

LICENSE TO INSTALL TWO TEMPORARY PERCHLORATE BLENDING SYSTEMS AND DEMONSTRATION BLEND AGREEMENT

This License to Install two Temporary Perchlorate Blending Systems and Demonstration Blend Agreement is made this 7th day of September, 2004 by and between Lockheed Martin Corporation ("LMC") and the City of Redlands ("City").

RECITALS

WHEREAS, LMC has been investigating a plume of trichloroethylene ("TCE") and a plume of perchlorate in the Bunker Hill Basin pursuant to Cleanup and Abatement Orders Nos. 94-37, 97-58 and 01-56 issued by the Regional Water Quality Control Board; and

WHEREAS, consistent with that effort, LMC prepared a Water Supply Contingency Plan approved by the Regional Water Quality Control Board in March, 1997; and

WHEREAS, LMC's performance of the work set forth herein is intended to provide blending systems for the City's well# 39 and the Church Street well which have been impacted by perchlorate;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for such other good and valuable consideration the receipt of which is hereby acknowledged, the City and LMC agree as follows:

AGREEMENT

Section 1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.

Section 2. LMC Obligations.

A. LMC's performance of the work set forth herein is intended to provide drinking water from Redlands perchlorate impacted wells #39 and Church Street by blending well #39 with well #38 and blending the Church Street well with the "Old" Orange Street well. LMC shall design, build and install the two blending systems at no cost to the City, including DHS required static mixers. The Church/Orange blending system will be constructed and installed at the Church Street location. The 38/39 blending system will be constructed and installed on the well #39 location. LMC will pay all incremental costs associated with the operation, maintenance and monitoring of these systems.

B. With respect to the design of the systems, Lockheed Martin will: (i) submit for the City's review and approval a 30% conceptual design; (ii) incorporate the City's comments into a 100% design suitable for procurement of the systems; (iii) reimburse the City for costs incurred

for any construction performed to prepare the blending system sites; (iv) ensure that the blending systems are available for operation by September 30, 2004; (v) assist the City in obtaining the

necessary operation permit(s); and, (vi) pay City costs for operation and/or maintenance of the blending systems during the trial demonstration period, including but not limited to labor, analytical costs and electrical usage. LMC agrees to reimburse the City for all costs incurred from the items mentioned above by paying periodically issued City invoices within thirty (30) days of receipt.

C. During the trial operation of the systems, LMC will work with City operations staff to develop a Demonstration Blend Plan to verify that the blended water is in compliance with the California perchlorate Action Level ("AL") of 6 µg/L, or the Maximum Contaminant Level ("MCL") once established. If the MCL is set above the AL, the perchlorate treatment system shall only be required to satisfy the MCL including safety factors as required by the California Department of Health Services. If the AL or MCL is subsequently revised, the system shall operate, if still necessary, to satisfy the revised regulatory level when it becomes effective. Redlands shall be the owner of the perchlorate blend system.

Section 3. City Obligations The City agrees to (i) provide a parcel of land of a reasonable size at the #39 and Church Street well sites to allow the installation of the blending systems; (ii) provide access to said parcels for LMC to perform its obligations to the City for the duration of need; (iii) review and comment on LMC's submittals identified above in a timely manner; (iv) provide necessary as-built plans for wells #38, #39, Church Street and Orange Street including the system distribution piping; (v) install the 38/39 blending system pipe and static mixer; (vi) obtain the necessary operation permit(s), with LMC assistance as needed; (vii) take no action against LMC while LMC is performing within the scope of this agreement; and (viii) operate and maintain the blending systems according to the Operation and Maintenance Manual(s) and pumping well #38 and the Old Orange Street well as necessary to meet the perchlorate standard; and (ix) collect and analyze samples and provide copies of all periodic operations reports required by regulatory agencies (not less than monthly well production data, blending system specific daily flow rates, system pressure data, and all analytical data) to LMC.

Section 4. Purpose of Agreement. The purpose of this Agreement is to protect public health and to fulfill in part the requirements set forth by the Regional Water Quality Control Board. This Agreement is not an admission or acknowledgment in fact or law by LMC that it is responsible for the plume of TCE contamination, perchlorate contamination, or any other contaminants of concern in the Bunker Hill Basin, or their alleged potential adverse effects on public health or the environment.

Section 5. Defense and Indemnity Obligations.

A. LMC shall defend, indemnify and hold harmless the City and its elected officials, officers and employees from and against any and all actions, damages, losses, causes of action and liability imposed or claimed relating to the injury or death of any person, or damage to any property, including attorneys' fees and other legal expenses, arising directly or indirectly from

any negligent or intentionally wrongful act or omission of LMC in performing its obligations under this Agreement

B. The City shall defend, indemnify and hold harmless LMC and its officers, employees and agents from and against any and all actions, damages, losses, causes of action and liability imposed or claimed relating to the injury or death of any person or damage to any property, including attorneys' fees and other legal expenses, arising directly or indirectly from any negligent or intentionally wrongful act or omission of the City in performing its obligations under this Agreement.

C. Subsections 5A and 5B of this section shall not apply to any third party toxic tort claim(s) arising out of the presence of perchlorate in water purveyed by the City to the City's retail customers. Nothing in this Agreement shall limit the right of either party to this Agreement to seek, by an appropriate civil action, indemnity, whether implied or equitable, from the other in the event of a claim by a third party, including but not limited to a third party toxic tort claim, against either party to this Agreement arising out of or related to perchlorate from the Bunker Hill Basin.

Section 6. Labor Code Sections 1720 et seq. The City has informed LMC that the work performed by LMC under this Agreement may be deemed a "public work" for purposes of California Labor Code sections 1720 et seq. and LMC agrees it shall be solely responsible for determining whether such sections apply to LMC's work and shall be solely responsible for complying with all such Labor Code requirements, including the requirement for the payment of prevailing wages. LMC specifically waives any rights it may have against the City pursuant to California Labor Code section 1726.

Section 7. Attorneys' Fees. In the event any action is commenced to enforce or interpret any of the terms or conditions of this Agreement the prevailing party shall, in addition to any costs and other relief, be entitled to the recovery of its reasonable attorneys' fees.

Section 8. Entire Agreement/Amendment. This Agreement represents the entire agreement and understanding between the parties as to the specific matters contained herein, and any prior negotiations, proposals or oral agreements relating to such matters are superseded by this Agreement. Any amendment to this Agreement shall be in writing, approved by the City Council of City and signed by City and LMC.

Section 9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 10. Termination. Either party may terminate this Agreement, without cause, upon sixty (60) days' prior written notice to the other party. In the event this Agreement is terminated, LMC shall be responsible for arranging for the removal of the water treatment system following termination of this Agreement, for restoring the property to its condition prior to installation of the water treatment system to the extent reasonably practicable, and for all costs relating to the same.

Section 11. Notices. All notices herein required shall be in writing and delivered in person or sent by first class mail, postage prepaid, to the addresses as follows:

Lockheed Martin Corporation (LMC)
Kenneth H. Meashey, Vice President
6801 Rockledge Dr., MP CLE610
Bethesda, Maryland 20817

CITY OF REDLANDS
Douglas Headrick
Chief of Water Resources
PO Box 3005
Redlands, CA 92373

When so addressed, such notice shall be deemed given upon deposit in the United States mail or upon personal delivery. Changes may be made to the names and addresses of the person to whom notices are to be given by giving notice pursuant to this section.

Section 12. Assignment. This Agreement shall not be assigned without the prior written consent of the City. Any assignment or attempted assignment without such consent shall be null and void and, at the sole option of the City, may result in the immediate termination of this Agreement.

CITY OF REDLANDS



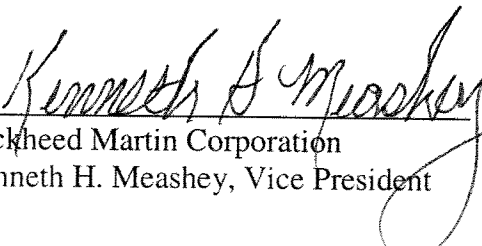
Mayor

ATTEST:



City Clerk

LOCKHEED MARTIN CORPORATION



Lockheed Martin Corporation
Kenneth H. Meashey, Vice President