondents the right to take action in the name of the Water Entity, or (ii) take commercially reasonable steps to avoid loss of claims through waiver, estoppel, laches or other failure to take action while the issue as to whether to enforce the contract is in dispute.

(g) The Water Entities shall deliver a copy of the UAO to all contractors, subcontractors, laboratories, and vendors that have entered into Major Contracts with the Water Entities in connection with the UAO Subprojects. The Water Entities shall make compliance with the UAO a condition of each UAO Subproject Major Contract with such contractors, subcontractors, laboratories and vendors, and EPA has expressly confirmed that the limitation to Major Contracts herein shall constitute compliance by the Cooperating Respondents with Paragraph 55 of the UAO.

(h) The Water Entities shall exercise sound business judgment and practices to avoid any involuntary lien or charge on Project Facilities. If any such lien shall attach or be

claimed as to any Subproject, the affected Water Entity shall endeavor to procure a release of the lien or otherwise resolve disputes concerning such lien. If such lien results from the failure by the Cooperating Respondents to fulfill their funding obligations, in addition to any other remedies available to the Water Entity, the Water Entity may take such action as is reasonably necessary to release the lien or charge, including by way of paying the lienholder; and the reasonable and necessary costs of such action shall be Project Costs.

(i) Each Water Entity, and its respective contractors and subcontractors, shall obtain, keep current and comply with all permits and approvals required for construction, operation and maintenance of its Subproject(s). The reasonable and necessary costs for such Project-related permits and approvals shall be Project Costs.

3.3.5 Cooperation to Meet the UAO and 2017 Project Agreement Requirements

(a) The Water Entities shall cooperate with any reasonable request required for the Cooperating Respondents to comply with the UAO and this 2017 Project Agreement. Such request may include, without limitation, allowing the Cooperating Respondents and EPA reasonable access to records, real property, equipment, reports, testing results and any other information needed as related to the Project.

(b) Nothing in this 2017 Project Agreement shall make the Water Entities subject to the UAO or liable to EPA for any penalty or fine assessed pursuant to the UAO.

3.4 Water Purveyors

3.4.1 General Responsibilities

(a) The Water Purveyor responsible for an individual Subproject shall be responsible for the design, construction, operation, maintenance and management of the Water Purveyor's respective Subproject in accordance with the requirements and schedule set forth in the SOW and subject to the terms and conditions of this 2017 Project Agreement.

(b) VCWD is the Water Purveyor responsible for the Subarea One Subproject. However, if for any reason, VCWD does not operate, maintain and manage the Subarea One Subproject under the terms of this 2017 Project Agreement, SWS may, at its sole discretion,

become the Water Purveyor responsible for construction and/or operation of the Subarea One Subproject. If SWS elects to assume responsibility for the Subarea One Subproject, VCWD shall continue to own the Subproject; but SWS shall, in accordance with this 2017 Project Agreement, operate, maintain and manage the Subproject. Upon written notice from SWS of its election to assume responsibility for the Subarea One Subproject, the Cooperating Respondents shall pay to SWS Project Costs required under this 2017 Project Agreement for the Subarea One Subproject after the date SWS actually assumes responsibility, in accordance with Article 4 of this 2017 Project Agreement. In the event of a dispute between VCWD and SWS under this 2017 Project Agreement, such dispute shall be subject to the dispute resolution provisions of this 2017 Project Agreement; however, VCWD shall continue to deliver water under the terms of this 2017 Project Agreement to SWS until a final ruling of the arbitrator.

3.4.2 Water Rights and Assessments

(a) Each Water Purveyor shall, at no cost to the Cooperating Respondents, provide the required water rights, to the extent available, and pay the applicable Watermaster assessments for Project water treated and used as potable water supply in the Water Purveyor's respective water systems. For Project water transferred as a Replacement Water Supply, the receiving Water Purveyor shall be responsible for providing the required water rights and paying applicable Watermaster assessments and fees, if any.

(b) The CR Project Coordinator may make a request that a Water Purveyor seek a waiver of Watermaster assessment under Watermaster Rules and Regulations, Section 18(b) from the Watermaster by requesting from the Water Purveyor whether there are discharges from a Project Facility potentially eligible for waiver. The request shall be made by June 30th of each year unless the Watermaster provides notice to the Cooperating Respondents that the deadline for obtaining waivers of assessments has changed.

(c) If there are discharges potentially eligible for waiver, the Water Purveyor shall seek a waiver of the Watermaster Assessment and shall provide a copy of the waiver request to the CR Project Coordinator, and the Watermaster will act in accordance with the Judgment and implementing rules as to such request.

(d) If the Water Purveyor does not make the request for waiver of assessment as provided in subsections (b) and (c) above, then the Water Purveyor cannot claim that any portion of the subject Watermaster assessment is a Project Cost. This result is not subject to dispute resolution.

3.4.3 Liens and Encumbrances

(a) Except as provided in Section 3.4.3(b), during the term of this 2017 Project Agreement, no Water Purveyor shall sell, lease, assign, mortgage, or otherwise dispose of or encumber Project Facilities paid for by the Cooperating Respondents without the prior written consent of the Cooperating Respondents; except that Project Facilities owned by SGVWC or SWS shall be subject to the trust indenture securing their respective general mortgage bonds.

(b) Notwithstanding Section 3.4.3(a), SGVWC and SWS shall not sell, lease, assign, mortgage or otherwise dispose of or encumber their respective Project Facilities except in accordance with Public Utilities Code Section 851 and with prior written notice to the Cooperating Respondents.

(c) Actions undertaken pursuant to this Section 3.4.3 are not subject to the dispute resolution provisions in Article 8.

3.5 Watermaster

3.5.1 Coordination/Administration

Watermaster provides coordination and supplemental administrative services for the Project, including: (i) EPA interface and technical coordination and administration for the Water Entities through Watermaster staff and consultants; (ii) participation in and coordination of the Project Committee and participation in the Subproject Committees to the extent provided for in this Agreement; (iii) managing the monitoring and reporting requirements described below at Sections 3.5.4 and 3.5.5; (iv) accounting services necessary for accurately tracking Project Costs, invoice payments, budget process, quarterly deposits to the Escrow Account by the Cooperating Respondents, and credits for funds received from Public Funding Sources and Other Funding Sources; (v) services relating to Financial Assurances pursuant to Section 4.6 and the Trust Agreement; and (vi) additional reasonable and necessary activities, including retention of legal

and consulting services, for the Water Entities, that are not cost-effective to be undertaken by a Water Purveyor on a Subproject basis or are needed to fulfill Watermaster's responsibilities under this 2017 Project Agreement. Watermaster shall be a voting member of the Project Committee and a participant in the Subproject Committees as provided in this Agreement.

3.5.2 Retention of Qualified WE Project Coordinator

Watermaster has retained the services of Stephen B. Johnson of Stetson Engineers, Inc. to provide administrative coordination of the Project for the Water Entities. Mr. Johnson will serve as the WE Project Coordinator under this 2017 Project Agreement with respect to the tasks identified herein. The Watermaster, at its sole discretion, may select and replace the WE Project Coordinator.

3.5.3 Modification

In the event of a Modification affecting the SOW sections of more than one Subproject, Watermaster shall make a determination as to which affected Water Purveyor or Purveyors will implement changes to the SOW. In making this determination, Watermaster shall consider the goals of contaminant migration control, sound drinking water supply management, cost-effectiveness and NCP consistency.

3.5.4 Monitoring

Watermaster arranges for and supervises the groundwater monitoring required by the SOW. Reports of sampling results shall be provided promptly to each Subproject Committee and to the Cooperating Respondents. Watermaster shall make a good faith effort to provide to the Cooperating Respondents water quality data for influent and effluent values at the respective Subprojects within five (5) Working Days after the Water Entity's receipt of such data.

3.5.5 Reporting

(a) Except for the Performance Standards Evaluation Plan ("PSEP") and Annual Performance Evaluation Report (addressed in 3.5.5(b)), Watermaster shall be responsible for the timely submittal of the periodic reports and deliverables required by the UAO or SOW or imposed by the Court supervising the Judgment as to this 2017 Project Agreement. Watermaster

shall provide to each Cooperating Respondent a draft copy of such reports and deliverables, for review and comment, at least ten (10) Working Days prior to their submittal. If Watermaster anticipates that it will not be able to provide to the Cooperating Respondents a draft copy of a periodic report or deliverable required by the UAO or SOW or the Court supervising the Judgment at least ten (10) Working Days before it is due, Watermaster shall so notify Cooperating Respondents and the Parties shall cooperate in an effort to obtain an extension so as to ensure that the Cooperating Respondents shall have ten (10) Working Days to review and comment upon such draft periodic report or deliverable before it is submitted. Watermaster shall either (i) consider and incorporate, or (ii) address and respond to comments on such reports and deliverables made by the Cooperating Respondents. Watermaster and Cooperating Respondents may mutually agree that some or all of such reports and deliverables may be generated and submitted by Cooperating Respondents.

(b) Cooperating Respondents will prepare the PSEP and Annual Performance Evaluation Report and will submit the drafts to Watermaster at least ten (10) Working Days prior to their submittal to EPA. If Cooperating Respondents anticipate that they will not be able to provide to the Watermaster a draft copy of the PSEP or Annual Performance Evaluation Report at least ten (10) Working Days before it is due, the Cooperating Respondents shall so notify Watermaster and the Parties shall cooperate in an effort to obtain an extension so as to ensure that the Watermaster shall have ten (10) Working Days to review and comment upon such draft PSEP or Annual Performance Evaluation Report before it is submitted. Watermaster shall review and comment on the PSEP and the Annual Performance Evaluation Report and provide the comments to the Cooperating Respondents at least one Working Day in advance of their submission. Both the document prepared by the Cooperating Respondent and the Watermaster response to such document shall be simultaneously submitted to the EPA.

3.5.6 Project Costs

The reasonable and necessary costs of services performed by Watermaster in connection with the Project pursuant to this 2017 Project Agreement shall be Project Costs, unless such costs are otherwise excluded by this 2017 Project Agreement.

3.6 WQA

WQA shall be involved in the overall management of the Project as a voting member of the Project Committee and a participant in the Subproject Committees to the extent provided in this Agreement. WQA shall process and submit applications to obtain and maintain funding for the Project from Public Funding Sources and process reimbursements and credits resulting from such Public Funding Sources. WQA shall also manage the spare parts program and maintain ownership of and manage access agreements for BPOU monitoring wells. WQA will be responsible for the efforts to obtain funds from Public Funding Sources. (See Section 4.8.)

3.6.1 Project Costs

The reasonable and necessary costs of services performed by WQA in connection with the Project pursuant to this 2017 Project Agreement shall be Project Costs, unless such costs are otherwise excluded by this 2017 Project Agreement.

3.7 Subproject Committees

3.7.1 Purpose

(a) The purpose of each Subproject Committee, other than the Project Administrative Cost Subproject Committee, is to discuss, review and reach consensus, if possible, for all decisions regarding the design, construction, operation and maintenance of such Subproject, including but not limited to: (i) selection of all contractors; (ii) review and approval of Subproject design; (iii) review and approval of construction estimates, plans and activities; (iv) transition from testing to operations phase; (v) operations and maintenance procedures; (vi) approval of third Party personnel, including engineers, contractors, subcontractors and suppliers; (vii) review of all permits, licenses and CEQA and NEPA documentation for the Subproject; (viii) determination of commencement and conclusion of testing, operations and other stages of the Subproject; and (ix) all such decisions required for design, construction, modification, repair, operation and maintenance of any change in the Subproject resulting from a Modification affecting the SOW.

(b) The purpose of the Project Administrative Cost Subproject Committee is to discuss, review and reach consensus, if possible, for all decisions relating to Project Administrative Costs.

(c) The Subproject Committees and the Project Administrative Cost Subproject Committee are also responsible for approving invoices for payment and for establishing budgets as set forth below.

3.7.2 Subproject Committee Composition

(a) Each Subproject Committee, other than the Project Administrative Cost Subproject Committee, is composed of: the Water Entity Representative (or designee) for the Water Purveyor managing the Subproject (except the Subarea One Subproject, which has a representative from both SWS and VCWD) and the CR Project Coordinator (or designee). Any Party can request at any time participation by the WE Project Coordinator, Watermaster and/or WQA. If an issue being addressed by the Subproject Committee relates to or potentially effects the Judgment, the Watermaster should participate. Participation by the WE Project Coordinator, the Watermaster, and/or WQA is a Project Cost.

(b) The Project Administrative Cost Subproject Committee is composed of a representative of the Watermaster, WQA and the Cooperating Respondents.

3.7.3 Subproject Committee Meetings

(a) Each Subproject Committee shall meet as frequently as deemed to be appropriate by the members. It is anticipated that except where coordination among Subprojects is required, each Subproject Committee meeting will be scheduled as a separate meeting. Where coordination among Subprojects is the subject of a meeting, attendance by all affected Water Entities is appropriate.

(b) Either the Water Purveyor member (or as to the Project Administrative Cost Subproject Committee, the Water Entity members) or the CR Project Coordinator may call a meeting of that Subproject Committee by providing at least ten (10) Working Days advance written notice of the meeting and a full agenda for the meeting to each other member of that Subproject Committee, Watermaster and WQA. A Subproject Committee meeting to address

issues already discussed among the members may be called by providing least five (5) Working Days' advance written notice.

(c) All documents and reports to be considered at scheduled meetings shall be provided to all members of the Subproject Committee, Watermaster and WQA at least ten (10) Working Days before the scheduled meetings, unless the members of the Subproject Committee agree to a shorter time period or unless such documents were unavailable to be distributed in which case they shall be distributed at the earliest possible date.

(d) Within ten (10) Working Days after each Subproject Committee meeting, the Water Purveyor member shall submit to the Watermaster, WQA and to the WE Project Coordinator, with a copy to the CR Project Coordinator, the minutes of the Subproject Committee including the information necessary to complete the periodic reports and deliverables required by the UAO.

(e) Relative to the Project Administrative Cost Subproject Committee, the provisions of (a)-(d) above apply, except that minutes of meetings of the Project Administrative Cost Subproject Committee are created by Watermaster and circulated to members of the committee.

3.7.4 Subproject Decision and Approval Process

(a) If there is no consensus reached on a matter presented at a Subproject Committee meeting, the position of the Water Entity member or members will provisionally control, and the matter will be identified in the minutes of the Subproject Committee as an item to be considered at the next regularly scheduled meeting of the Project Committee. A Party objecting to the position of the Water Entity member or members may submit a short statement of its objection to the Project Committee before the Project Committee meeting. Any member of the Subproject Committee may, if necessary, request an expedited review (no less than ten (10) Working Days from the request) by the Project Committee by sending a written request to the Project Committee members. If the Water Entity considers such decision necessary for the operation of the Project, the Water Entity, in its sole discretion, can proceed with implementing the contested action on the basis of the provisionally controlling position of the Water Entity member or members while the matter is under review; and the Cooperating Respondents must

pay the costs in accordance with the payment provisions, subject to reimbursement pursuant to the dispute resolution provisions of this 2017 Project Agreement.

(b) The review of Subproject Invoices and Administrative Cost Invoices shall be undertaken pursuant to the procedure detailed in Section 4.7.1.

(c) Except for audit disputes, disagreements as to whether a matter is arbitrable or what level of arbitration is appropriate, and disagreements as to matters affecting more than one Subproject, review by the Subproject Committee is required before a matter can proceed to review by the Project Committee and the arbitration procedures in Article 8 of this 2017 Project Agreement.

(d) The Project Committee shall review and approve all budgets and Modifications to the SOW, regardless of whether consensus was reached at the corresponding Subproject Committee meeting.

3.7.5 Water Entities' Best Efforts

The Water Entities shall use best efforts to comply with all notice and document delivery requirements of this 2017 Project Agreement in this Article 3. However, no decision or action of the Subproject Committee shall be invalidated by the failure to provide notice or documents in accordance with this 2017 Project Agreement, although the Cooperating Respondents may dispute the costs associated with the action.

3.8 Project Committee

3.8.1 Purpose

The Project Committee shall review issues of overall coordination, progress, and budgets. This shall include approving the budgets, monitoring risks, quality and timelines, making policy and resourcing decisions, and assessing requests for changes to the scope of the Project.

3.8.2 Composition of the Project Committee

The Project Committee will be composed of the following voting members: (1) Watermaster; (2) WQA; (3) Water Entity Representative(s) from a Subproject to the extent that a Subproject issue is to be addressed; or their designees, and the Cooperating Respondents through the CR Project Coordinator or their designees on a non-voting basis.

3.8.3 Meetings of the Project Committee

The Project Committee shall hold meetings no less than four times per year to review the operation of the Project for purposes of water supply and contaminant migration control and to review and make recommendations for Modifications. One meeting each year will review the annual budgets.

3.8.4 Disagreements and Project Committee

If a disagreement arises as between the Parties, either the Cooperating Respondents or the affected Water Entity can provide notice to the Project Committee.

(a) If the matter in disagreement concerns an invoice, the notice of disagreement shall be given and the Project Committee's review shall be completed and written decision transmitted within the time limits established in Section 4.7.1.

(b) For matters in disagreement addressed in a Subproject Committee meeting other than approval of invoices, including disagreements involving Subproject O&M Budgets, Project Capital Cost Budgets, and Project Administrative Cost Budgets, the notice to the Project Committee shall be provided in the minutes of the Subproject Committee meeting.

(c) For all other matters in disagreement not described in Section 3.8.4(a)-(b) above, notice of disagreement shall be given to the Project Committee within thirty (30) days after the disagreement arises.

(d) Unless the affected Parties request expedited review, matters submitted to the Project Committee as described in Section 3.8.4(a)-(c) above shall be considered at the next regularly scheduled meeting of the Project Committee, provided that the next meeting is scheduled to occur at least ten (10) Working Days after the matter is submitted to the Project

Committee. Matters in disagreement submitted to the Project Committee within ten (10) or fewer Working Days before the next regularly scheduled meeting will be deferred until the following meeting, unless the Parties agree otherwise.

(e) The members of the Project Committee shall meet and negotiate in good faith regarding each dispute. Once a decision is made by a vote of the majority of the Project Committee, the Project Committee shall transmit a written decision regarding the dispute to all Parties within ten (10) Working Days. If any Party has a dispute with the written decision of the Project Committee, then such dispute may be submitted pursuant to the dispute resolution provisions of Article 8.

3.8.5 Project Committee Actions

To the extent that the Project Committee identifies actions that are agreed upon by the Cooperating Respondents and the affected Water Entities, the agreement shall be documented in a manner appropriate for the issue resolved. Any change that requires EPA approval shall only be implemented following confirmation of EPA approval. To the extent that the Cooperating Respondents and the affected Water Entities have not reached agreement, the Project Committee shall issue a written decision. The Parties retain the right to challenge the Project Committee's decision under dispute resolution procedures in Article 8.

ARTICLE 4. PROJECT FUNDING

4.1 Project Costs

4.1.1 Payment of Project Costs by Cooperating Respondents

The Cooperating Respondents are obligated, on a joint and several basis, to pay all Project Costs incurred in accordance with this 2017 Project Agreement. In order to ensure payment of these Project Costs, the Cooperating Respondents are obligated to post Financial Assurances on a joint and several basis.

4.1.2 Project Costs Deemed CERCLA Response Costs

Project Costs incurred in accordance with this 2017 Project Agreement shall be deemed to be CERCLA response costs necessary and consistent with the NCP.

4.2 Escrow Account

4.2.1 Establishment of an Escrow Account

The Cooperating Respondents have established an escrow account for the deposit of monies to satisfy the Cooperating Respondents' payment obligations under the 2002 Project Agreement. The Parties agree to transfer the remaining funds and obligations contained in the Cooperating Respondents' subaccounts from the 2002 Escrow Account to the escrow account to be established pursuant to the Escrow Agreement attached as Exhibit C to this 2017 Project Agreement (the "Escrow"). All escrow account funds shall bear interest as provided in the Escrow Agreement, and the initial deposits into the escrow account required of the Cooperating Respondents shall be made in accordance with Section 3 of the Escrow Agreement.

4.2.2 Escrow Agent

Citizens Business Bank shall serve as escrow agent to administer payments under this 2017 Project Agreement ("Escrow Agent") pursuant to the written instructions set forth in the Escrow Agreement. Any replacement Escrow Agent shall have a Standard & Poor's Rating Services credit rating of A(-) or better. The Escrow Agent, and any replacement Escrow Agent, shall not act as an agent or representative for any Party; and the Escrow Agent shall act at all

times in a neutral manner and act strictly in accordance with the provisions of the Escrow Agreement.

4.2.3 Escrow Agent Fees

WQA shall be responsible for paying reasonable compensation to the Escrow Agent in accordance with the Escrow Agreement. Such compensation shall be Project Administrative Costs.

4.2.4 Replacement of Escrow Agent

(a) If, while WQA is in existence, the Escrow Agent resigns or WQA decides to replace the Escrow Agent, WQA at its sole discretion shall retain a replacement Escrow Agent, subject to the requirements in Section 4.2.2. WQA shall provide notice of the replacement to all Parties.

(b) In the event that WQA ceases to exist, and the Escrow Agent resigns or the Parties mutually agree to replace the Escrow Agent or remove it for cause, the Parties shall select a new Escrow Agent by mutual agreement. Any dispute between the Parties as to the existence of cause shall be subject to the dispute resolution provisions set forth in this 2017 Project Agreement. If the Parties are unable to agree upon a replacement Escrow Agent within thirty (30) days prior to the effective date of the resignation or replacement of the acting Escrow Agent, the Water Entities and the Cooperating Respondents shall, within ten (10) days thereafter, each submit a list of three proposed escrow agents to the other, along with information regarding the qualifications of each candidate. Within ten (10) days after both lists have been submitted, the Water Entities and the Cooperating Respondents may each eliminate one candidate. Within ten (10) days thereafter, Watermaster shall select the Escrow Agent from the remaining candidates. This process shall not delay funding of and payments from the Escrow Account. Actions undertaken pursuant to this Section 4.2.4(b) are not subject to the dispute resolution provisions in Article 8.

4.3 Trust Fund

4.3.1 Establishment of Trust Fund

The Cooperating Respondents established and maintained financial assurances in accordance with the provisions of the 2002 Project Agreement and are establishing financial assurances as of the Funding Date in accordance with the requirements of Section 4.6 for Project Capital Costs and Project O&M Costs ("Financial Assurance") in a trust fund ("Trust Fund") established for the benefit of the Water Entities and administered in accordance with the Trust Agreement set forth in Exhibit E to this 2017 Project Agreement. The aggregate amount of Financial Assurances initially required to be transferred or delivered to Trustee by the Cooperating Respondents as of the Funding Date pursuant to the Trust Agreement shall be $31,096,490.00, representing the amount of Financial Assurances required to be deposited with Trustee pursuant to Section 4.b of the Trust Agreement attached as Exhibit E. The Parties will execute and deliver instructions directing the Trustee under the 2002 Trust Agreement and Successor Trustee Agreement to transfer or release Financial Assurances in the 2002 Trust as of May 9, 2017.

4.3.2 Trustee

Regions Bank, an Alabama banking corporation, has agreed to serve as Trustee and to administer the Trust Fund under this 2017 Project Agreement until replaced in accordance with Section 4.3.4. Any replacement Trustee shall have a Standard & Poor's Rating Services credit rating of A(-) or better. The Trustee's duties are set forth in the Trust Agreement set forth in Exhibit E hereto.

4.3.3 Trustee's Fees

The Cooperating Respondents are responsible for paying reasonable compensation to the Trustee in accordance with the Trust Agreement. Such compensation shall not be paid or calculated as part of Project Costs.

4.3.4 Replacement of Trustee

(a) The Trustee may be replaced (1) if it resigns from the relationship; (2) by agreement of a majority of the Cooperating Respondents and a majority of the Water Entities, or (3) for cause. Any dispute between the Parties as to the existence of cause shall be subject to the dispute resolution provisions set forth in this 2017 Project Agreement. In the event of the resignation or replacement of the Trustee, Cooperating Respondents shall select a replacement Trustee subject to the approval of the Water Entities.

(b) If the Parties are unable to agree upon a replacement Trustee within thirty (30) days prior to the effective date of the resignation or replacement of the acting Trustee, the Water Entities and the Cooperating Respondents shall, within ten (10) days thereafter, each submit a list of three proposed trustees to the other, along with information regarding the qualifications of each candidate. Within ten (10) days after both lists have been submitted, the Water Entities and the Cooperating Respondents may each eliminate one candidate. Within five (5) days, the Project Committee shall select the Trustee from the remaining candidates. This process shall not delay the Project.

4.4 Project Capital Costs

4.4.1 Project Capital Costs Budget

For Project Capital Costs to be incurred after the Operative Date, the responsible Water Purveyor shall prepare and circulate to all members of the Subproject Committee, Watermaster and WQA a proposed Capital Costs Budget at least thirty (30) days prior to a meeting to address the budget. The meeting will be scheduled at least ninety (90) days before the Project Costs Budget is to take effect and shall be deemed a Subproject Committee meeting for which attendance by the Watermaster and WQA shall be deemed Project Costs. If the Parties cannot agree on a Project Capital Costs Budget, notice of the budget disagreement will be submitted to the Project Committee as described in Section 3.8.4. The Water Purveyor-proposed Capital Costs Budgets shall be sent to the Project Committee and will provide the provisional basis for the Quarterly Capital Expenditures until the matter is resolved. However, any amounts incurred while a Capital Costs Budget is in dispute shall be subject to reimbursement pursuant to the dispute resolution provisions in Article 8.

4.4.2 Schedules of Quarterly Capital Expenditures

(a) Pursuant to the approved Project Capital Costs budget, the responsible Water Entity for each Subproject shall prepare and submit a schedule of projected capital expenditures on a calendar quarterly basis to the CR Project Coordinator, Watermaster and WQA. The quarterly schedule of projected capital expenditures shall be submitted to the Subproject Committee at least fifteen (15) days before the Subproject Committee meeting to adopt the schedule. This meeting shall be conducted at least forty-five (45) days before the start of the quarterly period covered by the schedule. The Subproject Committee shall promptly forward the approved quarterly capital costs schedule (the "Quarterly Capital Schedule") to Watermaster and WQA.

(b) Each Subproject Committee shall reconcile the scheduled Project Capital Costs and actual Project Capital Costs for each Subproject on a quarterly basis. Any credit or deficit from the reconciled quarter shall be reflected in the next Quarterly Capital Schedule.

(c) If any of the Project Capital Costs become the subject of a dispute resolved pursuant to the dispute resolution provisions set forth in this 2017 Project Agreement, any adjustments resulting from such process shall be reflected in the next Quarterly Capital Schedule following resolution of the dispute.

4.4.3 Quarterly Capital Funding

(a) Watermaster shall promptly submit the Quarterly Capital Schedule, if any, for each Subproject to the Escrow Agent and the Cooperating Respondents after approval of the Quarterly Capital Schedule, and in no event later than forty (40) days before the start of the quarterly period covered by such schedule. Watermaster shall also transmit with each Quarterly Capital Schedule a statement showing the total amount of funds to be deposited in the Escrow Account for Project Capital Costs ("Quarterly Capital Statement").

(b) The Cooperating Respondents shall continue to deposit the total quarterly amount of capital funds to be deposited for the Project, as shown in subsequent Quarterly Capital Statements, no later than twenty-one (21) days before the start of the quarterly period covered by the Quarterly Capital Schedule.

(c) The Escrow Agent shall certify to Watermaster no later than eighteen (18) days before the start of the quarterly period, with copies to WQA and the Cooperating Respondents, that the full amount required by the Quarterly Capital Statement has been deposited in the Escrow Account.

4.4.4 Failure to Provide Quarterly Capital Funding

(a) If the full amount required by the Quarterly Capital Statement has not been deposited in the Escrow Account by the required date, then in lieu of the certification described in Section 4.4.3(c), the Escrow Agent shall certify to Watermaster, with copies to WQA and the Cooperating Respondents, that the full amount of funds to be deposited pursuant to the Quarterly Capital Statement has not been deposited and that the Escrow Agent has made a demand upon the Trustee for the amount of the deficiency. The Escrow Agent shall simultaneously make a demand to the Trustee, who shall then draw upon the Financial Assurance of the defaulting Cooperating Respondent in an amount sufficient to cure the default. If the Financial Assurance of the defaulting Cooperating Respondent is insufficient to cover the default, the Trustee shall be required to draw upon the Financial Assurance provided by each of the other (non-defaulting) Cooperating Respondents pro rata, as provided in the Trust Agreement, in a total amount sufficient to cure the default, but without revealing the individual shares of the Cooperating Respondents.

(b) The Escrow Agent shall certify to Watermaster, with a copy to WQA, upon receipt of the required funds, that the full amount required by the Quarterly Capital Statement has been deposited in the Escrow Account. If the required certification is not received at least five (5) days before the start of the applicable quarterly period, Watermaster shall be entitled to make demand upon the Trustee for payment from the Financial Assurances provided by each of the other (non-defaulting) Cooperating Respondents pro rata, as provided in the Trust Agreement, in a total amount sufficient to cure the default, but without revealing the individual shares of the Cooperating Respondents. The Trustee shall honor the demand of Watermaster without requiring any consent or other instruction of the Cooperating Respondents or Escrow Agent. Actions undertaken pursuant to this Section 4.4.4(b) are not subject to the dispute resolution provisions in Article 8.

4.5 Subproject O&M Costs

4.5.1 Subproject O&M Costs Budgets

(a) The Parties have agreed to initial annualized Subproject O&M cost budgets ("Subproject O&M Budget(s)") for the period from the Operative Date until January 1, 2018, which are attached hereto as Exhibit F. By August 15 of each year, the responsible Water Purveyor shall prepare and provide to the CR Project Coordinator, Watermaster and WQA an estimated budget for the Subproject O&M Costs for the ensuing calendar year, which shall identify the anticipated change out schedule for larger cost consumables that are not replaced routinely (such as carbon and resin) and identify any changes and reasons for such changes from the then approved annual budget. The proposed budget materials shall be circulated electronically at least thirty (30) days before the meeting to address the budget. The Subproject Committee shall consider the proposed budget and shall reach agreement as to the Subproject O&M Budget by October 1 of each year for the ensuing year at a Subproject Committee meeting for which attendance by the Watermaster and WQA shall be deemed Project Costs. If the Parties cannot agree on the Subproject O&M Budget, notice of the budget disagreement will be submitted to the Project Committee as described in Section 3.8.4.

(b) If the Cooperating Respondents disagree with the Subproject O&M Budget and the disagreement is not resolved by October 15 of the same year, the budget submitted by the Water Purveyor shall be the provisional basis for the Cooperating Respondents' quarterly funding obligations until the dispute is resolved. However, any amounts incurred while a Subproject O&M Budget is in dispute shall be subject to reimbursement pursuant to the dispute resolution provisions in Article 8.

4.5.2 Project Administrative Costs Budgets

(a) The Parties have agreed to initial annualized Project Administrative Costs budgets for the period from the Operative Date until January 1, 2018, which are attached hereto as Exhibit G. By September 1 of each year, Watermaster and WQA shall each prepare and submit to the CR Project Coordinator a proposed annual budget for their Project Administrative Costs ("Project Administrative Costs Budget"), which shall identify any changes and reasons for such changes from the then approved annual budget. The Project Administrative Cost

Subproject Committee shall consider the budget and reach agreement or not by October 1 of each year. The decisions of the Project Administrative Cost Subproject Committee shall be handled in the same manner as the decisions of other Subproject Committees, as described in Section 3.7.4.

(b) If the Cooperating Respondents disagree with the Project Administrative Costs Budget and the disagreement is not resolved by October 15 of the same year, notice of the dispute shall be sent to the Project Committee, along with the budget adopted by Watermaster and WQA. That budget shall be the provisional basis for the Cooperating Respondents' quarterly funding obligations until the dispute is resolved. However, any amounts incurred while a Project Administrative Costs Budget is in dispute shall be subject to reimbursement pursuant to the dispute resolution provisions in Article 8.

4.5.3 Schedule of Quarterly O&M and Project Administrative Expenditures

(a) Pursuant to the approved Subproject O&M Budgets, the responsible Water Purveyor for each Subproject shall prepare and submit a schedule to the Cooperating Respondents, Watermaster and WQA of projected Subproject O&M expenditures for the next six (6) months on a quarterly basis. The schedule shall be submitted at least sixty (60) days before the start of the six (6) month period covered by this schedule and the meetings to adopt subsequent Subproject O&M schedules shall be conducted at least forty-five (45) days before the start of the six (6) month period covered by the schedule. On a quarterly basis, the Subproject Committees shall promptly forward to Watermaster and WQA the approved six (6) month schedule of expenditures for Subproject O&M Costs.

(b) Pursuant to the Project Administrative Costs Budget, Watermaster and WQA shall jointly prepare a schedule of their projected Project Administrative Costs for the next six (6) months on a quarterly basis. The approved schedule of expenditures for Subproject O&M Costs and the schedule for Project Administrative Costs adopted by Watermaster and WQA shall constitute the quarterly O&M cost schedules ("Quarterly O&M Schedules").

(c) Each Subproject Committee shall reconcile the scheduled Subproject O&M Costs and actual Subproject O&M Costs for each Subproject on a quarterly basis. Watermaster shall reconcile the scheduled Project Administrative Costs and actual Project

Administrative Costs on a quarterly basis. Any credit or deficit from the reconciled quarter shall be reflected in the next Quarterly O&M Schedule.

(d) If any Subproject O&M Budget or Project Administrative budget becomes the subject of a dispute resolved pursuant to the dispute resolution provisions set forth in this 2017 Project Agreement, any adjustments resulting from such process shall be reflected in the next Quarterly O&M Schedule following resolution of the dispute.

4.5.4 Quarterly O&M and Project Administrative Cost Funding

(a) Watermaster shall submit the approved Quarterly O&M Schedules to the Escrow Agent and the Cooperating Respondents no later than forty (40) days before the start of the period covered by such schedules. Watermaster shall also transmit with the Quarterly O&M Schedules a statement showing the total amount of O&M funds for each Subproject and the total amount of Project Administrative Costs to be deposited into the Escrow Account ("Quarterly O&M Statement").

(b) Each Quarterly O&M Statement shall be for a six (6) month period but shall only require funding for the additional quarter. Each deposit of quarterly funds shall be made no later than twenty-one (21) days before the start of the six (6) month period covered by the Quarterly O&M Schedule.

(c) The Escrow Agent shall certify to Watermaster no later than eighteen (18) days before the start of the quarterly period, with copies to WQA and the Cooperating Respondents, that the full amount required by the Quarterly O&M Statement has been deposited in the Escrow Account.

4.5.5 Failure to Provide Quarterly O&M Funding

(a) If the full amount required by the Quarterly O&M Statement has not been deposited by the required date, the Escrow Agent shall be required to certify to Watermaster, with copies to WQA and the Cooperating Respondents, that the full amount required by the Quarterly O&M Schedule has not been deposited in the Escrow Account. The Escrow Agent shall simultaneously make a demand upon the Trustee to call upon the Financial Assurance of the defaulting Cooperating Respondent(s) in an amount sufficient to cure the default. In the

event that the Financial Assurance of the defaulting Cooperating Respondent(s) is insufficient, the Trustee shall be required to draw upon the Financial Assurance provided by each of the other (non-defaulting) Cooperating Respondents, pro rata, as provided in the Trust Agreement, in an amount sufficient to cure the default, but without revealing the individual shares of any Cooperating Respondent.

(b) Upon receipt of the required funds, the Escrow Agent shall certify to Watermaster, with copies to WQA and the Cooperating Respondents, that the full amount required by the Quarterly O&M Statement has been deposited in the Escrow Account. If the required certification is not received at least five (5) days before the start of the applicable quarterly period, Watermaster shall be entitled to make demand upon the Trustee for payment from the Financial Assurances provided by each of the other (non-defaulting) Cooperating Respondents pro rata, as provided in the Trust Agreement, in a total amount sufficient to cure the default, but without revealing the individual shares of the Cooperating Respondents. The Trustee shall honor the demand of Watermaster without requiring any consent or other instruction of the Cooperating Respondents or Escrow Agent. Actions undertaken pursuant to this Section 4.5.5 (b) are not subject to the dispute resolution provisions in Article 8.

4.5.6 Calculation of Avoided Costs

(a) Each Water Purveyor receiving Project water transferred from another Water Purveyor shall pay Avoided Costs to the transferring Water Purveyor.

(b) If a Water Purveyor receives Replacement Water Supply from a source outside of the Project, the receiving Water Purveyor shall deduct Avoided Costs from its invoice to Cooperating Respondents.

(c) Avoided Costs for the Water Purveyor receiving Replacement Water Supply in the first calendar year of the 2017 Project Agreement shall be $64.95 per acre foot. For subsequent years this amount will be adjusted annually on January 1st of each year by applying the PUC non-labor inflation rate for December of the preceding year. If the transferring Water Purveyor's cost for producing the transferred water (including but not limited to costs for boosting the transferred water and the actual production well and booster pump station maintenance costs attributable to transferring the water) are greater than the Avoided Cost due

from the receiving Water Purveyor, then the Cooperating Respondents shall be responsible for paying the difference. If the transferring Water Purveyor's cost for producing the transferred water (including but not limited to costs for boosting the transferred water and the actual production well and booster pump station maintenance costs attributable to transferring the water) are less than the Avoided Cost due from the receiving Water Entity, then the Cooperating Respondents shall receive a credit for the difference.

(d) To the extent that any Water Purveyor, without the prior approval and concurrence of the Cooperating Respondents, enters into an agreement with another Water Purveyor or the City of Industry purporting to establish the terms of transfer of Project water, including pricing, such agreement will not be binding upon the Cooperating Respondents and will not establish or affect the calculation of Avoided Costs.

(e) As to any water transferred by SGVWC to CDWC, as described in Section 2.3.5 and Section III of the SGVWC B5 and B6 sections of the SOW, the terms of subsection 4.5.6(c) shall apply subject to the following modification: For calendar year 2017, SGVWC's cost for producing the transferred water to CDWC (including but not limited to costs for boosting the transferred water and the actual production well and booster pump station maintenance costs attributable to transferring the water) shall be $78.15 per acre foot, and for subsequent years this amount will be adjusted upward annually on January 1st of each year by applying the PUC non-labor inflation rate for December of the preceding year.

4.5.7 Management Fee

(a) The Cooperating Respondents shall pay an O&M Management Fee to the Water Purveyor responsible for each Subproject, as follows: B5 - $104,899.00; B6 - $97,510.00; SubArea One - $89,988.00; CDWC - $75,343.00; SWS 140 - $33,911.00; LPVCWD - $75,000.00.

(b) The O&M Management Fee shall be paid annually during operation of the respective Project Facility pursuant to the SOW and subject to an annual increase of two percent (2%). The O&M Management Fee shall be paid in arrears, with the first payment due and payable on May 1, 2018.

4.6 Financial Assurances

(a) The Cooperating Respondents shall deposit Financial Assurances in the Trust Fund as required by Section 4.3.1 and, pursuant to this Section 4.6, may be required to deposit additional Financial Assurances in the Trust Fund for the benefit of the Water Entities. Each deposit of the Financial Assurances shall be in the form of: (i) transferable irrevocable standby letters of credit issued by a financial institution with a Standard & Poor's Rating Services credit rating of A(-) or better, in the form attached as Exhibit D to the Trust Agreement; (ii) cash; and/or (iii) a surety payment bond in the form attached as Exhibit E to the Trust Agreement issued by a U.S. Treasury-listed surety in the financial size category rating of X or higher. No more than one-half (1/2) of the required Financial Assurances for each Cooperating Respondent may be in the form of a surety payment bond. The cash Financial Assurances shall be maintained and may be invested in accordance with the terms of the Trust Agreement. If the Trustee makes a demand for the conversion of all or part of a Letter of Credit or Surety Bond to cash and it is not honored or paid within ten (10) Working Days of the date that the draw or demand is received by the issuer of the Letter of Credit or the surety, the Trustee shall not include the amount of the Letter of Credit or Surety Bond that has not been honored in determining the amount of Financial Assurance to replenish under Section 4.6.8.

(b) If pursuant to Section 4.4.5 or 4.5.5 or any other provision of this 2017 Project Agreement, the Trustee must make a draw for less than the total amount of Financial Assurance of a Cooperating Respondent, the Cooperating Respondent's share shall be paid first from: (i) cash credited to the sub-account of such Cooperating Respondent and then, to the extent that such amounts are insufficient, (ii) cash obtained by Trustee by drawing upon a Letter of Credit in such Cooperating Respondent's sub-account, and then, to the extent that such amounts under (i) and (ii) are insufficient, (iii) cash obtained by making a demand for payment under any Surety Bond(s) in such Grantor's sub-account.

(c) At the option of any of the Water Entities and upon notice to all Parties, if the demand of the Trustee for conversion of all or part of a Letter of Credit or Surety Bond to cash is not honored or paid within ten (10) Working Days of the date that the draw or demand is made or sent, the Trustee shall assign its rights to pursue such demand under the Surety Bond or the Letter of Credit to the Watermaster, on behalf of all Water Entities, and shall complete,

execute and deliver to the Watermaster on behalf of all Water Entities a transfer of the Letter of Credit or an assignment of rights to pursue such demand under Surety Bond. Watermaster shall then have the absolute right in its sole discretion to collect and/or enforce the assigned demand for payment under the Surety Bond in accordance with the Trust Agreement. In the event that the Trustee does not receive notice from any of the Water Entities requesting the transfer of a Letter of Credit or assignment of a Surety Bond, the Trustee shall continue to take action to collect the amounts payable thereunder and enforce the obligations thereunder and upon receipt of any proceeds thereof shall transfer them to the Escrow Account, as necessary. If and when funds from the Letter of Credit or Surety Bond are recovered, the funds will be returned to the Trustee to reimburse the non-defaulting Cooperating Respondents to the extent of the non-defaulting Cooperating Respondents payments. All costs of collection and/or enforcement relating to the surety bond shall be Project Costs.

4.6.1 Financial Assurance for Project Capital Costs

The Cooperating Respondents shall maintain Financial Assurance in the Trust Fund equal to the total amount of capital funds required to complete the Project, as set forth in the then-approved Project Capital Costs budgets.

4.6.2 Financial Assurance for Project O&M Costs

The Cooperating Respondents shall maintain Financial Assurances in the Trust Fund equal to two (2) years of budgeted Project O&M Costs, calculated by doubling the amount of the then-current annual Subproject O&M Budgets and the then-current annual Project Administrative Costs Budgets subject to the limitations of Section 4.6.4. During the final year of the Term of the 2017 Project Agreement, the Cooperating Respondents shall maintain Financial Assurances in the Trust Fund equal to two (2) years of budgeted Project O&M Costs.

4.6.3 Funds Secured from Public Funding Sources or Other Funding Sources; Adjustment to Financial Assurances

There shall be no Financial Assurance required for that portion of Project Capital Costs, Subproject O&M Costs or Project Administrative Costs for which funds have been secured from Public Funding Sources or Other Funding Sources. If any portion of Project Capital Costs,

Subproject O&M Costs or Project Administrative Costs have been secured from Public Funding Sources or Other Funding Sources after the corresponding budget has been approved and the Financial Assurance has been calculated, the Watermaster shall provide a Notice of Adjustment in accordance with Section 4.6.5.

4.6.4 Maximum and Minimum Financial Assurances

The total Financial Assurance obligation required at any time for the Project shall be no greater than, and no less than, the greater of the following amounts: (i) the then-required Financial Assurance for Project Capital Costs under Section 4.6.1, or (ii) the sum of the total Financial Assurance for Project O&M Costs under Section 4.6.2.

4.6.5 [Intentionally omitted]

4.6.6 Adjustments in Financial Assurance

(a) Adjustments. If the total amount of Capital funds required to complete a Subproject, as stated in the approved Project Capital Costs budget for such Subproject, should decrease or increase, and such decrease or increase requires an adjustment in the amount of Financial Assurances required to be maintained by Cooperating Respondents, the Watermaster shall provide the Trustee with written notice of the required adjustment to Financial Assurances ("Notice of Adjustment") within ten (10) Working Days after the Subproject Committee decision to approve the adjusted Project Capital Costs budget. When a Project Capital Cost budget is adopted pursuant to a Modification under Section 2.3, then the Watermaster shall provide the Trustee with a Notice of Adjustment within ten (10) Working Days to fund the adjusted Capital Cost Budget. The amount of the Financial Assurance for O&M costs shall be adjusted on an annual basis based upon the Subproject Committee's annual Subproject O&M Budgets and the annual Project Administrative budgets. The Watermaster shall provide the Trustee with the Notice of Adjustment, if any, by October 15 of each year.

(b) Decreases. In the event of a Notice of Adjustment showing a decrease in the Project Capital Costs budget, the Trustee shall, within three (3) Working Days after the Trustee's receipt of the Notice of Adjustment, notify each Cooperating Respondent that it may decrease the amount of its Financial Assurance in accordance with the Notice of Adjustment,

either (i) by directing the Trustee to disburse immediately available funds to the Cooperating Respondent from the Cooperating Respondent's sub-account of the Trust Fund within ten (10) Working Days after Trustee's receipt of such direction in accordance with the Trust Agreement, or (ii) by amending or replacing the Cooperating Respondent's Financial Assurance to decrease the amount thereof accordingly. The decrease cannot result in a Cooperating Respondent holding less than one half (1/2) of the required Financial Assurance in cash or a letter of credit.

(c) Increases. In the event of a Notice of Adjustment showing an increase in the total amount of required Financial Assurance, the Trustee shall, within three (3) Working Days after Trustee's receipt of the Notice of Adjustment, notify each Cooperating Respondent of the additional amount of Financial Assurance required to be deposited by such Cooperating Respondent in the Trust Fund as the Cooperating Respondent's share of the additional Financial Assurance for such Subproject and each Cooperating Respondent shall, within twenty-one (21) days after the Trustee's notice, deposit in the Trust Fund Financial Assurance in the amount of that Cooperating Respondent's share of the additional Financial Assurance for such Subproject. The Cooperating Respondents shall not be required to fund an increase in Financial Assurance more frequently than every six (6) months, except in the case of a default by a Cooperating Respondent or as the result of a Modification.

4.6.7 Certification of Financial Assurance

No later than five (5) days after the date on which any Financial Assurances are required to be deposited in or may be withdrawn from the Trust Fund, the Trustee shall certify to Watermaster, with a copy to WQA and Cooperating Respondents, that the Trust Fund contains all required Financial Assurance and that at least one half of each Cooperating Respondent's Financial Assurance is in the form of cash or a letter of credit.

4.6.8 Replenishment of Financial Assurance

If the Trustee has reduced any of the Financial Assurances as a result of a default in any payment obligation of the Cooperating Respondents hereunder, the Trustee shall give notice to the defaulting Cooperating Respondent(s) of the obligation to replenish the Financial Assurances within twenty-one (21) days after the Trustee's notice. If the defaulting Cooperating Respondent replenishes the Financial Assurance within twenty-one (21) days after the Trustee's notice, the

Trustee shall, within five (5) days of the deposit, certify to Watermaster that the Financial Assurance has been fully restored.

4.6.9 Failure to Provide or Maintain Financial Assurance; Cure

If a Cooperating Respondent fails to provide the increase in Financial Assurance required by section 4.6.6(c) or the replenishment required by section 4.6.8 within twenty-one (21) days, with no more than one half (1/2) of the required Financial Assurance in the form of surety payment bond(s), then, in lieu of the certification provided for in Section 4.6.7, the Trustee shall give notice to all Cooperating Respondents with a separate notice to Watermaster and WQA as provided in the Trust Agreement. The notice to the Cooperating Respondents shall specify the identity of the Cooperating Respondent that did not provide the required Financial Assurance and the amount of the shortfall and shall further provide a deadline for remedying that shortfall of thirty (30) days. Notice to Watermaster and WQA shall provide notice that the total Financial Assurances required for the period have not been satisfied and the total amount of the shortfall. If there is no cure within the initial 30-day period, then the Trustee shall provide a second notice to the Cooperating Respondents with a second notice to Watermaster and WQA. Within one hundred twenty (120) days after receiving such second notice, the Cooperating Respondents shall cure the default. If no cure is made within that time period, or if at any time the Escrow Account is not fully funded pursuant to the then-current Quarterly Capital Statement and Quarterly O&M Statement following application of the remedies described in sections 4.4.4 or 4.5.5, then a "final default" will be declared by Watermaster.

4.6.10 Final Default

(a) If Watermaster declares a final default pursuant to this Section 4.6.10, then Watermaster, on behalf of the Water Entities and each of them, shall have the right to make a demand directly upon the Trustee for payment to the Escrow Account of the full amount of all remaining Financial Assurances held by the Trustee in the Trust Fund. The Trustee shall honor the demand of the Water Entities without requiring any consent or other instruction of the Cooperating Respondents or Escrow Agent. The Trustee shall within ten (10) Working Days

draw upon all remaining letters of credit and surety bonds and liquidate assets held in the Trust Fund, and immediately transfer into the Escrow Account the full amount held in the Trust Fund.

(b) Each Water Entity shall continue work on the Project as long as there are sufficient funds in the Escrow Account to pay Project Costs reflected in the Quarterly Capital Statement and Quarterly O&M Statement. If a Quarterly Capital Statement and Quarterly O&M Statement cannot be funded out of the then-existing balance in the Escrow Account then each Water Entity, at its sole discretion, may immediately elect to cease performance of any further work on the Project.

(c) A final default is a material breach of this 2017 Project Agreement and any Water Entity, at its sole election, may elect to sue any or all Cooperating Respondent(s) for any claims the affected Water Entity has based on such material breach of this 2017 Project Agreement. In any such suit, the defendant Cooperating Respondent(s) shall receive an offset against judgment for any money paid by that Cooperating Respondent to the Project (whether paid before or after the Operative Date of this 2017 Project Agreement) or still held in the Escrow Account for that Cooperating Respondent.

(d) Actions undertaken pursuant to this Section 4.6.10 are not subject to the dispute resolution provisions in Article 8.

4.7 Payment of Invoices

4.7.1 Subproject and Administrative Invoices

(a) All applications for payment of Project Costs for each Subproject ("Subproject Invoice(s)") and all applications for payment of invoices for Project Administrative Costs ("Administrative Invoice(s)") shall be managed as follows. No later than the second Monday of each month, Watermaster and WQA shall submit draft Administrative Invoices and each Water Purveyor shall submit draft Subproject Invoices to an approved website. Each Water Entity's submission will allocate each item in the Subproject Invoice or Administrative Invoice to the corresponding budget category. Submission of the monthly Subproject Invoices will be accompanied by notice to Watermaster that the invoices are available for review. Watermaster shall review the Subproject Invoices within five (5) Working Days of receipt of the notice that

the invoices are available for review. No later than the third Monday of each month, Watermaster shall send notice to the CR Project Coordinator, with a copy to the other Water Entities, that the final Subproject Invoices and the Administrative Invoices have been posted ("Notice of Submission").

(b) The CR Project Coordinator shall notify Watermaster and the affected Water Entity within fifteen (15) Working Days of receipt of the Notice of Submission whether an invoice, or any of its subparts, is approved, is the subject of objection, or requires further explanation or documentation ("CR Project Coordinator Notice"). If the CR Project Coordinator does not provide a CR Project Coordinator Notice for an invoice, or for any subpart of the invoice, within fifteen (15) Working Days following receipt of the Notice of Submission for that invoice, then the invoice, and/or it's subparts, will be deemed approved and no longer subject to dispute.

(c) Fifteen (15) Working Days after the Notice of Submission for an invoice, Watermaster shall process the invoice for payment unless Watermaster has received a request from a Water Entity that processing be delayed for an invoice, or a portion of the invoice, in order to allow additional time to resolve a CR Project Coordinator Notice. When Watermaster processes the invoice for payment, it shall provide notice to WQA and WQA shall apply any available public funding as a credit against payment of the Subproject Invoices and Administrative Invoices.

(d) Upon receipt of a CR Project Coordinator Notice objecting to and/or requesting information regarding an invoice, the Water Entity may elect either (i) to request that Watermaster hold the invoice, or the affected items or subparts of the invoice, pending resolution, or (ii) allow Watermaster to process the invoice for payment as if approved. Any amounts paid as to invoices subject to a CR Project Coordinator Notice shall be subject to reimbursement if the matter is resolved in favor of the Cooperating Respondents by the Project Committee or pursuant to the dispute resolution provisions of Article 8.

(e) For invoices as to which the Cooperating Respondents have an objection or require more information, the CR Project Coordinator Notice shall identify in writing the basis of each objection and/or any information requested by the Cooperating Respondents. All

invoices for which there is an objection or a request for information which has not been resolved within thirty (30) days of receipt of the CR Project Coordinator Notice shall be submitted to the Project Committee, except, if all affected Parties agree, the Parties may stay the period for referring a matter to the Project Committee so as to allow the affected Parties to resolve the invoice issue among themselves.

(f) The Project Committee shall have thirty (30) days to review a matter referred to it under this Section 4.7.1, including evaluation of the substantiation for the invoice, and to transmit a written decision to all Parties. If any Party has a dispute with the written decision of the Project Committee, then such dispute may be submitted for dispute resolution pursuant to Article 8.

4.7.2 Watermaster Payment Request

On a monthly basis, Watermaster shall aggregate all Subproject Invoices and Administrative Invoices that are to be processed for payment pursuant to Section 4.7.1 and submit them as a single invoice to the Escrow Agent with a copy to the Cooperating Respondents ("Watermaster Payment Request").

4.7.3 Escrow Agent

Within three (3) Working Days after receipt of a Watermaster Payment Request, the Escrow Agent shall release funds to WQA from the Escrow Account in the full amount of the Watermaster Payment Request along with a detailed schedule of the Subproject Invoices and Administrative Invoices covered by the check. The Escrow Agent shall provide a confirmation copy to Watermaster and the Cooperating Respondents at the same time.

4.7.4 WQA.

Subject to ratification or approval of the WQA Board at its next regularly scheduled meeting following receipt of funds from the Escrow Account pursuant to Section 4.7.3, WQA shall immediately disburse funds for payment of final Subproject Invoices directly to the Water Entities and shall disburse funds for payment of WQA and Watermaster Administrative Invoices to itself and Watermaster. In the event that WQA ceases to exist, Watermaster shall assume the role of WQA with regard to disbursement of funds.

4.7.5 Payment of Actual Project Costs

Notwithstanding the amounts of estimated Project Costs reflected in any quarterly schedules for the Project, the Escrow Agent shall be instructed to release to WQA available funds equal to the amounts stated in the Watermaster Payment Request.

4.7.6 Nonpayment

If for any reason the Escrow Agent does not make any payment for Project Costs within the time required by this Section, Watermaster shall give notice to all Cooperating Respondents of the nonpayment. If the Cooperating Respondents fail to make the required payment within ten (10) Working Days after delivery of the notice of nonpayment, Watermaster on behalf of the Water Entities, or WQA on its own behalf, shall be entitled to make a direct demand upon the Trustee to withdraw the required amount from the Financial Assurances, pro rata as provided in the Trust Agreement, but without revealing the individual shares of the Cooperating Respondents. The Trustee shall honor the demand of the Watermaster or WQA without requiring any consent or other instruction of the Cooperating Respondents or Escrow Agent.

4.7.7 Stale Invoices and Stale Costs

No Water Entity shall seek or be entitled to receive payment from Cooperating Respondents for an invoice received by the Water Entity from a third party provider more than one-hundred-twenty (120) days before submission of the invoice package to the Cooperating Respondents under Section 4.7.1 above (a "Stale Invoice") unless (i) the Water Entity can establish good cause for the delay, or (ii) the Water Entity provides (a) notice to the Cooperating Respondents in writing within one-hundred-twenty (120) days of receiving any invoice that there is good cause for such invoice to be presented at a later time, (b) a copy of such invoice (and if not apparent from the face of the invoice, a short description of the charge), and (c) the reason for delay in presentation. The Water Entity shall present its evidence of good cause for the delay at the time that it submits a Stale Invoice to the approved website as described in Section 4.7.1 (a) above.

4.8 Public and Other Funding Sources

4.8.1 Obtaining Funds from Public Funding Sources

The Water Entities shall use good faith efforts, in a manner consistent with each Water Entity's and its representatives' individual and unique obligations under applicable law, to obtain funds available from Public Funding Sources so as to reduce the Cooperating Respondents' funding obligation. To the extent that funds from Public Funding Sources are obtained to address groundwater contamination problems in the San Gabriel Valley generally, a fair allocation of the funds shall be sought for the BPOU. The determination of what amount constitutes a fair allocation shall be made by WQA. WQA shall act in accordance with its statutory authority and implementing rules and regulations as to the actions taken to obtain and allocate public funding.

4.8.2 Administration of Funds from Public Funding Sources

WQA and the affected Water Entity, as appropriate, shall document, account for and administer all funds received by it in conformity with all applicable requirements of the BOR and all requirements of any other administrators of Public Funding Sources.

4.8.3 Conformity with Public Funding Sources Requirements

Each Water Entity shall design, build, operate and maintain its respective Subproject(s) in conformity with all applicable requirements of the Public Funding Sources from which funds have been or may be secured for the Project. If Public Funding Sources have requirements which conflict with this 2017 Project Agreement, the Parties shall meet and negotiate in good faith to amend this 2017 Project Agreement to conform to the requirements of the Public Funding Sources.

4.8.4 Credit Against Project Costs

Funding from Public Funding Sources shall constitute a "dollar for dollar" credit to Cooperating Respondents' responsibility to fund Project Costs. Upon receipt of the Public Funding Source monies by WQA for Project Capital Costs, the money shall be applied as a credit to the next schedule of projected quarterly Project Capital Costs or, if all then currently

scheduled Project Capital Costs have been collected from the Cooperating Respondents, then such money shall be promptly reimbursed by WQA to the Cooperating Respondents. Monies received from Public Funding Sources for Project O&M Costs shall be applied as a credit to the next schedule of projected quarterly Project O&M Costs or, if received after the termination of this 2017 Project Agreement and after all Project O&M Costs have been collected from the Cooperating Respondents, then such money shall be promptly reimbursed to the Cooperating Respondents.

4.8.5 Reimbursement Required by BOR

WQA shall conduct annual audits as required by Public Funding Sources for funding obtained for the Project. The Water Entities shall notify the Cooperating Respondents within five (5) days after receiving notice from the BOR that the Water Entities' costs or invoices will be the subject of review by the BOR. In the event that the BOR shall demand reimbursement of any funds expended by the BOR for the Project, or for any of the Subprojects, the Cooperating Respondents shall fund this reimbursement to WQA within thirty (30) days after receipt of WQA's written demand. WQA shall provide an explanation of the basis for the demand for reimbursement of funds.

4.8.6 Project Costs

The reasonable costs of the Water Entities' efforts to obtain funds from Public Funding Sources in accordance with Section 4.8.1 are Project Costs.

4.8.7 Other Funding Sources

If the performance of certain portions of the UAO Subprojects (as approved by the relevant Subproject Committee) is funded by Other Funding Sources, then upon completion of that portion of the capital construction work funded by Other Funding Sources (or, if O&M work, then upon the completion of such O&M work for a calendar year), the Cooperating Respondents shall be entitled to a credit equal to the amount of funds provided by such Other Funding Sources. Such credit shall be applied against the next applicable Quarterly Capital Schedule or Quarterly O&M Schedule for such Subproject.

4.9 Audits

4.9.1 Annual Audit

The Cooperating Respondents may, on an annual basis and upon reasonable notice, (i) audit the Water Entities' Financial Records and other records of expenditures on the Project, including all invoices and supporting documentation required for or related to such expenditures; or (ii) conduct another reasonable form of accounting review of the Water Entities' Financial Records or other records of expenditures on the Project. Any such audit report (or other accounting review) shall be provided to each Cooperating Respondent and the affected Water Entity within thirty (30) days after completion of the audit report or other accounting review. The costs of the audit shall be the responsibility of the Cooperating Respondents.

4.9.2 Resolution of Disputed Audit Results

If the results of the audit or other accounting review are inconsistent with the records of the affected Water Entity, the Water Entity shall provide a written explanation of such inconsistency. If the Cooperating Respondents disagree with the Water Entity's written explanation, such dispute shall be subject to the Major Dispute resolution provisions set forth in this 2017 Project Agreement without regard to the amount in controversy. Both the audit report, or other accounting review, and the Water Entity's written explanation shall be evidence to be submitted in the dispute resolution proceeding, with the weight of such evidence to be determined by the arbitrator.

4.9.3 Reconciliation of Audit Results

If the arbitrator determines or the Parties agree that the Cooperating Respondents have paid funds in excess of Project Costs for the time period under audit, then such excess amount shall be credited to the Cooperating Respondents in the next Quarterly Capital Schedule or Quarterly O&M Schedule, as applicable; or if determined after the termination of this 2017 Project Agreement and after all Project Costs have been collected from the Cooperating Respondents, then such excess amount shall be promptly reimbursed to the Cooperating Respondents. If the arbitrator determines or the Parties agree that the Cooperating Respondents have paid less than is required under this 2017 Project Agreement, the Cooperating Respondents

shall fund such deficiency in their next quarterly payment; or if determined after the termination of this 2017 Project Agreement, the Cooperating Respondents shall promptly pay the deficiency to the affected Water Entity or Entities.

4.9.4 Final Audit

If the Cooperating Respondents perform a final annual audit, it shall be conducted within one hundred twenty (120) days following the expiration of the Term of this 2017 Project Agreement. If there is a dispute arising from such final audit, the Cooperating Respondents and the Water Entities shall settle their accounts within thirty (30) days of the issuance of the arbitrator's decision.

4.9.5 No Delay of Funding Obligation

No audit or other accounting review hereunder shall delay or defer the obligation of Cooperating Respondents to make payment of amounts otherwise due as provided in this 2017 Project Agreement.

ARTICLE 5. RISK MANAGEMENT; INSURANCE; INDEMNITIES

5.1 Risk Management

The Project, including design, construction, operation, maintenance, modification and management of existing and contemplated Project Facilities, shall be protected by a comprehensive risk management program as set forth in this Article 5.

5.1.1 Project Insurance Procedures

(a) Before submitting any coverage claim to an insurance carrier providing insurance for the Project as described in Section 5.2 below ("Project Insurance"), the affected Party ("Submitting Party") shall notify all other Parties of its intended submission ("Notice of Claim") by providing a short letter which describes the nature of the claim, including the anticipated amount of money at issue. Absent exigent circumstances, Submitting Party's notice under this subsection shall be provided both by email and regular mail at least ten calendar days prior to submitting the claim. Should any Party object to the submission of the claim ("Objecting Party"), such objection must be communicated to all Parties no later than five (5) Working Days after the notice of claim was provided. Upon receipt of the objection, the Submitting Party shall not submit the claim unless and until (a) a failure to submit the claim could potentially result in a loss of coverage or otherwise prejudice the Submitting Party's rights under Project Insurance, (b) the objection is resolved pursuant to Section 5.1.1(d) below, or (c) sixty (60) days has elapsed from the date of the Notice of Claim, whichever is earliest.

(b) In order to minimize the costs of defense of claims covered by Project Insurance, to the extent that the Parties have common interests in the defense of such claims, the Parties shall strive to identify common counsel to defend such interests, or otherwise provide for the joint defense of such interests.

(c) Should a claim for coverage be made under any Project Insurance, the Parties will meet and confer for the purpose of evaluating whether it makes sense to retain (and then, if necessary, for the purpose of selecting) a neutral and cost-effective consultant or third-party administrator to manage coverage claims and keep records relating to the payment of self-insured retentions for Project Insurance.

(d) If no timely objection is communicated to Submitting Party, then the claim may be submitted directly by the Submitting Party to the insurance carrier. If any party timely objects to another party's pursuit of coverage for a claim or the costs of doing so, then the Submitting Party and the Objecting Party must first meet and confer in an attempt to resolve the objection. If the matter remains unresolved after 15 Working Days from the Notice of Claim, then the Objecting Party may provide notice of dispute under Article 8.

5.1.2 Insurance for Project Engineers, Vendors, and Contractors

(a) Each Water Entity that enters into a contract for professional engineering services, equipment fabrication and assembly services, or equipment installation or construction services or for any other work as a part of construction, operation, maintenance, repair, replacement, monitoring or modification of all or any part of the Project (referred to for purposes of this Section 5.1.2 as "Contract Work") shall specify in the competitive bid specifications, and require as a condition of the contract for the Contract Work, that the Project Contractor shall obtain and maintain at its expense and at all times during the performance of the Contract Work, the following insurance: workers compensation, commercial general liability and automobile liability coverage. The contracting Water Entity, the WQA, Watermaster and the Cooperating Respondents shall be named as additional insureds on all third party liability insurance as required under this Section 5.1.2(a). For Major Contracts, such specifications shall also include professional liability insurance and contractor's pollution liability insurance with limits as determined by the Parties, all of which shall be primary insurance and which shall name the contracting Water Entity, the WQA, Watermaster and the Cooperating Respondents as additional insureds.

(b) The Subproject Committee may waive or modify any insurance requirement set forth in Section 5.1.2(a) above, based upon the commercial availability and cost of the insurance, the nature of the insurable risks involved, and the extent to which the Parties are protected by Project Insurance.

(c) The responsible Water Entity shall obtain certificates of insurance, certified copies of policies and/or additional insured endorsements from each Project Contractor providing services to the Project and shall make them available to the named and additional

insureds, within ten (10) days after entering the contract. The responsible Water Entity shall not authorize commencement of any work by any Project Contractor under a contract until such time as the responsible Water Entity determines that all insurance requirements for the work have been met, unless the Subproject Committee has waived the need for such determination.

5.2 Project Insurance

5.2.1 Scope of Coverage, Claim Procedures, and Condition

The Parties shall maintain in effect during the term of this Agreement a policy or policies of insurance which provide, in substance, the coverages set forth in subsections (a) through (d) and the other requirements set forth in subsections (e) through (g) below:

(a) Claims against any of the insureds, including both Water Entities and Cooperating Respondents, for bodily injury, property damage (including Natural Resource Damages) and remediation expense arising from Pollution Conditions (as that term is defined and the coverage is described in standard contractor's pollution liability and pollution legal liability policies) caused by the operation of Project Facilities.

(b) Claims against the Water Entities for bodily injury resulting from pollutants in Project treated water including claims arising from the service of treated water from the Project (negligent service or defective product).

(c) Claims against any of the insureds, including both Water Entities and Cooperating Respondents, for bodily injury, property damage (including Natural Resource Damages) and remediation expense arising from Pollution Conditions (as that term is defined and the coverage is described in standard contractor's pollution liability and pollution legal liability policies) arising from wastes, including but not limited to brine discharges and spent carbon, that are found on, at, or migrating from a Non-Owned Disposal Site (as that term is defined and the coverage is described in standard contractor's pollution liability and pollution legal liability policies), with the potential modification that such a site can include a disposal site owned, managed, leased, or operated by any Cooperating Respondent or an affiliate of a Cooperating Respondent.

(d) Claims against any of the insureds, including both Water Entities and Cooperating Respondents, for bodily injury, property damage (including Natural Resource Damages) and remediation expense arising from Pollution Conditions occurring during the course of Transportation (as that term is defined and the coverage is described in standard contractor's pollution liability and pollution legal liability policies), with the potential modification that the person or entity transporting the waste can include a transporter owned, managed, leased, or operated by any Cooperating Respondent or an affiliate of a Cooperating Respondent.

(e) The total policy limits for Project Insurance shall be Thirty Million Dollars ($30,000,000) per incident and in the aggregate for the coverage described in Section 5.2.1 (b) and Forty Million Dollars ($40,000,000) per incident and in the aggregate for the coverage described in Section 5.2.1(a), (c), and (d), with primary policy limits of at least Ten Million Dollars ($10,000,000) per incident and in the aggregate over the term of the policy or policies, recognizing that certain coverages may be subject to lower sublimits. The deductible or self-insured retention for Project Insurance shall be no more than One Hundred Fifty Thousand Dollars ($150,000) per incident.

(f) This 2017 Project Agreement, and others that include indemnification provisions entered by one or more of the Parties under this 2017 Project Agreement, shall be scheduled as "insured contracts" under the Project Insurance.

(g) The Project Insurance shall be primary over any Water Entity insurance provided under Section 5.3.1.

(h) All premiums paid to obtain and maintain Project Insurance will be a Project Cost as described in Section 5.4.1 below.

5.2.2 Obtaining Initial Project Insurance and Replacing Project Insurance Before Expiration of Term

(a) Prior to execution of this 2017 Project Agreement, the Parties have obtained a binding commitment from insurance carriers which provides coverages (including exclusions to coverage), terms and limits consistent with the provisions of subsections 5.2.1(a) through (g) above ("Initial Project Insurance"). Because the term of the policies for Initial

Project Insurance will be less than the Term of this 2017 Project Agreement, the Parties have agreed on provisions for obtaining replacement Project Insurance during the Term of this 2017 Project Agreement as described in subsections (b) – (e) below.

(b) Prior to the expiration of the Initial Project Insurance, the Parties shall obtain a quote for a replacement policy or policies meeting the applicable criteria for Project Insurance set forth in Section 5.2.1(a) – (g) above. This provision also applies to individual coverage grants within a policy or among policies if the coverage grants are subject to a separate term (a "partial renewal") and need replacement even though the rest of the policy does not need to be replaced. The Parties shall obtain the quote at least forty-five (45) days before the expiration of the prior term for that coverage. The Parties will have fifteen (15) days to notify all other Parties if the proposed replacement insurance is unsatisfactory, and why, in which case the Parties shall work together in good faith to resolve any such issue with a jointly retained insurance broker. If the proposed replacement insurance is satisfactory, the Parties shall bind the coverage to insure that there is no lapse in coverage.

(c) Notwithstanding subsection (b), the potential exists for the Parties to consider increased protection and/or changes in the premiums to be paid for coverage for Project Insurance. If the proposed replacement coverage meets the minimum requirements for Project Insurance as described in Section 5.2.1, then the Water Entities may obtain such coverage if the premium for such coverage is not in excess of the "Insurance Cap" which is described and defined in a separate confidential letter agreement that is maintained as confidential by the Parties to the extent permitted by law, and which establishes the allowable premium increases for Project Insurance above the premium paid for the Initial Project Insurance that is payable as Project Costs.

(d) If the Parties can obtain replacement Project Insurance at a cost that does not exceed the Insurance Cap at renewal, and the replacement Project Insurance can (without exceeding the Insurance Cap) provide expanded additional or named insured protection to Cooperating Respondents where the Initial Project Insurance does not provide such protection, the Water Entities shall obtain the replacement Project Insurance with such increased protection for Cooperating Respondents. If the Parties cannot obtain replacement Project Insurance at a cost that does not exceed the Insurance Cap, then the Water Entities, at their sole discretion, can: (1) elect to pay the excess over the Insurance Cap; (2) elect to purchase insurance that does

not fully meet all the criteria for Project Insurance set forth in Section 5.2.1(a) – (g) if: (i) the cost does not exceed the Insurance Cap, (ii) any deductible or self-insured retention is not increased, and (iii) any reduction in coverage, except for the coverage described in Section 5.2.1(b) and the Ten Million Dollars ($10,000,000) in coverage excess of Thirty Million Dollars ($30,000,000) in coverage described in Section 5.2.1(a), (c) or (d), must be consistent and proportionate as between the Cooperating Respondents and the Water Entities; or (3) terminate the 2017 Project Agreement.

(e) The cost of any replacement Project Insurance acquired consistent with the terms of this Section is a Project Cost.

5.3 Water Purveyor Insurance

5.3.1 Water Purveyor Insurance

Each of the Water Purveyors shall obtain and maintain during the term of this Agreement policies of insurance covering its respective operations, including its ordinary operations and Subproject operations, as follows:

(a) Workers compensation insurance to cover obligations imposed by Federal and State statutes with jurisdiction over Water Purveyor employees working full or part time on the Project, including employers liability insurance.

(b) Commercial General Liability and employer's liability insurance, including any excess and umbrella coverage, with combined limits totaling at least Five Million Dollars ($5,000,000) per occurrence. This policy shall include coverage of bodily injury, broad form property damage (including completed operations), and personal injury, blanket contractual and products liability for risks associated with the design, construction, operation, maintenance, modification and management of Project Facilities.

(c) Comprehensive automobile liability insurance, including any excess and umbrella coverage, with combined limits for bodily injury and property damage of not less than Two Million Dollars ($2,000,000) per occurrence with respect to automobiles owned, hired, or non-owned vehicles used in the performance of Project design, construction and/or operations.

(d) Professional liability and owners protective insurance, if appropriate, covering the design, construction, operation, maintenance, modification, and management of Project Facilities with limits recommended by the Project Committee.

(e) First party property damage insurance covering non-pollution property damage to Project Facilities owned and/or operated by the Water Purveyor, including boiler and machinery coverage for loss arising from operation of mechanical and electrical equipment, including, if commercially available at a reasonable cost, a pollution endorsement.

5.3.2 Watermaster and WQA Insurance

Watermaster and WQA may, in their discretion, obtain and maintain insurance to cover the risks associated with their responsibilities under this 2017 Project Agreement, with limits commensurate with such risks. The costs of such insurance coverage with limits not exceeding Five Million Dollars ($5,000,000) per occurrence shall be Project Costs. To the extent that they obtain this insurance, the coverage shall be deemed part of Project Insurance and any renewal or replacement shall be subject to Section 5.2 and the Insurance Cap.

5.3.3 Other Insurance

Each of the Water Entities shall maintain existing policies of insurance for first party losses for purposes of the Water Entities' operations not including risks arising out of the design, construction and operation of Project Facilities. The costs of such insurance are Ordinary Operating Costs.

5.4 General Insurance Provisions

5.4.1 Insurance Costs

(a) All premiums, deductibles, and self-insured retentions under policies of insurance obtained and maintained as Project Insurance shall be paid by Cooperating Respondents as Project Costs and any return of premiums for Project Insurance shall be received by Cooperating Respondents. All reasonable costs incurred in submitting and enforcing claims for insurance coverage under Project Insurance, including reasonable attorney fees, shall be the financial responsibility of Cooperating Respondents. Cooperating

Respondents shall have no obligation to pay the costs of pursuing any claim, cross claim, counterclaim, third party claim or any other claim against a Cooperating Respondent.

(b) If any Water Entity has submitted a claim for coverage under Project Insurance, and the Water Entity has incurred costs for the matter subject to self-insured retention, then the Cooperating Respondents shall pay, within thirty (30) days after receipt of invoice (with supporting documentation) from that Water Entity, the amounts subject to self-insured retention. If the Cooperating Respondents dispute all or a part of any such invoice, then, within thirty (30) days after receipt of the invoice, they shall give notice to the respective Water Entity and shall pay any undisputed portion of the invoice. After giving such notice, the Cooperating Respondents shall meet and confer with the Water Entity in an effort to resolve the dispute. If the dispute is not resolved within ten (10) Working Days after the date of the initial notice of dispute, then the Cooperating Respondents may seek dispute resolution pursuant to Article 8. If an undisputed amount is not paid when due pursuant to this Section 5.4.1(b), or any amount due pursuant to the final decision of the arbitrator is not paid within thirty (30) days after notice of the arbitrator's decision under Section 8.13, then Watermaster shall make a demand for such funds upon the Trustee, who shall then draw upon the Financial Assurance of the defaulting Cooperating Respondent(s) in an amount sufficient to cure the default. If the Financial Assurance of the defaulting Cooperating Respondent(s) is insufficient to cover the default, the Trustee shall be authorized to release funds pro rata from the Financial Assurance provided by each of the other (non-defaulting) Cooperating Respondents as provided in the Trust Agreement in a total amount sufficient to cure the default, but without revealing the individual shares of the Cooperating Respondents. The Trustee shall honor the demand of Watermaster without requiring any consent or other instruction of the Cooperating Respondents or Escrow Agent.

(c) Premiums, deductibles and self-insured retentions under policies of insurance obtained and maintained as Water Entity Insurance are Ordinary Operating Costs, except that if any portion of a premium, deductible, or self-insured retention or any additional premium is attributable to Project Insurance, including Watermaster and WQA insurance as provided in Section 5.3.2, then it shall be a Project Cost.

(d) Any Water Entity Insurance premiums, deductibles, and self-insured retentions described in subsection (c) of this Section as Project Costs shall be included in the annual Project Administrative Costs Budgets.

5.4.2 Duties of Insureds

(a) General Duties. Each insured, including each named insured and each additional insured under any policy of insurance required or authorized by this 2017 Project Agreement for coverage of the Project, shall perform its duties as set forth in each such policy of insurance.

(b) Project Insurance. The Water Entities are to be the first named insureds under the terms of the Project Insurance, and will have certain rights and obligations which shall be performed and exercised as set forth in this Section.

(i) Notice to Insurer. The Watermaster shall act on behalf of all Water Entity insureds and the CR Project Coordinator shall act on behalf of all Cooperating Respondent insureds for the giving and receiving of notice of claims, cancellation, receipt and acceptance of any endorsement issued to or for a part of the Project Insurance with copies of all such notices provided to the Water Entities and the Cooperating Respondents.

(ii) Policy Cancellation. Project Insurance may not be canceled without the written consent of all Parties to the 2017 Project Agreement, which shall not be unreasonably withheld.

(iii) Notice of Claims. As described in Section 5.1.1(a) above, each Party shall notify the other Parties promptly after receipt of a "claim" that is potentially covered by the Project Insurance of the Party's intention to seek defense or indemnity for the claim. Each such Party shall promptly provide such additional information as may be reasonably requested by other insureds, and shall otherwise fully cooperate with any consultant or third-party administrator retained pursuant to Section 5.1.1(c) in evaluating and preparing notice of the claim to the insurer.

(iv) Assistance to the Insurer Regarding Claims. Each affected Party shall cooperate and otherwise offer the insurer reasonable assistance in the defense, investigation

or settlement of a claim. Such cooperation or assistance shall include participating at meetings, testifying at hearings, depositions and trials and securing evidence.

(c) Coverage Denial. If, as a result of a Water Entity's failure to perform the duties required of it as an insured, as set forth in this Section 5.4, or in the Project Insurance, coverage for a loss is ultimately denied in whole or in part by the insurer, then the Water Entity's right to indemnity by the Cooperating Respondents under Section 5.5.1 for such loss shall be reduced by the amount that would otherwise have been paid for by insurance.

5.5 Indemnities

5.5.1 Cooperating Respondent's Indemnity

(a) The Cooperating Respondents ("CR Indemnitors") shall indemnify, hold harmless and defend the Water Entities, and each of them, their respective successors and permitted assigns, and their respective past and then-current officers, directors, board members and employees (individually, "WE Indemnified Party"; collectively, "WE Indemnified Parties") from and against any and all third party claims, causes of action, suits, legal or administrative proceedings and any resulting damages, losses, penalties, fines or liabilities (collectively, "Third Party Claims") after the Effective Date arising as a direct result of (i) Watermaster's or WQA's administration, management, coordination or design of any part of the Project in accordance with and during or prior to the Term of this 2017 Project Agreement, and without negligence or willful misconduct or (ii) a Water Purveyor's construction, operation, maintenance, or service of water from one or more of the Project Facilities in accordance with and during or prior to the Term of this Agreement and without negligence or willful misconduct, including, but not limited to, Third Party Claims arising as a direct result of alleged migration of groundwater contamination due to the operation of one or more of the Project Facilities, alleged inverse condemnation due to the construction or operation of one or more of the Project Facilities, or the disposal of waste materials from one or more of the Project Facilities at or to any off-site location ("Offsite Disposal") covered under the Project Insurance or approved by the Cooperating Respondents according to the following procedures: If a Water Entity learns that an Offsite Disposal site will no longer accept disposal of waste materials from a Project Facility, that Water Entity must promptly notify the Cooperating Respondents and submit to the Insurer

and the Cooperating Respondents a proposed replacement Offsite Disposal location to be added to Project Insurance. The Cooperating Respondents will have the earlier of 90 days from receipt of the Water Entity's notice or 30 days from the Insurer's notification of a decision to add or reject the addition of the proposed Offsite Disposal location to Project Insurance, by which to object to the proposed Offsite Disposal location submitted by the Water Entity. Any such objection by the Cooperating Respondents must identify an approved alternative Offsite Disposal location. Absent such timely and proper objection by the Cooperating Respondents, the Water Entity replacement Offsite Disposal location shall be deemed approved by the Cooperating Respondents. However, in no event shall the CR Indemnitors have any obligation under this Section 5.5.1 to indemnify, hold harmless or defend the WE Indemnified Parties from and against any Third Party Claims arising from (i) the operation of automotive vehicles, (ii) the operation or maintenance of ordinary water treatment or distribution facilities that would be operated or maintained by a Water Purveyor in the absence of any Chemicals of Concern in raw water, (iii) any claims asserted by any WE Indemnified Party, or any contractor or subcontractor of a WE Indemnified Party for nonpayment, or (iv) the presence or migration in groundwater or drinking water of any pollutant other than a Chemical of Concern.

(b) Defense Obligations. With respect to Third Party Claims that allege claims that are both covered and not covered under the indemnification provided for in Section 5.5.1(a), the CR Indemnitors' defense obligation under Section 5.5.1(a) shall be as follows:

(i) If defense of such a Third Party Claim is provided under the Project Insurance, the Water Entity Insurance or any other insurance available to the respective WE Indemnified Party, then the CR Indemnitors' obligation to provide a defense under this Section 5.5.1 is excess to the limits of all such other insurance and any defense provided by such insurance that is not subject to the respective insurance policy coverage limits.

(ii) If defense for such a Third Party Claim is not provided under the Project Insurance, the Water Entity Insurance or any other insurance available to the respective WE Indemnified party, and the Third Party Claim alleges claims that are covered and claims that are not covered under the indemnification provided in Section 5.5.1(a), then the CR Indemnitors' obligation to provide a defense for such Third Party Claim shall, by mutual agreement among the WE Indemnified Party and the CR Indemnitors, be allocated on a provisional basis between

alleged claims covered and alleged claims not covered by the indemnity provided under Section 5.5.1(a). The CR Indemnitors shall pay that proportion or amount of defense costs allocated to the covered claims, and the WE Indemnified Party shall pay that proportion or amount of defense costs allocated to the not-covered claims. In the absence of any such agreement, either the WE Indemnified Party or the CR Indemnitors may invoke dispute resolution under Article 8 of this Agreement for purposes of obtaining a provisional allocation of defense costs as between claims covered and not covered by the CR Indemnitor's indemnity obligations under Section 5.5.1(a). The parties to any such dispute resolution proceeding shall cooperate to expedite the proceeding. Each WE Indemnified Party shall pay its own defense costs pending a mutual agreement or other determination of the provisional allocation of defense costs.

(iii) Upon entry of final judgment, settlement or other final resolution of any Third Party Claim for which CR Indemnitors have provided a defense subject to a provisional allocation in accordance with Section 5.5.1(b) (ii), the total amount of defense costs incurred by the CR Indemnitors and the WE Indemnified Party with respect to the Third Party Claim shall be subject to a final proportioned allocation. The CR Indemnitors' obligation shall be based upon all evidence available at the time of settlement, judgment or other final resolution of the matter(s). The amount of any costs of defense incurred by the WE Indemnified Party or the CR Indemnitors pursuant to the provisional allocation that exceeds the amount allocated to that party in the final allocation of defense costs shall be reimbursed by the other party within thirty (30) days after a final allocation is determined. If the parties cannot agree on a final allocation of defense costs, then either party may submit the matter for alternative dispute resolution pursuant to Article 8 of this Agreement.

(iv) CR Indemnitors shall have no obligation under this Section 5.5.1 to pay for the cost of pursuing any claim against any CR Indemnitor.

(c) Limitations. The CR Indemnitors' obligations to defend, indemnify and hold harmless for Third Party Claims within the scope of the indemnity provided under Section 5.5.1(a) are excess to the limits of the Project Insurance described in Section 5.2, the Water Entity Insurance described in Section 5.3, and any other insurance available to the respective WE Indemnified Party and shall apply only (i) after such limits are exhausted for any claim or for all claims in the aggregate covered by such Project Insurance, Water Entity Insurance or other

insurance available to the respective WE Indemnified Party; (ii) if the CR Indemnitors and the WE Indemnified Party mutually agree that there is no such insurance covering such Third Party Claim; or (iii) after no insurance carrier that issued such Project Insurance, Water Entity Insurance or other insurance has accepted coverage of such Third Party Claim (with or without a reservation of rights) within one-hundred-twenty (120) days after receiving notice of a claim, provided the Water Entities are pursuing available coverage in good faith. The CR Indemnitors' obligations to defend, indemnify and hold harmless under this Section 5.5.1 are limited to, and shall not exceed, the total amount of Twelve Million Dollars ($12,000,000) for any single claim for indemnity and/or defense and for all claims for indemnity and/or defense of any or all of the WE Indemnified Parties in the aggregate except as specifically set forth herein. The $12,000,000 limit on the Cooperating Respondents' indemnification obligation under this section shall not apply to claims arising from Offsite Disposal as described in Section 5.5.1(a), which claims may be made at any time. If any notice of claim for defense and/or indemnification is given to a CR Indemnitor by a WE Indemnified Party after expiration of the CR Extended Reporting Period (as defined below), such WE Indemnified Party shall not be entitled to indemnification or defense of such claim under this Section 5.5.1 unless the claim arises out of Offsite Disposal. Any amounts to be paid by the CR Indemnitors for self-insured retentions or deductibles applicable to the Project Insurance, shall not be credited toward the limitation on indemnity in this Section 5.5.1(c). Any amounts to be paid as Project Costs by the CR Indemnitors for self-insured retentions or deductibles applicable to any other insurance with coverage for a Third Party Claim against a WE Indemnified Party shall not be credited toward the limitation on indemnity in this Section 5.5.1(c).

(d) Extended Reporting Period. The obligations under this Section 5.5.1 shall survive from the Effective Date until five (5) years after the date of termination of this Agreement, pursuant to Article 9 hereof, except that the obligation for indemnity for "Offsite Disposal" shall continue without limitation. With regard to any particular Subproject and the Water Purveyor responsible for that Subproject, this Section 5.5.1 shall survive only until five (5) years after the termination or discontinuation of the Water Purveyor's operation of such Subproject, as provided in Section 9.3 (the "CR Extended Reporting Period") except that the indemnity for claims arising out of Offsite Disposal shall continue without limitation.

(e) Claims Period: A WE Indemnified Party must give notice of any claim for defense and/or indemnification under this Section 5.5.1 pursuant to the notice requirements set forth in Section 5.5.4 prior to expiration of the CR Extended Reporting Period except, however, that notice of claims arising out of Offsite Disposal as described in Section 5.5.1(c) may be made at any time. If any notice of claim for defense and/or indemnification is given to a CR Indemnitor by a WE Indemnified Party after expiration of the CR Extended Reporting Period, such WE Indemnified Party shall not be entitled to indemnification or defense of such claim under this Section 5.5.1 unless the claim arises out of Offsite Disposal.

(f) Indemnification of Contractors. To the extent that any Water Entity is required by a contractor to provide an indemnity in connection with the Project, the Cooperating Respondents shall perform the indemnity obligation on behalf of the Water Entity, provided that the Cooperating Respondents have given their written approval of the indemnity in advance of the Water Entity's execution of the contract. In the event the Cooperating Respondents fail to approve of the indemnity, and the Water Entity's resulting inability to provide the indemnity results in a higher price for the contractor's services, such additional price shall be a Project Cost.

(g) Subrogation. The Cooperating Respondents shall be subrogated to all of the rights of the Water Entity, and the Water Entity shall cooperate with the Cooperating Respondents in exercising those rights, under any contract between a Water Entity and an engineer, vendor, contractor or subcontractor, for the design, construction, operation or maintenance of Project Facilities, in connection with any WE Indemnified Party claim for indemnification under this Section 5.5.1 arising in whole or in part out of the acts or omissions of the respective engineer, vendor, contractor or subcontractor. In connection with any contractor claim for indemnity for which Cooperating Respondents have a duty to perform under Section 5.5.1(f), Cooperating Respondents shall be subrogated to all of the rights of the Water Entity under the contract with respect to such claim, the Cooperating Respondents' duty to perform shall be subject to all of the limitations and defenses of the Water Entity under the contract, and the Water Entity shall cooperate with the Cooperating Respondents in defending against the contractor's indemnity claim.

(h) Equitable Indemnity. The express indemnification provided for in this Section 5.5.1 is not a waiver of, and shall not in any way preclude, limit or otherwise affect, any claim for equitable indemnification that any WE Indemnified Party may have against the CR Indemnitors or any of them for any Third Party Claim not within the scope of such express indemnification. All such equitable indemnification claims are expressly reserved.

5.5.2 Further Indemnity

The CR Indemnitors shall also indemnify, hold harmless and defend the WE Indemnified Parties, and each of them, from and against any and all Third Party Claims asserted against any WE Indemnified Party in any legal or administrative proceeding initiated by any CR Indemnitor for the purpose of recovering any sums paid by the CR Indemnitors pursuant to this 2017 Project Agreement or for the purpose of pursuing any claims assigned under this 2017 Project Agreement. This Section 5.5.2 shall survive the termination of this 2017 Project Agreement without limitation.

5.5.3 Water Entities Indemnity

(a) Each Water Entity ("WE Indemnitor") shall defend, indemnify, and hold harmless the Cooperating Respondents, and each of them, and their respective successors and permitted assigns, and their respective past and then-current officers, directors and employees (individually, "CR Indemnified Party"; collectively, "CR Indemnified Parties") from and against any and all Third Party Claims after the Effective Date arising solely as a result of the willful misconduct of that WE Indemnitor or its employees during the term of this 2017 Project Agreement, as and once determined by binding arbitration under the terms of the dispute resolution provisions in this 2017 Project Agreement. The CR Indemnified Party shall provide prompt notice to the WE Indemnitor of the claim for indemnity. If the WE Indemnitor challenges the claim for indemnity, the CR Indemnified Party shall seek a determination of the WE Indemnitor's indemnity obligation under this provision using the Major Dispute provisions of Article 8.

(b) Extended Reporting Period. The obligations under this Section 5.5.3 shall survive from the Effective Date until five (5) years after the date of termination of this 2017 Project Agreement pursuant to Article 9 hereof, except that, with regard to any particular

Subproject and the Water Purveyor responsible for that Subproject, this Section 5.5.3 shall survive only until five years after the termination or discontinuation of the Water Purveyor's operation of the Subproject, as provided in Section 9.3 (the "WE Extended Reporting Period").

(c) Claims Period. A CR Indemnified Party must give notice of any claim for defense and/or indemnification under this Section 5.5.3 pursuant to the notice requirements set forth in Section 5.5.4 prior to expiration of the WE Extended Reporting Period. If a CR Indemnified Party gives any notice of claim for defense and/or indemnification to a WE Indemnitor after expiration of the WE Extended Reporting Period, such CR Indemnified Party shall not be entitled to indemnification or defense of such claim under this Section 5.5.3.

(d) Equitable Indemnity. The express indemnification provided for in this Section 5.5.3 is not a waiver of, and shall not in any way preclude, limit or otherwise affect, any claim for equitable indemnification that any CR Indemnified Party may have against the WE Indemnitors or any of them for any Third Party Claim not within the scope of such express indemnification, all such equitable indemnification claims are expressly reserved.

5.5.4 Notice Requirements

An Indemnified Party under Section 5.5.1, Section 5.5.2 or Section 5.5.3 shall give the Indemnitor under the applicable Section written notice of any claim or demand asserted or threatened by third parties against the Indemnified Party for which a defense and/or indemnity may be sought within thirty (30) days after receiving, or otherwise obtaining knowledge of, the threatened or asserted claim or demand, and shall provide the Indemnitor immediate access to all relevant information in its possession or control related to the claim or demand. The failure to provide notice pursuant to this Section 5.5.4 shall not affect any of the obligations under Sections 5.5.1, 5.5.2 or 5.5.3 in the absence of a showing of prejudice.

5.5.5 Selection of Counsel

(a) Complete Defense. If the Indemnitor: (i) assumes the duty to defend any claim or demand that may be subject to indemnification under this Agreement without a reservation of rights and (ii) agrees to pay the full amount of the claim, then the Indemnitor shall be entitled to defend the claim with counsel selected by such Indemnitor, and reasonably

acceptable to the Indemnified Party, upon delivery to the Indemnified Party of notice of the Indemnitor's election to do so. After delivery of such notice, the Indemnitor shall not be liable to the Indemnified Party under this Agreement for any legal or other expense subsequently incurred by the Indemnified Party in connection with such defense; provided, however, that the Indemnified Party shall have the right at its own expense to employ separate counsel to join in defense of the matter. If a similar claim or demand is made against more than one Indemnified Party at the same time, or if claims or demands against more than one Indemnified Party are consolidated in any way, the Indemnitor may employ the same counsel to defend all such claims. The Indemnified Party shall fully cooperate with counsel appointed by the Indemnitor and shall provide any and all documents, data, records, witnesses, or expertise within its organization and/or control and other assistance requested by counsel in defense of the claim or demand.

(b) Partial Defense. If the Indemnitor assumes the duty to defend with any reservation of rights or agrees to defend without an agreement to pay the full amount of the claim asserted, then the Indemnitor must defend the claim with counsel selected by the Indemnified Party whose fees shall be commercially reasonable in accord with the standards in the community.

5.5.6 Settlement of Claims

(a) If the Indemnitor: (i) assumes the duty to defend any claim or demand that may be subject to indemnification under this Agreement without a reservation of rights and (ii) agrees to pay the full amount of the claim, then the Indemnitor shall be entitled to settle the claim, following reasonable notice to the Indemnified Party of the intent to settle.

(b) If the Indemnitor assumes the duty to defend with any reservation of rights or agrees to defend without an agreement to pay the full amount of the claim asserted, then the Indemnitor can settle the claim only with the consent of the Indemnified Party. If the Indemnified Party wishes to settle the claim and the Indemnitor does not, then the Indemnitor cannot object to or prevent the settlement unless the Indemnitor assumes the defense of the Indemnified Party without a reservation of rights and agrees to pay the full amount of the claim.

ARTICLE 6. RESERVATION OF RIGHTS; RELEASES; ASSIGNMENT; TOLLING

6.1 Reservation of Rights

6.1.1 Relationship to 2002 Project Agreement

This 2017 Project Agreement applies to actions to be undertaken and costs to be incurred from its Operative Date and through its Term as described in Section 9.1. The 2002 Project Agreement established rights and obligations relative to actions taken and costs incurred before the Operative Date of the 2017 Project Agreement. Nothing in this Article 6 eliminates those rights and obligations as established in the 2002 Project Agreement as to actions taken and costs incurred before the Operative Date of this 2017 Project Agreement. Any disputes that arose under the 2002 Project Agreement are to be resolved under the dispute resolution provisions of that 2002 Project Agreement.

6.1.2 Water Entity Reservation

Except as expressly set forth in this Article 6, the Water Entities reserve all rights, claims, causes of action, counterclaims, cross claims, and defenses of any kind or nature against the Cooperating Respondents with respect to the BPOU groundwater contamination, including without limitation, claims for future costs and damages that are incurred separate and apart from the Project.

6.1.3 Cooperating Respondent Reservation

Except as expressly set forth in this Article 6, the Cooperating Respondents reserve all rights, claims, causes of action, counterclaims, cross claims, and defenses of any kind or nature against the Water Entities with respect to the BPOU groundwater contamination, including without limitation, claims for future costs and damages that are incurred separate and apart from the Project.

6.1.4 No Release of Non-Parties

Except as otherwise explicitly provided in this 2017 Project Agreement, it is not the intention of the Parties hereto to release any persons or entities not Parties to this 2017 Project Agreement from any claims or liabilities. All rights to pursue such parties are reserved.

6.2 Specific Releases

6.2.1 Release by Water Entities under this 2017 Project Agreement

Upon each payment from Cooperating Respondents to a Water Entity of Project Costs incurred by a Water Entity from and after the Operative Date of this 2017 Project Agreement, that Water Entity, on behalf of itself and its respective successors and assigns, hereby agrees to release, acquit and forever discharge (collectively, "release") each Cooperating Respondent and its respective past and then-present officers, directors, shareholders (other than parents), employees, agents, representatives, contractors, attorneys, parents (provided they have signed the release and tolling agreement in the form attached as Exhibit H), subsidiaries, affiliates, insurers, successors and assigns (together with the Cooperating Respondents, the "CR Affiliates") from any and all actions, causes of action, claims, demands, liabilities, damages, penalties, debts, losses, costs, expenses and fees (including without limitation litigation costs and attorney and consultant fees) of every kind and nature whatsoever, in law and in equity in connection with the Project under this 2017 Project Agreement, but only to the extent of such payment. The Water Entities further release the Cooperating Respondents and CR Affiliates for any claim to the extent that such claim is paid or resolved by an insurer payment under Project Insurance.

6.2.2 Release by Cooperating Respondents Under this 2017 Project Agreement

Each of the Cooperating Respondents, for and on behalf of itself and its respective successors and assigns, hereby agrees that it shall forever release, acquit and discharge (collectively, "release") each Water Entity and its respective past and then-present officers, directors, shareholders, employees, agents, representatives, attorneys, parents, subsidiaries, affiliates, insurers, successors and assigns (together with the Water Entities, the "WE Affiliates") from any and all actions, causes of action, claims, demands, liabilities, damages, penalties, debts, losses, costs, expenses and fees (including without limitation litigation costs and attorney and consultant fees) of every kind and nature whatsoever, in law and in equity, for each payment to a Water Entity of Project Costs incurred by a Water Entity in connection with the Project under this 2017 Project Agreement, but only to the extent of such payment. The Cooperating Respondents further release the Water Entities and WE Affiliates for any claim to the extent that such claim is paid or resolved by an insurer payment under Project Insurance.

6.2.3 Civil Code Section 1542

(a) The Parties to this 2017 Project Agreement have read and fully understand the statutory language of Section 1542 of the Civil Code of State of California ("Section 1542"), which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

(b) Accordingly, as to the releases given in Section 6.2.1 and 6.2.2, it is each Party's intention to specifically waive and relinquish any and all protections, privileges, rights and benefits under Section 1542 as to the claims to be specifically released under Section 6.2.1 and 6.2.2, as between the Cooperating Respondents on the one hand and the Water Entities on the other hand.

(c) This 2017 Project Agreement does not establish as among the Cooperating Respondents the ultimate allocation for Project Costs.

6.2.4 Limitations

The Parties agree that, except to the extent recovered under Project Insurance, the covenants, specific releases and waivers set forth in this Section 6.2, shall not apply to: (1) claims asserted by third parties, including but not limited to claims by such third parties (a) arising out of alleged consumption of contaminated water or exposure to contaminants in air, soil, water or groundwater or (b) for costs of Replacement Water Supply after the Operative Date of the 2017 Project Agreement (unless paid for by Cooperating Respondents), nuisance, trespass or economic damage or (c) for damages proximately caused by the failure of any Cooperating Respondent to meet its UAO obligations and (2) claims arising from, or relating to, any obligations of a Party to a third party (including the Water Entities' contractors, subcontractors or agents) under this 2017 Project Agreement.

6.3 Assignment of Claims

Each Water Entity providing the CR Affiliates with a release pursuant to Section 6.2.1 hereby also provides the Cooperating Respondents with an assignment of all claims which are

encompassed within the scope of each release, effective upon each release. Any costs or expenses, including reasonable attorneys' fees, a Water Entity is caused to incur as a result of the Cooperating Respondents' pursuit of an assigned claim against a third party shall be reimbursed by the Cooperating Respondents as Project Costs.

6.4 Tolling

6.4.1 Tolled Claims

The statutes of limitation and any other statute, law, rule or principle of equity with similar effect (collectively "Statutes of Limitation") shall be tolled with respect to: (1) any and all rights, claims, causes of action, counterclaims or cross claims the Water Entities have against the Cooperating Respondents, for any and all Project Costs that may be incurred by the Water Entities for continued operation of any of the Project Facilities after the termination of this 2017 Project Agreement pursuant to Article 9 (the "Water Entities' Tolled Claims") and (2) any and all rights, claims, causes of action, counterclaims or cross claims the Cooperating Respondents may have against the Water Entities for any and all Project Costs that may be incurred by the Cooperating Respondents for continued operation of any of the Project Facilities after the termination of this 2017 Project Agreement pursuant to Article 9 (the "Cooperating Respondents' Tolled Claims").

6.4.2 Tolling Period

The tolling period ("Tolling Period") for the Water Entities' and the Cooperating Respondents' Tolled Claims commenced on the Effective Date of this 2017 Project Agreement and by agreement of the Parties are tolled until four (4) years from the Effective Date. The Tolling Period shall be excluded from all computations of any limitations period applicable to the Tolled Claims. The Parties shall waive and shall not plead, assert, or otherwise raise any Statutes of Limitations applicable to the Tolled Claims as a bar to any Tolled Claim.

6.4.3 Extension of Tolling Period

In accordance with California Code of Civil Procedure Section 360.5, before the end of the Tolling Period described in Section 6.4.2, the Parties shall enter into an agreement that (1)

incorporates all of the provisions of this Section 6.4 and (2) extends the Tolling Period for four years from the expiration of the then current Tolling Period ("Tolling Extension"). Before the end of the Tolling Period of each successive Tolling Extension, the Parties shall execute a further Tolling Extension to extend the Tolling Period another four years, except that any Tolling Extension entered into less than four years prior to the end of the Term of this 2017 Project Agreement shall only extend the Tolling Period until ninety (90) days after the end of the Term of this 2017 Project Agreement.

ARTICLE 7. FORCE MAJEURE; CONDEMNATION

7.1 Definition

With respect to the Water Entities, a "Force Majeure" is any occurrence beyond the control of the affected Water Entity (including but not limited to its contractors, subcontractors, agents or consultants) that causes the Water Entity to be unable to perform its obligations under this 2017 Project Agreement despite its good faith efforts to fulfill the obligations. With respect to the Cooperating Respondents, a "Force Majeure" is any catastrophic event that precludes normal banking and funds transfers such as emergency closing of the Federal Reserve Banking system, termination of normal mail or expedited mail services due to national emergencies and similar events. Force Majeure shall not include: (1) normal seasonal events; (2) normal inclement weather; (3) the failure of the Water Entity to make timely application for any required permits or approvals; (4) the failure to have available funds from an Escrow Account due to the lack of timely submittal of budgets or related materials; or (5) as to a Force Majeure event claimed by a Cooperating Respondent, the failure to have funds available and transferred to either the Trust or Escrow Account due to cash flow difficulties other than due to a Force Majeure under this Section 7.1 or scheduling mistakes.

7.2 Notice and Scope of Water Entity Force Majeure

If a Water Entity is rendered wholly or partly unable to perform its obligations under this 2017 Project Agreement because of a Force Majeure, then that Water Entity's performance shall be suspended for the duration of such Force Majeure to the extent such performance is affected by the Force Majeure. The Water Entity shall give the other Parties both telephone and written notice of a Force Majeure as soon as practicable under the circumstances, ordinarily within forty-eight (48) hours by telephone and within five (5) Working Days in writing. The suspension of performance shall be of no greater scope and duration than is required by the Force Majeure. The Water Entity shall use good faith efforts to remedy its inability to perform and to mitigate the effects of the Force Majeure. Once the Water Entity is able to resume performance of its obligations under this 2017 Project Agreement, it shall promptly give the other Parties written notice to that effect. The Cooperating Respondents' obligation for payment shall be suspended only to the extent of the Force Majeure event. The Cooperating

Respondents shall resume the obligation for making payments on a normal basis within ten (10) Working Days after written notification by the affected Water Entity that the Force Majeure event has terminated.

7.3 Notice and Scope of Cooperating Respondent Force Majeure

If a Cooperating Respondent is unable to perform its obligations under this 2017 Project Agreement because of a Force Majeure, then the Cooperating Respondent's performance shall be suspended for the duration of such Force Majeure to the extent such performance is affected by the Force Majeure. The affected Cooperating Respondent shall give the other parties both telephonic and written notice of the Force Majeure as soon as practicable under the circumstances, ordinarily within forty-eight (48) hours by telephone and within five (5) Working Days in writing. The suspension of performance shall be of no greater scope and duration than is required by the Force Majeure. The Cooperating Respondent shall use good faith efforts to remedy its inability to perform, including but not limited to seeking alternative means of transferring funds if the obligation is a funding obligation. Once the Cooperating Respondent is able to resume performance of its obligations under this 2017 Project Agreement, it shall then promptly give the other Parties written notice to that effect, and shall, within five (5) Working Days after termination of the Force Majeure event, resume making payments as required by this 2017 Project Agreement.

7.4 Condemnation

7.4.1 Response to Condemnation Action

If any Project Facility is subject to proceedings for condemnation by power of eminent domain during the term of this 2017 Project Agreement ("Condemnation Action"), the affected Water Entity shall promptly provide the Cooperating Respondents with written notice of such proceedings in accordance with Section 10.7.1. The affected Water Entity(ies) shall defend any such Condemnation Action on all good faith grounds, including without limitation, reference to the more necessary public purposes of the affected Project Facility. The Cooperating Respondents shall have the right to consult with the affected Water Entity on decisions to be made in connection with all such proceedings, provided that the affected Water Entity shall take the lead role in such proceedings. In the event of any dispute between the affected Water

Entity and the Cooperating Respondents as to how to proceed in such proceedings, the decision of the affected Water Entity shall prevail. If the more necessary public use cannot be established, the Water Entity shall make reasonable efforts to: (i) continue operation of the affected Project Facility as a use compatible with the public purpose for which the property is condemned; (ii) obtain relocation assistance required under statute, so that the Project Facility can continue to operate to carry out the purposes contemplated in this 2017 Project Agreement; or (iii) obtain compensation from third parties or Public Funding Sources for impairment to the Project operations, including but not limited to the cost to reestablish the affected Project Facility to carry out the purposes of this 2017 Project Agreement. The litigation expenses, including reasonable attorney, appraisal, engineering and expert witness fees, attributable either to the Condemnation Action or to proceedings necessary to apportion the condemnation award, including without limitation all proceedings under this Section 7.4, shall be Project Costs. The Water Entities shall not be liable to the Cooperating Respondents as a result of the defense of the Condemnation Action. The Water Entities shall use reasonable efforts, if requested by the Cooperating Respondents, but have no obligation to replace the condemned Project Facility under this 2017 Project Agreement.

7.4.2 Condemnation Award

If, following the Condemnation Action, the affected Project Facility cannot be operated in full conformity with this 2017 Project Agreement, and the affected Water Entity receives a compensation award for the affected Project Facility, the Cooperating Respondents shall be entitled to recover a share of the condemnation award attributable to that portion of any Project Facility or real property paid for by the Cooperating Respondents and not previously reimbursed by Public Funding Sources under this 2017 Project Agreement. The Parties will negotiate in good faith in an effort to reach agreement as to the apportionment of the condemnation award and the terms and conditions to continue operation of all or a substantial portion of the remaining Project Facilities to meet the objectives of this 2017 Project Agreement.

ARTICLE 8. DISPUTE RESOLUTION

8.1 Scope

All disputes between the Parties regarding the rights and obligations of the Parties set forth in this 2017 Project Agreement are subject to the dispute resolution procedures contained in this Article except to the extent specifically set forth in Sections 2.3.2(g), 2.3.3(b), 3.4.2(d), 3.4.3, 4.2.4(b), 4.3.4(b), 4.4.4(b), 4.5.5(b), 4.6.10 and decisions made by WQA pursuant to Section 4.7.4 and 4.8.1.

8.2 Pre-Arbitration Procedures: Project Committee Review

As to disputes subject to arbitration, other than Insurance Disputes, audits under Section 4.9 or Watermaster determinations under Section 3.5.3, a Demand for arbitration can only be made after Project Committee consideration and decision.

8.3 Duty to Fund / Provisional Budgets

If the dispute involves a funding obligation set forth in this 2017 Project Agreement or a provisional budget as set forth in Sections 4.4.1, 4.5.1(b), and 4.5.2(b), other than a dispute regarding the amount of Financial Assurance to be provided, and except as otherwise expressly provided in this 2017 Project Agreement, the Cooperating Respondents must pay the disputed amount(s) that are due pursuant to this 2017 Project Agreement when due, even if such due date is prior to the commencement of arbitration under the provisions of this Article, until resolution of the dispute. Whenever possible, the Parties shall endeavor to resolve the dispute prior to the expenditure of funds. If funds have been expended and the dispute is resolved in favor of the Cooperating Respondents, whether the resolution is by the arbitrator, by the Project Committee or Subproject Committee, or by agreement of the Parties, then the Cooperating Respondents shall be entitled to receive an immediate refund that they may elect to have credited against the amount to be deposited in the Escrow Account for the next applicable Quarterly Schedule. As to any dispute concerning any increased amount of Financial Assurance to be provided, the Cooperating Respondents' funding obligation is not triggered until the dispute is resolved by arbitration pursuant to the procedures in this Article 8.

8.4 Dispute Thresholds for Purposes of Arbitration

8.4.1 The arbitration procedure shall be based on the dollar amount and/or issues in controversy as follows:

(a) Minor Disputes:

(i) claims involving a disputed amount of One Hundred Thousand Dollars ($100,000) or less in a single year that are not otherwise characterized as a Major Dispute; and

(ii) claims that might otherwise be characterized as a Major Dispute but the Affected Parties agree should be resolved as a Minor Dispute.

(b) Major Disputes:

(i) a single claim involving a disputed amount of over One Hundred Thousand Dollars ($100,000) in a single year;

(ii) claims involving a disputed amount that is capable of repetition that would total over One Hundred Thousand Dollars ($100,000) if repeated over three years;

(iii) disputes not involving monetary issues, including without limitation, disputes for claims of delay or cessation of work due to Force Majeure, disputes involving UAO Subproject matters that require EPA concurrence, and disputes resulting from a Watermaster decision pursuant to Section 3.5.3; and

(iv) disputes over the results of audits, review, or accounting inquiries conducted pursuant to Section 4.9.

(c) Insurance Disputes, as governed by Section 8.12.

8.4.2 Upon agreement of all Affected Parties, claims against a single Party that individually are less than One Hundred Thousand Dollars ($100,000) may be stayed until in the aggregate such claims total more than One Hundred Thousand Dollars ($100,000) so that the claims can be treated as a single Major Dispute upon election to arbitrate.

8.5 Commencement of Arbitration.

8.5.1 Any aggrieved Party or Parties may invoke arbitration under Article 8 by giving written notice of the dispute to all Parties to this 2017 Project Agreement and to Judicial Arbitration and Mediation Services, Inc. ("JAMS") within the time limits set forth in Sections 8.6 and 8.12 ("Demand for Arbitration.") For purposes of this Article, a Party or Parties demanding arbitration is referred to as "Claimant" and any opposing Party or Parties is referred to as "Respondent."

8.5.2 The Demand for Arbitration shall include a short statement of its factual basis and the remedies sought, including, if applicable, the dollar amount in controversy, and shall identify the Affected Parties. Only Affected Parties have a right to submit argument or evidence in the arbitration proceedings. The Demand for Arbitration must be delivered to all Parties and may be delivered electronically. Thereafter, any Party to this 2017 Project Agreement that is not an Affected Party may elect to not receive any further pleadings related to the dispute.

8.5.3 Response to Demand for Arbitration

(a) If more than one Affected Party is identified as a Respondent in the Demand for Arbitration, those Affected Parties shall jointly notify Claimant within five (5) Working Days of service of the Demand for Arbitration, whether they are able to act jointly as a single Respondent for purposes of briefing, discovery, and submission of evidence to the arbitrator. If those Affected Parties are not able to act as a single Respondent, they shall notify Claimant as to the number of Respondents acting in the dispute, and they shall identify any subset of Affected Parties that may be deemed a single Respondent for purposes of the dispute.

(b) Within fifteen (15) Working Days of service of the Demand for Arbitration, each Respondent shall submit to JAMS and serve on other Parties a written response and a statement of any affirmative defenses, including counterclaims it may have.

8.5.4 The arbitration is deemed commenced when JAMS issues a commencement letter confirming that JAMS has received all payments required under the applicable fee schedule and that Claimant has provided JAMS with contact information for all Affected Parties along with evidence that the Demand for Arbitration has been served on all Affected Parties.

8.5.5 The arbitrator will consider no claim or counterclaim in the absence of prior notice pursuant to Sections 8.5.2 and 8.5.3 to the other Affected Parties, unless all Affected Parties agree that such consideration is appropriate notwithstanding the lack of prior notice. The arbitrator will consider no remedy or affirmative defense in the absence of prior notice pursuant to Sections 8.5.2 and 8.5.3 to the other Affected Parties, unless the arbitrator determines that no Affected Party has been unfairly prejudiced by such lack of formal notice or all Affected Parties agree that such consideration is appropriate notwithstanding the lack of prior notice.

8.5.6 No Claimant or Respondent may terminate or withdraw from arbitration after the issuance of the commencement letter, except by written agreement of all Affected Parties.

8.5.7 A Claimant or Respondent that asserts a claim or counterclaim may unilaterally withdraw that claim or counterclaim without prejudice by serving written notice on the other Affected Parties and the arbitrator. However, the opposing Parties may, within seven (7) Working Days of service of such notice, request that the arbitrator condition the withdrawal upon such terms as he or she may direct.

8.5.8 Unless otherwise directed by the arbitrator or agreed by the Affected Parties to a given dispute, wherever possible the Affected Water Entities shall strive to act as a single Claimant or Respondent; and the Cooperating Respondents participating in the dispute also shall strive wherever possible to act as a single Claimant or Respondent.

8.6 Time Limits

8.6.1 Any Party may seek arbitration of a decision of the Project Committee provided that the Demand for Arbitration described in Section 8.5.1 is served within the following time limits: (a) for a dispute involving an invoice the demand must be served within fifteen (15) Working Days of the decision; (b) for a dispute as to arbitrability the demand must be served within thirty (30) days of the decision; or (c) for all other disputes the demand must be served within sixty (60) days of the decision.

8.6.2 An Affected Party may unilaterally toll by notice to all other Affected Parties the obligation to submit a Minor Dispute to arbitration for the earlier of (a) one year, (b) until the aggregate of such claims against a single Party total more than Thirty-Five Thousand Dollars

($35,000), or (c) sixty (60) days after the Affected Party provides notice of termination of the tolling, whichever occurs first; such tolled claims shall be submitted as a single Minor Dispute.

8.6.3 For disputes concerning the results of an audit under Section 4.9, the demand must be served no later than thirty (30) days after the Water Entity written response provided pursuant to Section 4.9.2. For disputes concerning the Watermaster's determination under Section 3.5.3, the demand must be served no later than thirty (30) days after the Watermaster notifies the Affected Parties of its determination.

8.6.4 The time limits for submitting Insurance Disputes are set forth in the expedited arbitration procedures described in Section 8.12.

8.6.5 A Party does not waive its right to challenge subsequent recurring costs or actions by failing to serve a demand as to the earlier cost or action. Service of a Demand for Arbitration does not revive any portion of a dispute over recurring costs and actions that has been time-barred.

8.6.6 The Parties to a dispute may extend the time to serve a Demand for Arbitration by mutual agreement.

8.7 Designation of Arbitrator

8.7.1 If possible, the arbitrator for each dispute shall be selected by mutual agreement of the Cooperating Respondents, on the one hand, and the Water Entities, on the other, from a list of neutrals resident in the JAMS Los Angeles office (or, if the Los Angeles office has fewer than ten (10) qualified arbitrators, from other California offices).

8.7.2 If the Affected Parties do not jointly notify JAMS of the selection of an arbitrator within fifteen (15) Working Days of the Demand for Arbitration, JAMS shall send the Affected Parties a list of ten (10) arbitrator candidates resident in the Los Angeles office of JAMS. JAMS shall also provide each Claimant and Respondent with a brief description of the background and experience of each arbitrator candidate. JAMS may replace any or all names on the list of arbitrator candidates for reasonable cause at any time before the Affected Parties have submitted their choice pursuant to Section 8.7.3 below.

8.7.3 Within five (5) Working Days of service upon the Affected Parties of the list of names, all Parties acting as Claimant may collectively strike three (3) names and shall rank the remaining arbitrator candidates in order of preference; and all Parties acting as Respondent may collectively strike three (3) names and shall rank the remaining arbitrator candidates in order of preference. The remaining arbitrator candidate with the highest composite ranking shall be appointed the arbitrator. In the event of a tie, the affected Parties shall meet and confer to mutually agree upon one of those highest ranked candidates within five (5) calendar days, or the next highest ranked candidate shall be appointed. JAMS may grant a reasonable extension of the time to strike and rank the arbitrator candidates to any Claimant or Respondent without the consent of the other Claimant or Respondent.

8.7.4 If either Party fails to respond to a list of arbitrator candidates within five (5) Working Days after its service, or fails to respond according to the instructions provided by JAMS, JAMS shall deem the Party to have accepted all of the arbitrator candidates.

8.7.5 If, for any reason, the arbitrator who is selected is unable to fulfill the arbitrator's duties, a successor arbitrator shall be chosen in accordance with this Section. JAMS will make the final determination as to whether an arbitrator is unable to fulfill his or her duties, and that decision shall be final.

8.7.6 Any disclosures regarding the selected arbitrator shall be made as required by law or within ten (10) Working Days from the date of appointment. Such disclosures may be provided in electronic format, provided that JAMS will produce a hard copy to any Party that requests it. Claimant and Respondent and their representatives shall disclose to JAMS any circumstance likely to give rise to justifiable doubt as to the arbitrator's impartiality or independence, including any bias or any financial or personal interest in the result of the arbitration or any past or present relationship with Claimant or Respondent or their representatives. The obligation of the arbitrator, the Affected Parties and their representatives to make all required disclosures continues throughout the arbitration process.

8.7.7 At any time during the arbitration process, Claimant or Respondent may challenge the continued service of an arbitrator for cause. The challenge must be based upon information that was not available to the Party making the challenge at the time the arbitrator was selected.

A challenge for cause must be in writing and exchanged with opposing Parties, who may respond within five (5) Working Days of service of the challenge. JAMS shall make the final determination as to such challenge. Such determination shall take into account the materiality of the facts and any prejudice to any Party. That decision will be final.

8.8 Service of Documents

8.8.1 Arbitration documents must be served electronically on all Affected Parties, and such service shall be deemed complete as of the day of transmittal. In addition, the arbitrator may at any time require electronic filing of documents in an arbitration. If an arbitrator requires electronic filing, Claimant and Respondent shall maintain and regularly monitor a valid, usable and active email address for the receipt of all documents filed electronically, and filing shall be considered as filed with JAMS on the same date as transmittal. Alternatively, the arbitrator may at any time require electronic filing through JAMS electronic filing system. Any document filed electronically shall be considered as filed with JAMS when the transmission to JAMS electronic filing system is complete. Any document e-filed by 11:59 p.m. Pacific Time shall be deemed filed on that date. Upon completion of filing, JAMS electronic filing System shall issue a confirmation receipt that includes the date and time of receipt. The confirmation receipt shall serve as proof of filing.

8.8.2 Every document filed with JAMS electronic filing system shall be deemed to have been signed by the arbitrator, JAMS case manager, attorney or declarant who submits the document to JAMS electronic filing system and documents filed by attorneys shall bear the typed name, address and telephone number of the signing attorney. Documents containing signatures of third parties (*i.e.*, unopposed motions, affidavits, stipulations, etc.) may also be filed electronically by indicating that the original signatures are maintained by the filing Party in paper format.

8.8.3 Delivery of e-service documents through JAMS electronic filing system to other registered users shall be considered as valid and effective service and shall have the same legal effect as an original paper document. Recipients of e-service documents shall access their documents through JAMS electronic filing system. E-service shall be deemed complete when the Party initiating e-service completes the transmission of the electronic document(s) to JAMS

electronic filing system for e-filing and/or e-service. Upon actual or constructive receipt of the electronic document(s) by the Party to be served, JAMS electronic filing system shall issue a certificate of electronic service to the Party initiating e-service, and that certificate shall serve as proof of service.

8.8.4 If an electronic filing or service does not occur because of (1) an error in the transmission of the document to JAMS electronic filing system or served Party that was unknown to the sending Party; (2) a failure to process the electronic document when received by JAMS electronic filing system; (3) an Affected Party being erroneously excluded from the service list; or (4) other technical problems experienced by the filer, the arbitrator or JAMS may, for good cause shown upon such terms as may be just, permit the document to be filed *nunc pro tunc* to the date it was first attempted to be sent electronically. Or, in the case of service, the Affected Party shall, absent extraordinary circumstances, be entitled to an order extending the date for any response or the period within which any right, duty or other act must be performed.

8.8.5 For documents that are not filed electronically, service by an Affected Party under these Rules is effected by providing one signed copy of the document to each Affected Party and two copies in the case of a sole arbitrator and four copies in the case of a tripartite panel to JAMS. Service may be made by hand-delivery, overnight delivery service or certified U.S. mail with return receipt requested. Service by any of these means is considered effective upon the date of deposit of the document.

8.9 *Ex Parte* Communications

No Party may have any *ex parte* communication with an arbitrator. The arbitrator may authorize any Party to communicate directly with the arbitrator by email or other written means as long as copies are simultaneously forwarded to the JAMS Case Manager and the other Affected Parties.

8.10 Conduct of Arbitration for Minor Disputes

8.10.1 Minor Disputes shall be submitted to the arbitrator for expedited review. Under such expedited review, within fifteen (15) Working Days after receipt of the identification of number and makeup of Respondents in Section 8.5.3(a), Claimant shall submit a separate brief

directed to each Respondent of not more than fifteen (15) double-spaced pages, including any statement of facts and argument. Each Respondent's response required by Section 8.5.3(b) shall also include a brief of not more than fifteen (15) double-spaced pages, including any statement of facts and argument. Within five (5) Working Days after the response is served, Claimant may submit a reply brief of not more than three (3) double-spaced pages in reply to each response that was submitted to the arbitrator. Nothing herein precludes the attachment (without argument) of documents that are referred to in the briefs. If any party uses an expert opinion, the opinion must be included within the 15-page limitation but any documents supporting qualification of the expert may be part of the attachment.

8.10.2 There shall be no oral argument, unless, upon receipt of all briefs, the arbitrator elects to hear argument. The arbitrator, after consulting with the Affected Parties, shall determine the date, time and location of such argument, if any. There shall be no live testimony.

8.10.3 Where the Minor Dispute involves multiple aggregated claims, the Parties shall cooperate to develop an accelerated and cost-effective approach to briefing. In the event that the parties do not reach agreement, the arbitrator shall establish a plan that avoids excessive briefing and cost.

8.11 Conduct of Arbitration for Major Disputes

8.11.1 Preliminary Conference

A preliminary conference shall be conducted with Claimant and Respondent(s) or their counsel or representatives. The preliminary conference may address any or all of the following subjects: (1) the exchange of information in accordance with Section 8.11.2; (2) the schedule for discovery; (3) the pleadings of Claimant and Respondent(s) and any agreement to clarify or narrow the issues or structure the arbitration hearing; (4) the scheduling of the hearing and any pre-hearing exchanges of information, exhibits, motions or briefs; (5) the attendance of witnesses; (6) the scheduling of any dispositive motion; (7) the pre-marking of exhibits, the preparation of joint exhibit lists and the resolution of the admissibility of exhibits; (8) the form of the award; and (9) such other matters as may be suggested by Claimant and Respondent or the arbitrator. The preliminary conference may be conducted telephonically and may be resumed from time to time as warranted.

8.11.2 Discovery

(a) Immediately after commencement of the arbitration, Claimant and Respondent shall cooperate in good faith in the voluntary and informal exchange of all non-privileged documents and other information (including electronically stored information ("ESI")) relevant to the dispute or claim. They shall complete an initial exchange of all relevant, non-privileged documents, including, without limitation, copies of all documents in their possession or control on which they rely in support of their positions and the names of individuals whom they may call as witnesses at the arbitration hearing, within twenty-one (21) calendar days after the date of the commencement letter. The arbitrator may modify these obligations at the preliminary conference.

(b) The arbitrator may authorize discovery in addition to the voluntary exchange of information described above, as appropriate for a given claim or dispute.

(c) Claimant and Respondent shall attempt to coordinate discovery to avoid unnecessary duplication. It is not the intent of the Parties to require multiple Water Entities to conduct searches or produce documents that duplicate searches conducted and documents produced by other Water Entities, or multiple Cooperating Respondents to conduct searches or produce documents that duplicate searches conducted and documents produced by other Cooperating Respondents. It is also not the intent for any Affected Party to conduct multiple searches or produce duplicative documents in response to similar or overlapping requests received from multiple sources.

(d) Document requests shall (1) be limited to documents that are directly relevant to the matters in dispute or to its outcome; and (2) be reasonably restricted in terms of time frame, subject matter and persons or entities to which the requests pertain. The Requests shall not be encumbered with extensive "definitions" or "instructions" or include broad phraseology designed to increase the scope of potentially responsive documents beyond what is directly relevant to the matters in dispute. The arbitrator may edit or limit the number of requests.

(e) There shall be production of electronic documents only from sources used in the ordinary course of business. Absent a showing of compelling need, no such documents are

required to be produced from backup servers, tapes or other media. Where the costs and burdens of e-discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator may either deny such requests or order disclosure on the condition that the requesting Party advance the reasonable cost of production to the other side, subject to the allocation of costs in the final award.

(f) Claimant is limited to one deposition of the Respondent or of one individual under the control of the Respondent, and vice versa, except that where the Affected Parties have indicated that they are not acting act as a single unified Claimant or Respondent, a deposition of each non-unified Affected Party may be allowed by the arbitrator upon application. Claimant and Respondent shall attempt to agree on the time, location and duration of the deposition. If Claimant and Respondent do not agree, the arbitrator shall determine these issues. The necessity of additional depositions, if any, shall be determined by the arbitrator based upon the reasonable need for the requested information, the availability of other discovery options and the burdensomeness of the request on the opposing Parties and the witness. Expert depositions may be conducted only by agreement of Claimant and Respondent or by order of the arbitrator for good cause shown.

(g) As they become aware of new documents or information, including experts who may be called upon to testify, Claimant and Respondent continue to be obligated to provide relevant, non-privileged documents to supplement their identification of witnesses and experts and to honor any informal agreements or understandings between Claimant and Respondent regarding documents or information to be exchanged. At the hearing, the arbitrator may not consider documents that were not previously exchanged, or witnesses and experts that were not previously identified, unless agreed by Claimant and Respondent or upon a showing of good cause.

(h) Claimant and Respondent shall promptly notify JAMS when a dispute exists regarding discovery issues. There will be no briefing of the issue unless requested by the arbitrator. A conference shall be arranged with the arbitrator, either by telephone or in person, and the arbitrator shall decide the dispute on an expedited basis. Claimant and Respondent shall meet and confer in good faith prior to presenting any issues for the arbitrator's decision.

(i) The arbitrator shall set a discovery cutoff not to exceed seventy-five (75) calendar days after the preliminary conference. The arbitrator may extend this date for good cause shown.

8.11.3 Summary Disposition of a Claim or Issue

The arbitrator may permit any Claimant or Respondent to file a Motion for Summary Disposition of a particular claim or issue, either by agreement of all interested Parties or at the request of one Affected Party, provided other interested Affected Parties have reasonable notice to respond to the request.

8.11.4 Scheduling and Location of Hearing

(a) The arbitrator, after consulting with Claimant and Respondent, shall determine the date, time and location of the hearing. The arbitrator and Claimant and Respondent shall attempt to schedule consecutive hearing days if more than one day is necessary.

(b) The arbitrator, in order to hear a third-party witness, or for the convenience of Claimant and Respondent or the witnesses, may conduct the hearing at any location. Any JAMS Resolution Center may be designated a hearing location for purposes of the issuance of a subpoena or subpoena *duces tecum* to a third-party witness.

8.11.5 Hearing Submissions

(a) At least ten (10) Working Days before the arbitration hearing, Claimant and Respondent shall file with JAMS and serve and exchange: (1) a list of the witnesses they intend to call, including any experts; (2) a short description of the anticipated testimony of each such witness and an estimate of the length of the witness' direct testimony; (3) any written expert reports that may be introduced at the arbitration hearing; and (4) a list of all exhibits intended to be used at the hearing. Claimant and Respondent should exchange with each other copies of any such exhibits to the extent that they have not been previously exchanged. Claimant and Respondent should pre-mark exhibits and shall attempt to resolve any disputes regarding the admissibility of exhibits prior to the hearing.

(b) The arbitrator may require that Claimant and Respondent each submit a concise written statement of position, including summaries of the facts and evidence each intends to present, discussion of the applicable law and the basis for the requested award or denial of relief sought. The statements, which may be in the form of a letter, shall be filed with JAMS and served upon all Affected Parties at least five (5) Working Days before the hearing date. Rebuttal statements or other pre-hearing written submissions may be permitted or required at the discretion of the arbitrator.

(c) The arbitrator shall determine the schedule for Claimant and Respondent submissions, the page and form limitations for the submissions, and the schedule and form of any hearing(s).

8.11.6 Securing Witnesses and Documents for the Arbitration Hearing

At the written request of any Claimant or Respondent, the opposing Claimant or Respondent shall endeavor to produce for the arbitration hearing all specified witnesses in their employ or under their control without need of subpoena. However, if an Affected Party will not be producing a witness in its employ or under its control without subpoena, it shall notify the other Affected Parties that a subpoena will be necessary. The arbitrator may issue subpoenas for the attendance of witnesses or the production of documents either prior to or at the hearing pursuant to this Section. The subpoena or subpoena *duces tecum* shall be issued in accordance with the applicable law. Pre-issued subpoenas may be used in jurisdictions that permit them. If a Claimant or Respondent or a subpoenaed person objects to the production of a witness or other evidence, that Claimant or Respondent or subpoenaed person may file an objection with the arbitrator, who shall promptly rule on the objection, weighing both the burden on the producing Party and witness and the need of the proponent for the witness or other evidence.

8.11.7 The Arbitration Hearing

(a) The arbitrator will ordinarily conduct the arbitration hearing in the manner set forth in this Section 8.11.7. The arbitrator may vary these procedures if it is determined to be reasonable and appropriate to do so.

(b) The arbitrator shall determine the order of proof, which will generally be similar to that of a court trial.

(c) The arbitrator shall require witnesses to testify under oath.

(d) Strict conformity to the rules of evidence is not required, except that the arbitrator shall apply California evidentiary law relating to privileges and work product. The arbitrator shall consider evidence that he or she finds relevant and material to the dispute, giving the evidence such weight as is appropriate. The arbitrator may be guided in that determination by principles contained in the California Rules of Evidence. The arbitrator may limit testimony to exclude evidence that would be immaterial or unduly repetitive, provided that Claimant and Respondent are afforded the opportunity to present material and relevant evidence.

(e) The arbitrator shall receive and consider relevant deposition testimony of a Claimant or Respondent recorded by transcript or videotape, provided that the other Claimant or Respondent had the opportunity to attend and cross-examine. The arbitrator may in his or her discretion consider witness affidavits or other recorded testimony even if the other Claimant or Respondent has not had the opportunity to cross-examine, but will give that evidence only such weight as he or she deems appropriate.

(f) Claimant and Respondent will not offer as evidence, and the arbitrator shall neither admit into the record nor consider, prior settlement offers by the Parties or statements or recommendations made by a mediator or other person in connection with efforts to resolve the dispute being arbitrated, except to the extent that applicable law permits the admission of such evidence.

(g) The hearing, or any portion thereof, may be conducted telephonically or by video conference with the agreement of Claimant and Respondent or at the discretion of the arbitrator.

(h) When the arbitrator determines that all relevant and material evidence and arguments have been presented, and any interim or partial awards have been issued, the arbitrator shall declare the hearing closed. The arbitrator may defer the closing of the hearing until a date determined by the arbitrator in order to permit Claimant and Respondent to submit post-hearing

briefs, which may be in the form of a letter, and/or to make closing arguments. If post-hearing briefs are to be submitted or closing arguments are to be made, the hearing shall be deemed closed upon receipt by the arbitrator of such briefs or at the conclusion of such closing arguments, whichever is later.

(i) At any time before the award is rendered, the arbitrator may, *sua sponte* or on application of an Affected Party for good cause shown, reopen the hearing. If the hearing is reopened, the time to render the award shall be calculated from the date the reopened hearing is declared closed by the arbitrator.

(j) Any Claimant or Respondent may arrange for a record to be made of the hearing by a certified court reporter and shall inform the other Claimant or Respondent in advance of the hearing. The requesting Claimant or Respondent shall bear the cost of such record. If the other Claimant or Respondent agrees to share the cost of the record, it shall be made available to the arbitrator and may be used in the proceeding. If there is no agreement to share the cost of the record, it may not be provided to the arbitrator and may not be used in the proceeding, unless Claimant or Respondent arranging for the stenographic record agrees to provide access to the record either at no charge or on terms that are acceptable to the other Claimant or Respondent and the reporting service.

8.11.8 Waiver of Hearing

Claimant and Respondent may agree to waive the oral hearing and submit the dispute to the arbitrator for an award based on written submissions and other evidence as Claimant and Respondent may agree.

8.12 Conduct of Arbitration for Insurance Disputes

The conduct of Insurance Disputes shall be governed by the provisions of this Article 8, except that the arbitration shall be expedited by submitting a demand together with briefing as follows:

8.12.1 During the meet-and-confer period set forth in Section 5.4.1(b) for Insurance Disputes, the Parties shall also discuss and agree upon the selection of an arbitrator to resolve the Insurance Dispute. If the Parties are unable to agree upon an arbitrator, they shall follow the

method of selection set forth in Section 8.7, and the deadlines for submitting arbitration demands and briefs set forth below shall, if necessary, be extended until an arbitrator is selected.

8.12.2 For a dispute under Section 5.4.1(b), Claimant shall, within ten (10) Working Days after the initial notice of the dispute, submit an arbitration demand and concurrently submit a brief, with all supporting evidence to JAMS with copies to all Affected Parties.

8.12.3 Respondent(s) must submit a reply brief, if any, within five (5) Working Days after service of Claimant's brief, with service on all Parties. The arbitrator thereafter shall hold a telephonic hearing and promptly issue a decision in the matter, unless the arbitrator determines that further briefing is necessary. Such additional brief(s) shall be submitted to the arbitrator (with copies to all Parties) within five (5) Working Days after the arbitrator's request, and thereafter the arbitrator shall hold a telephonic hearing and issue a decision promptly but in any event within two (2) Working Days after submission of such additional brief(s). The arbitrator's decision is final and there shall be no right to appeal the decision, provided, however, that any Party may seek vacation or correction of the arbitrator's decision pursuant to Cal. Code of Civil Procedure Section 1286.2 (Grounds for Vacation of Award) or Section 1286.6 (Grounds for Correction of Award).

8.13 Awards for Major and Minor Disputes

8.13.1 Final Award

The arbitrator shall render a final award for all Major and Minor Disputes within thirty (30) calendar days after the date of the close of the hearing, or, if a hearing has been waived or the arbitrator determines that a hearing is not necessary pursuant to Section 8.10, within thirty (30) calendar days after the receipt by the arbitrator of all materials specified by Claimant and Respondent. The award shall consist of a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, as to each claim. The award shall also contain a concise written statement of the reasons for the award. The award shall be issued by serving copies on Claimant and Respondent. Service shall be made electronically in accordance with any of the methods of service provided in Section 8.8.

8.13.2 Choice of Law

In determining the merits of the dispute, the arbitrator shall be governed by the choice of law provisions in Section 10.3 of this 2017 Project Agreement. The arbitrator will make no decision or ruling that is inconsistent with any order of the EPA, any Agency Requirement, or any term or condition of any permit to operate any portion of the Project.

8.13.3 Corrections in Awards

Within seven (7) calendar days after service of a partial final award or final award by JAMS, any Claimant or Respondent may serve upon the other Claimant or Respondent and on JAMS a request that the arbitrator correct any computational, typographical or other similar error in an award or the arbitrator may *sua sponte* propose to correct such errors in an award. A Claimant or Respondent opposing such correction shall have seven (7) calendar days thereafter in which to file any objection. The arbitrator may make any necessary and appropriate corrections to the award within twenty-one (21) calendar days of receiving a request or fourteen (14) calendar days after his or her proposal to do so. The arbitrator may extend the time within which to make corrections upon good cause. The corrected award shall be served upon Claimant and Respondent in the same manner as the award.

8.13.4 Exceptions to Finality of Award

The arbitrator's decision is final and there shall be no right to appeal the decision, provided, however, that (1) with respect to a UAO Subproject, if the dispute involves a proposed change of the Statement of Work, then no such change shall be implemented by the Subproject Committee without the concurrence of EPA as to the appropriateness of the change and (2) any Claimant or Respondent may seek vacation or correction of the arbitrator's decision pursuant to Cal. Code Civil Procedure Section 1286.2 (Grounds for Vacation of Award) or Section 1286.6 (Grounds for Correction of Award).

8.14 Settlement and Consent Award

Claimant and Respondent may agree, at any stage of the arbitration process, to submit the case to JAMS for mediation. The JAMS mediator assigned to the case may not be the arbitrator, unless all Parties so agree in writing. By their written agreement to have the arbitrator act as a

mediator or otherwise provide settlement assistance, Claimant and Respondent will be deemed to have consented in the arbitrator's doing so and such efforts will not disqualify the arbitrator from continuing to serve as arbitrator if settlement is not reached.

8.15 Sanctions

The arbitrator may order appropriate sanctions for a failure in bad faith by any Claimant or Respondent to comply with its obligations under any of these Rules or with an order of the arbitrator. These sanctions may include, but are not limited to, assessment of arbitration fees and arbitrator compensation and expenses; assessment of any other costs occasioned by the actionable conduct, including reasonable attorneys' fees; exclusion of certain evidence; drawing adverse inferences; or, in extreme cases, determining an issue or issues submitted to arbitration adversely to Claimant or Respondent that has failed to comply. Notwithstanding the foregoing, no award of the arbitrator shall include exemplary or punitive damages.

8.16 Additional Provisions Governing Disputes Submitted to the Arbitrator

8.16.1 Disputes as to Arbitrability

The arbitrator shall decide any dispute involving either the right to have a disputed matter submitted to arbitration or the level of arbitration, following Project Committee review of the disputed matter. The Parties will attempt to resolve disagreements about arbitrability informally prior to submitting notice of an arbitrability dispute to the arbitrator. The proponents and opponents of such dispute shall provide notice of the dispute and submit in writing their respective positions regarding the arbitrability dispute to the arbitrator along with the Demand for Arbitration, but in any event within thirty (30) days of the Project Committee's written decision on the underlying matter. There shall be only one joint submission not to exceed fifteen (15) pages by the Affected Parties that believe the dispute is arbitrable and only one joint submission not to exceed fifteen (15) pages by the Affected Parties that believe the dispute is not arbitrable. The arbitrator shall make his or her decision as to arbitrability within five (5) Working Days of the filing date of the last submission. Except as provided in Section 8.13.4, the arbitrator's decision is final. All notices and other obligations in this Article for underlying disputes for which arbitrability is at issue are automatically stayed until ten (10) Working Days after the arbitrator renders a final decision on arbitrability.

8.16.2 Res Judicata/Collateral Estoppel

Except as between the actual Parties to the dispute to the extent allowed under governing law, any determination or finding of any arbitration conducted pursuant to this Article shall not have any res judicata or collateral estoppel effect in any other arbitration conducted pursuant to this Article, or in any other action commenced by any person(s) or entity(ies) whomsoever in state or federal court, whether or not they are Parties to this 2017 Project Agreement.

8.16.3 Sharing of Arbitrator Fees and Costs

The JAMS arbitration fees and arbitrator compensation and expenses shall be borne one half by the Claimant and one half by the Respondent. Each Party shall bear its own attorney fees and costs in connection with the arbitration.

8.17 Confidentiality and Privacy

8.17.1 Exceptions to Arbitrator/JAMS Confidentiality

JAMS and the arbitrator shall maintain the confidential nature of the arbitration proceeding and the award, including the hearing, except as necessary in connection with a judicial challenge to or enforcement of an award, or unless otherwise required by the California Public Utilities Commission, the California Public Records Act or any other law or judicial decision. If disclosure by JAMS or the arbitrator is required by law or judicial decision, JAMS and the arbitrator shall inform the Parties to allow them to seek protection from such disclosure. Notwithstanding this provision, the existence of any dispute under these provisions and the resolution or outcome shall be made available to all Parties.

8.17.2 Party Attendance at Arbitration Hearing

Any Party to this 2017 Project Agreement may attend the arbitration hearing of any dispute under this provision, but this does not establish that the cost of doing so is a Project Cost.

ARTICLE 9. TERM OF THE 2017 PROJECT AGREEMENT

9.1 Term of the 2017 Project Agreement

The term of this 2017 Project Agreement (the "Term") shall commence upon the Operative Date, and shall continue for a period of ten (10) years except as follows: If the Cooperating Respondents satisfy the requirements contained in the UAO, as approved by EPA, prior to the expiration of the Term, the 2017 Project Agreement shall terminate upon such approval. However, if the final remedy Record of Decision ("Final ROD") for the BPOU requires the continued operation of all or a substantial portion of the Project Facilities, then this 2017 Project Agreement shall remain in effect for the remainder of the Term.

9.2 Good Faith Negotiations for Continued Operation of Project Facilities after Expiration of 2017 Project Agreement

The Parties agree to negotiate in good faith the terms and conditions for continued operation of the facilities and for Replacement Water Supply protections to the extent that the ROD or a Final ROD anticipates the continued operation of all or a substantial portion of the Project Facilities after the expiration of the Term.

9.3 Early Termination of Subprojects or Certain Components Thereof

9.3.1 UAO Subprojects

With respect to the UAO Subprojects, if (1) EPA concurs that further treatment of that chemical (or chemical group) is no longer required as to one or more UAO Subproject(s); (2) DDW agrees that further treatment of that chemical (or chemical group) is no longer required to satisfy the standard for removal of Chemicals of Concern pursuant to Section 2.1.5; and (3) DDW agrees that a particular treatment technology is used only for treatment of such chemical or group of chemicals, then the Water Purveyor responsible for the affected Subproject(s) shall either (1) terminate operation of the treatment technology(ies) being used to treat such chemical or group of chemicals, or (2) continue operation of such treatment technology(ies). If the Water Purveyor elects to continue treatment, then it shall do so at its own cost, and any subsequent Subproject budget(s) for the affected Subproject(s) shall omit

all costs (direct and indirect) attributable to such treatment technology(ies) no longer mandated by EPA.

9.3.2 SWS and CDWC Subprojects

With respect to the SWS and CDWC Subprojects, if (1) DDW agrees that further treatment of that chemical (or chemical group) is no longer required to satisfy the standard for removal of Chemicals of Concern pursuant to Section 2.1.5; and (2) DDW agrees a particular treatment technology is used at the SWS and/or CDWC Subproject(s) only for treatment of such chemical or group of chemicals, then the Water Purveyor responsible for the affected Subproject shall either: (1) terminate operation of such treatment technology(ies) being used to treat such chemical or group of chemicals, or (2) continue operation of the treatment technology(ies). If the Water Purveyor elects to continue treatment, then it shall do so at its own cost, and any subsequent Subproject budget for the affected Subproject shall omit all costs (direct and indirect) attributable to such treatment technology.

9.3.3 Notice of Election

Each Water Purveyor making an election pursuant to Section 9.3.1 or 9.3.2 shall promptly give notice, in accordance with Section 10.7.1, of how it has elected to proceed.

ARTICLE 10. MISCELLANEOUS

10.1 Court Approval

Watermaster shall submit the 2017 Project Agreement for approval to the Los Angeles County Superior Court (the "Court"), as required by the Judgment. If the Court fails to approve this 2017 Project Agreement in its entirety, or with modifications acceptable to all of the Parties, it shall be null and void.

10.2 Litigation Expenses

In any action or proceeding seeking to enforce this 2017 Project Agreement, excluding disputes submitted to the dispute resolution procedures of this 2017 Project Agreement, the prevailing Party shall be entitled to recover from the other Parties in that proceeding, in addition to all other sums recoverable, reasonable litigation expenses incurred by such prevailing Party, including, without limitation, attorney fees, expert witness fees and other related expenses and costs. Notwithstanding the foregoing, the losing Party shall only be liable for the reasonable attorney fees that would have been incurred had all of the prevailing Parties only used one law firm.

10.3 Governing Law

This 2017 Project Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to its choice of law principles except to the extent federal law controls, in which case federal laws and regulations shall be construed and enforced. Nothing herein alters the provisions of Section 8.11.7 relative to the admissibility of evidence in an arbitration proceeding.

10.4 Waiver

No waiver by a Party of any provision of this 2017 Project Agreement shall be valid unless in writing and signed by an authorized representative of such Party. The waiver by any Party of any failure on the part of another Party to perform any of its obligations under this 2017 Project Agreement shall not be construed as a waiver of any future or continuing failure or failures. No waiver by a Water Entity shall be binding against other Water

Entities, and no waiver by a Cooperating Respondent shall be binding against other Cooperating Respondents.

10.5 Amendment of the 2017 Project Agreement

No amendment of this 2017 Project Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties (except for any Party which was, or is, the subject of a bankruptcy, insolvency, or similar proceeding unless such Party assumed the 2017 Project Agreement and its obligations thereunder in such proceeding and has cured any defaults in connection with such assumption) (an "Amendment"). Any such Amendment shall state whether said Amendment shall be submitted to the Court for approval pursuant to the Judgment. If the Amendment is submitted for Court approval, such Amendment shall be effective on the later of (1) the date on which written notice is provided to the Parties that the Court has approved the Amendment, or (2) the effective date set forth in such Amendment. Notwithstanding the generality of this provision, an approved modification of the SOW is not an amendment to the 2017 Project Agreement that requires all Parties to execute an Amendment or requires further Court approval.

10.6 Complete Integration

As between the Water Entities, on the one hand, and the Cooperating Respondents, on the other hand this 2017 Project Agreement and the Exhibits attached hereto, set forth all of the covenants, provisions, agreements conditions and understandings with respect to the matters addressed in this 2017 Project Agreement and constitute a complete integration. In this regard, this 2017 Project Agreement recognizes and reserves rights and obligations under the 2002 Project Agreement, as described in Section 6.1 of this 2017 Project Agreement.

10.7 Notices and Distribution of Project-related Writings

Notices and other writings required or permitted to be distributed to the Parties pursuant to this 2017 Project Agreement shall be addressed to the mailing address and/or electronic ("e-mail") address for the Parties listed in Exhibit I to this 2017 Project Agreement. Any Party may change its contact information by providing notice of the new information in the manner provided in Section 10.7.3. Watermaster shall, periodically as necessary, update

the list of contact information for the Parties and circulate the revised list to all Parties. In order to allow for information technology that is not yet in existence and may be developed during the Term of this 2017 Project Agreement, the manner of giving notices electronically may be updated with the approval of all of the Parties in writing.

10.7.1 Notices Pursuant to Specified Sections

(a) Notices made pursuant to Sections 4.4.4(b), 4.5.5(b), 4.7.6, 4.7.7, 5.4.2(b)(1), 5.5.3, 7.3 and 9.3.3 shall be given in writing by same-day or next-day delivery (via personal messenger, U.S. Express Mail), or by any nationally-recognized commercial express delivery or courier service (with receipt) with postage or other charges prepaid in an envelope addressed to the Parties and Representatives identified in this Section at their respective addresses shown in the attached Exhibit I, and shall be effective (in all cases) upon receipt. Such notices shall be delivered to:

- The Designated Representatives of the Water Entities as set forth in Exhibit I,
- the affected Water Entity(ies),
- the Designated Representatives of the Cooperating Respondents as set forth In Exhibit I, and
- the affected Cooperating Respondent(s).

(b) An electronic copy of all notices given pursuant to subsection (a) of this Section 10.7.1 shall be provided concurrently to all Parties by e-mail.

10.7.2 Subproject Committee Notices and Other Distributions

All notices, agendas, minutes, reports, deliverables, and all other writings required or permitted to be distributed by the Subproject Committee pursuant to this 2017 Project Agreement, other than those covered by Section 10.7.1, shall be distributed by e-mail to the Water Entity Representative and the CR Project Coordinator, and by posting to the Project Extranet site (as provided in Section 10.7.4). Notice of the posting of such materials to the Project Extranet site shall be given to all Parties by e-mail, concurrently with such posting.

10.7.3 All Other Notices and Distributions

All other notices and other writings required or permitted under this 2017 Project Agreement shall be provided by e-mail to all Parties.

10.7.4 Project Extranet Site

(a) The Parties recognize the need for the electronic posting of notices and other writings required or permitted to be posted with the cost of the electronic site a Project Cost. It is possible that during the Term, the technology may change or more cost effective approaches may be identified which warrant modification of these provisions. Absent modification, the Cooperating Respondents shall at their expense continue to maintain an extranet web site accessible via the Internet (the "Project Extranet site") for the posting of all notices and other writings required or permitted by this Section to be posted to the Project Extranet site.

(b) The initial location of the Project Extranet hardware equipment shall be at the offices of Watermaster, which will manage the Project Extranet site. All costs associated with installation and maintenance of the Project Extranet site shall be Project Administrative Costs.

(c) Anyone posting notices or other writings to the Project Extranet site pursuant to this 2017 Project Agreement shall, in the concurrent e-mail notice of such posting, provide the Uniform Records Locator ("URL") location for such postings.

(d) All word processing or spreadsheet-type documents posted at the Project Extranet site shall be in Adobe PDF format with appropriate security and verification of their authenticity using then-current technology standards. The Parties may select an alternative format by mutual agreement at any time.

(e) Watermaster shall, by appropriate technical means, limit access to the Project Extranet site to the Parties and to those Party representatives (and EPA representatives) and insurer representatives who have been designated by the Parties as having access rights.

(f) The Watermaster shall conduct periodic backups to ensure that all documents stored on the Project Extranet site are also stored at a secure off-site location in an easily obtained format.

(g) To the extent that Water Entities have responsibilities for maintaining certain Project documents pursuant to this 2017 Project Agreement, they may discharge such responsibilities by storing such documents at the Project Extranet site in lieu of maintaining hard copies, provided notice of such posting (including a description of the items posted sufficient to identify such items) is provided to all Parties by e-mail, concurrently with such posting.

10.8 Computation of Time

In computing any period of time under this 2017 Project Agreement, where the last day would fall on a Saturday, Sunday, or federal or California state holiday, the period shall run until 5 p.m. Pacific Time on the next Working Day, except until 11:59 p.m. Pacific Time to the extent provided in Section 8.8.

10.9 Counterparts

This 2017 Project Agreement will be executed in counterparts each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument.

10.10 Assignment

No Party shall assign or otherwise transfer its rights or obligations hereunder without all of the other Parties' prior written consent, which shall not be unreasonably withheld.

10.11 Further Assurances

The Parties agree to execute and deliver all further documents and perform all further acts that may be reasonable and necessary to carry out the provisions of this 2017 Project Agreement.

10.12 Joint Drafting and Negotiation

This 2017 Project Agreement has been jointly negotiated and drafted. The language of this 2017 Project Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 and similar judicial rules of construction.

10.13 Article and Section Headings

Article and Section headings used in this 2017 Project Agreement are for reference only and shall not affect the construction of this 2017 Project Agreement.

10.14 No Third Party Beneficiaries

No third party shall be entitled to claim or enforce any rights hereunder.

10.15 Cooperating Respondent's Denial of Liability

Each of the Cooperating Respondents denies with respect to itself and its CR Affiliates any and all legal or equitable liability under any federal or state statute, regulation or common law. The Cooperating Respondents' entry into this 2017 Project Agreement and payments made hereunder shall not constitute an admission of any kind for any purposes whatsoever. This 2017 Project Agreement does not establish a joint venture, agency or partnership between the Cooperating Respondents.

10.16 Water Entity's Denial of Liability

Each of the Water Entities denies with respect to itself and its WE Affiliates any and all legal or equitable liability under any federal or state statute, regulation or common law. The Water Entities' entry into this 2017 Project Agreement, assumptions of obligations, and performance made hereunder shall not constitute an admission of any kind for any purposes whatsoever. This 2017 Project Agreement does not establish a joint venture, agency or partnership between the Water Entities.

10.17 Severability

In the event that any provision of this 2017 Project Agreement is determined by a court to be invalid, the court shall, if possible, reform the provision in a manner that is both

consistent with the intent of the Parties and legally valid. The remainder of this 2017 Project Agreement shall not be affected thereby.

10.18 Successors and Assigns Included as Parties

All covenants and agreements contained in this 2017 Project Agreement by or on behalf of any of the Parties hereto shall bind and inure to the benefit of their respective successors and permitted assigns, whether so expressed or not.

10.19 Insurance

This 2017 Project Agreement does not assign any claims or rights to recover losses (including, without limitation, defense costs) of any Cooperating Respondent against its insurers or subrogation rights to which a Cooperating Respondent's insurers may be entitled.

10.20 Organization/Authorization

Each of the Cooperating Respondents, and SGVWC, CDWC, and SWS hereby respectively represent and warrant to the others that each of them is a duly organized or constituted entity, with all requisite power to carry out its obligations under this 2017 Project Agreement, and that the execution, delivery and performance of this 2017 Project Agreement have been duly authorized by all necessary action of the board of directors or other governing body of such Party, and will not result in a violation of such Party's organizational documents. Attached as Exhibits of this 2017 Project Agreement are the Board resolutions respectively authorizing WQA (Exhibit J), VCWD (Exhibit K) and LPVCWD (Exhibit L) to enter into this 2017 Project Agreement. Watermaster shall execute this 2017 Project Agreement concurrently with all other Parties and the Court's approval of this 2017 Project Agreement pursuant to Section 10.1 shall constitute approval of Watermaster's entry into this 2017 Project Agreement.

IN WITNESS WHEREOF, this 2017 Project Agreement has been executed as of the date first set forth above.

COOPERATING RESPONDENTS:

Aerojet Rocketdyne, Inc.

By: _____

Name: _____

Title: _____

Azusa Land Reclamation Co., Inc.

By: _____

Name: _____

Title: _____

Hartwell Corporation

By: _____

Name: _____

Title: _____

Chemical Waste Management, Inc.

By: _____

Name: _____

Title: _____

Winco Enterprises Inc.

By: _____

Name: _____

Title: _____

WATER ENTITIES:

Main San Gabriel Basin Watermaster

By: _____

Name: _____

Title: _____

San Gabriel Basin Water Quality Authority

By: _____

Name: _____

Title: _____

La Puente Valley County Water District

By: _____

Name: _____

Title: _____

San Gabriel Valley Water Company

By: _____

Name: _____

Title: _____

Valley County Water District

By: _____

Name: _____

Title: _____

Suburban Water Systems

By: _____

Name: _____

Title: _____

California Domestic Water Company

By: _____

Name: _____

Title: _____