

LEGEND

- WATER TABLE AQUIFER POTENTIOMETRIC SURFACE CONTOUR (DASHED WHERE INFERRED)
- GENERAL DIRECTION OF GROUNDWATER FLOW

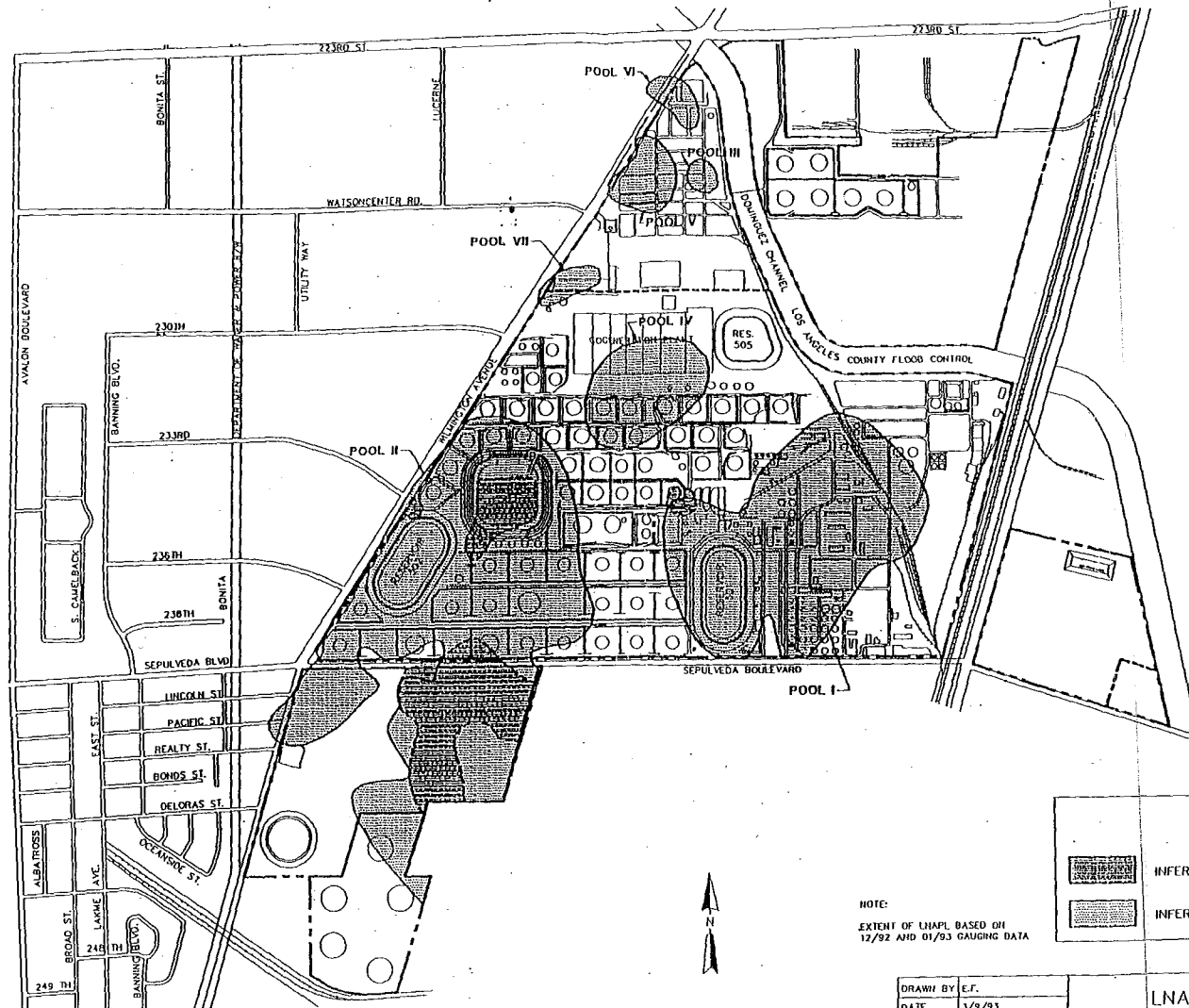
NOTE:
 POTENTIOMETRIC SURFACE DATA BASED
 ON 12/92 AND 01/93 GAUGING

DRAWN BY	L.Y.
DATE	2/25/93
CHK'D BY	D.B.
DATE	2/25/93
SCALE	NOTED
CAD FILE	1101/938015



**WATER TABLE AQUIFER
 POTENTIOMETRIC SURFACE MAP
 ARCO LOS ANGELES REFINERY**

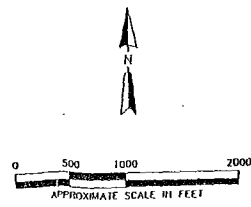
FIGURE 3



LEGEND

	INFERRED EXTENT OF PERCHED LNAPL
	INFERRED EXTENT OF WATER TABLE LNAPL

NOTE:
 EXTENT OF LNAPL BASED ON
 12/92 AND 01/93 GAUGING DATA

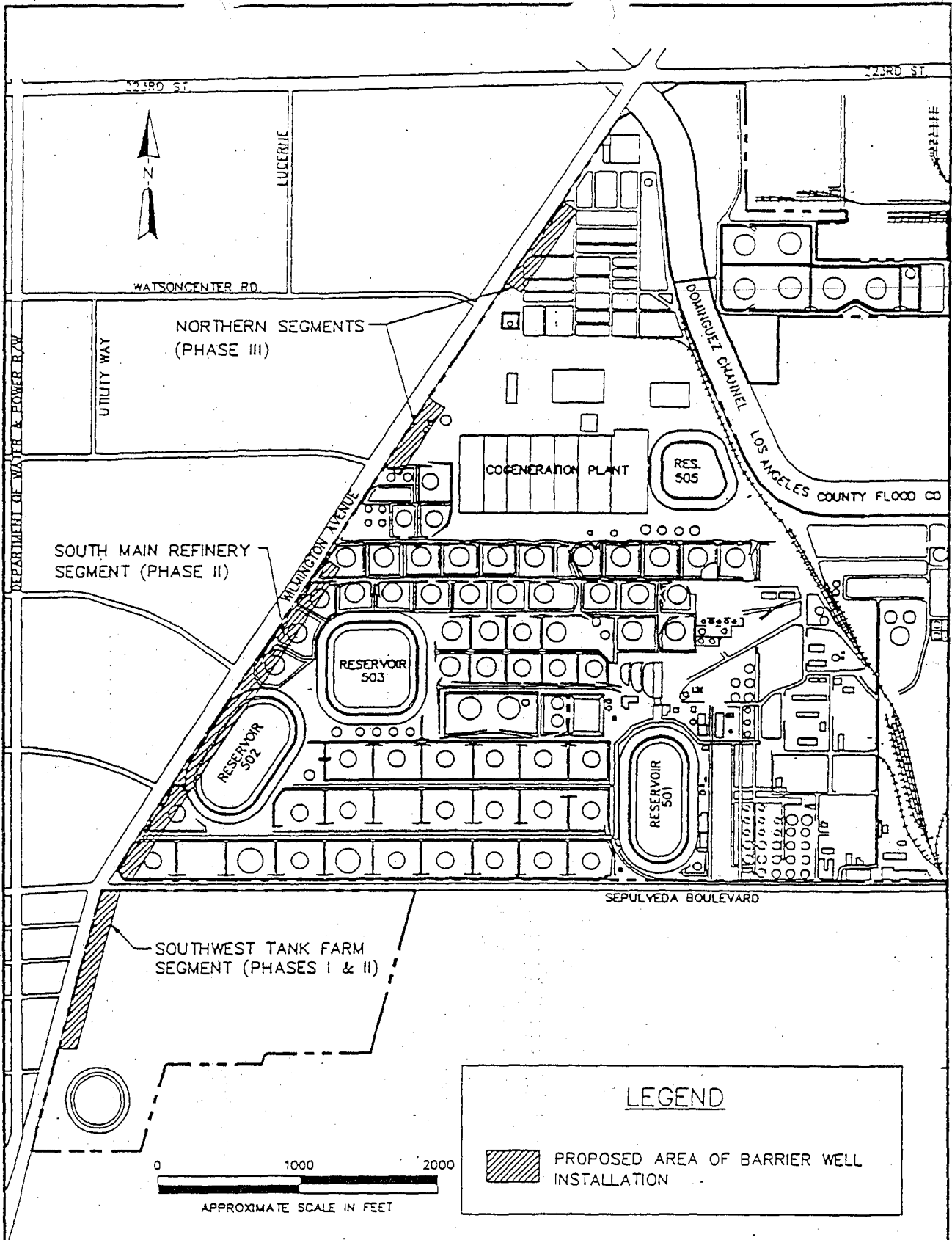


DRAWN BY:	E.F.
DATE:	3/9/93
CHK'D BY:	D.H.
DATE:	3/9/93
SCALE:	NOTED
CAD FILE:	1101/93B016

LNAPL OCCURRENCE MAP
ARCO LOS ANGELES REFINERY

FIGURE 4

REMEDIATION TECHNOLOGIES INC.



DRAWN BY	L.Y.
DATE	8/26/92
CHK'D BY	W.B.
DATE	8/26/92
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CAD FILE:	0969\92B006

BARRIER SYSTEM
RECOVERY WELL INSTALLATION AREAS
ARCO LOS ANGELES REFINERY

LEGEND

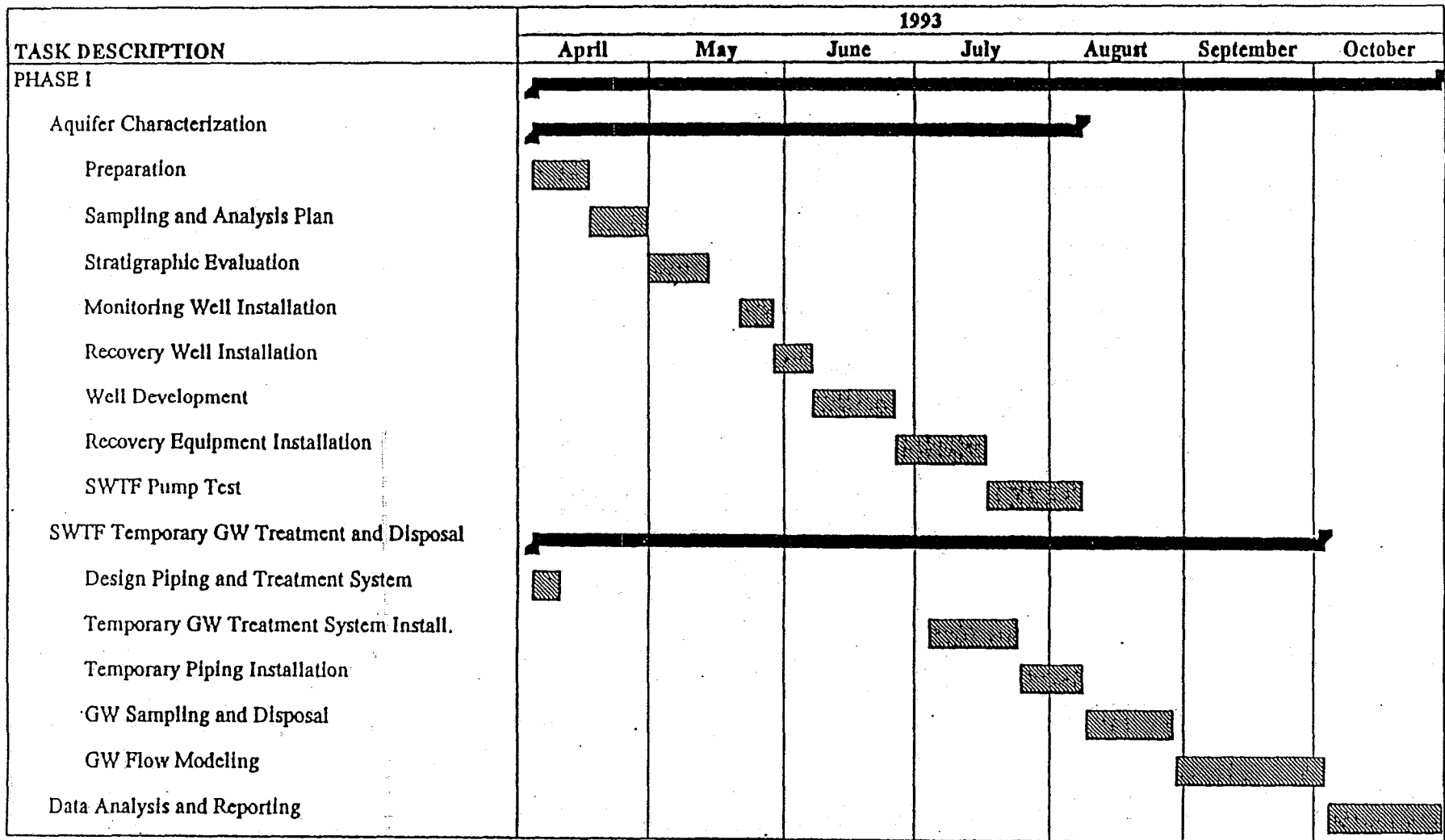
PROPOSED AREA OF BARRIER WELL INSTALLATION

RETEC

REMEDIAL
TECHNOLOGIES INC

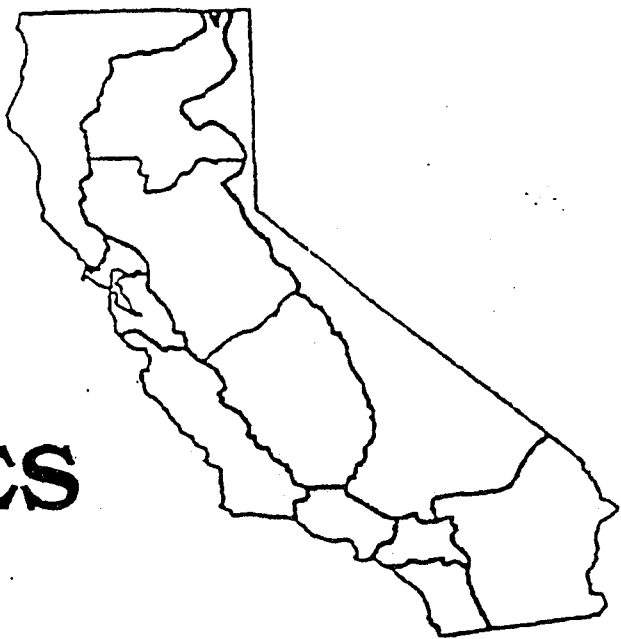

FIGURE 5

FIGURE 6
PHASE I BARRIER SYSTEM INSTALLATION SCHEDULE
ARCO LOS ANGELES REFINERY



APPENDIX A

**POLICIES AND PROCEDURES FOR INVESTIGATION AND CLEANUP
AND ABATEMENT OF DISCHARGES**



POLICIES AND PROCEDURES

**FOR INVESTIGATION AND CLEANUP AND
ABATEMENT OF DISCHARGES UNDER
WATER CODE SECTION 13304**

JUNE 1992



**STATE WATER RESOURCES CONTROL BOARD
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY**

STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 92-49

POLICIES AND PROCEDURES FOR INVESTIGATION AND
CLEANUP AND ABATEMENT OF DISCHARGES
UNDER WATER CODE SECTION 13304

WHEREAS:

1. California Water Code (WC) Section 13001 provides that it is the intent of the Legislature that the State Water Resources Control Board (State Water Board) and each Regional Water Quality Control Board (Regional Water Board) shall be the principal state agencies with primary responsibility for the coordination and control of water quality. The State and Regional Water Boards shall conform to and implement the policies of the Porter-Cologne Water Quality Control Act (Division 7, commencing with WC Section 13000) and shall coordinate their respective activities so as to achieve a unified and effective water quality control program in the state;
2. WC Section 13140 provides that the State Water Board shall formulate and adopt State Policy for Water Quality Control;
3. WC Section 13240 provides that Water Quality Control Plans shall conform to any State Policy for Water Quality Control;
4. WC Section 13304 requires that any person who has discharged or discharges waste into waters of the state in violation of any waste discharge requirement or other order or prohibition issued by a Regional Water Board or the State Water Board, or who has caused or permitted, causes or permits, or threatens to cause or permit any waste to be discharged or deposited where it is, or probably will be, discharged into the waters of the state and creates, or threatens to create, a condition of pollution or nuisance may be required to cleanup the discharge and abate the effects thereof. This section authorizes Regional Water Boards to require complete cleanup of all waste discharged and restoration of affected water to background conditions (i.e., the water quality that existed before the discharge). The term waste discharge requirements includes those which implement the National Pollutant Discharge and Elimination System Program;
5. WC Section 13307 provides that, on or before July 1, 1992, the State Water Board shall establish policies and procedures that its representatives and the representatives of the Regional Water Boards shall follow for the oversight of investigations and cleanup and abatement activities resulting from discharges of hazardous substances, including:
 - a. The procedures the State Water Board and the Regional Water Boards will follow in making decisions as to when a person may be required to undertake an investigation to determine if an unauthorized hazardous substance discharge has occurred;

- b. Policies for carrying out a phased, step-by-step investigation to determine the nature and extent of possible soil and ground water contamination or pollution at a site;
 - c. Procedures for identifying and utilizing the most cost-effective methods for detecting contamination or pollution and cleaning up or abating the effects of contamination or pollution;
 - d. Policies for determining reasonable schedules for investigation and cleanup, abatement, or other remedial action at a site. The policies shall recognize the danger to public health and the waters of the state posed by an unauthorized discharge and the need to mitigate those dangers while at the same time taking into account, to the extent possible, the resources, both financial and technical, available to the person responsible for the discharge;
6. "Waters of the state" include both ground water and surface water;
 7. Regardless of the type of discharge, procedures and policies applicable to investigations, cleanup, and abatement activities are similar. It is in the best interest of the people of the state for the State Water Board to provide consistent guidance for Regional Water Boards to apply to investigation, cleanup, and abatement;
 8. WC Section 13260 requires any person discharging or proposing to discharge waste that could affect waters of the state, or proposing to change the character, location, or volume of a discharge to file a report with and receive requirements from the Regional Water Board;
 9. WC Section 13267 provides that the Regional Water Board may require dischargers subject to waste discharge requirements to furnish those technical or monitoring reports as the Regional Water Board may specify, provided that the burden, including costs, of these reports, shall bear a reasonable relationship to the need for the reports and the benefits to be obtained from the reports;
 10. WC Section 13300 states that the Regional Water Board may require a discharger to submit a time schedule of specific actions the discharger shall take in order to correct or prevent a violation of requirements prescribed by the Regional Water Board or the State Water Board;
 11. California Health and Safety Code (HSC) Section 25356.1 requires the Department of Toxic Substances Control (DTSC) or, if appropriate, the Regional Water Board to prepare or approve remedial action plans for sites where hazardous substances were released to the environment if the sites have been listed pursuant to HSC Section 25356 (state "Superfund" priority list for cleanup of sites);
 12. Coordination with the U.S. Environmental Protection Agency (USEPA), state agencies within the California Environmental Protection Agency (Cal/EPA) (e.g., DTSC, Air Resources Control Board), air pollution

control districts, local environmental health agencies, and other responsible federal, state, and local agencies: (1) promotes effective protection of water quality, human health, and the environment and (2) is in the best interest of the people of the state. The principles of coordination are embodied in many statutes, regulations, and interagency memoranda of understanding (MOU) or agreement which affect the State and Regional Boards and these agencies;

13. Under Executive Order D-55-86, DTSC and State Water Board entered into an MOU dated August 1, 1990 which specifies each agency's responsibilities in hazardous waste site cleanup;
14. In order to clean up and abate the effects of a discharge or threat of a discharge, a discharger may be required to perform an investigation to define the nature and extent of the discharge or threatened discharge and to develop appropriate cleanup and abatement measures;
15. Investigations that were not properly planned have resulted in increases in overall costs and, in some cases, environmental damage. Overall costs have increased when original corrective actions were later found to have had no positive effect or to have exacerbated the pollution. Environmental damage may increase when a poorly conceived investigation or cleanup and abatement program allows pollutants to spread to previously unaffected waters of the state;
16. A phased approach to site investigation should facilitate adequate delineation of the nature and extent of the pollution, and may reduce overall costs and environmental damage, because: (1) investigations inherently build on information previously gained; (2) often data are dependent on seasonal and other temporal variations; and (3) adverse consequences of greater cost or increased environmental damage can result from improperly planned investigations and the lack of consultation and coordination with the Regional Water Board. However, there are circumstances under which a phased, iterative approach may not be necessary to protect water quality, and there are other circumstances under which phases may need to be compressed or combined to expedite cleanup and abatement;
17. Preparation of written workplans prior to initiation of significant elements or phases of investigation, cleanup, and abatement generally saves Regional Water Board and discharger resources. Results are superior, and the overall cost-effectiveness is enhanced;
18. Discharger reliance on qualified professionals promotes proper planning, implementation, and long-term cost-effectiveness of investigation, cleanup, and abatement activities. Professionals should be qualified, licensed where applicable, and competent and proficient in the fields pertinent to the required activities. California Business and Professions Code Sections 6735, 7835, and 7835.1 require that engineering and geologic evaluations and judgements be performed by or under the direction of registered professionals;

19. WC Section 13360 prohibits the Regional Water Boards from specifying, but not from suggesting, methods that a discharger may use to achieve compliance with requirements or orders. It is the responsibility of the discharger to propose methods for Regional Water Board review and concurrence to achieve compliance with requirements or orders;
20. The USEPA, California state agencies, the American Society for Testing and Materials, and similar organizations have developed or identified methods successful in particular applications. Reliance on established, appropriate methods can reduce costs of investigation, cleanup, and abatement;
21. The basis for Regional Water Board decisions regarding investigation, cleanup, and abatement includes: (1) site-specific characteristics; (2) applicable state and federal statutes and regulations; (3) applicable water quality control plans adopted by the State Water Board and Regional Water Boards, including beneficial uses, water quality objectives, and implementation plans; (4) State Water Board and Regional Water Board policies, including State Water Board Resolutions 68-16 (Statement of Policy with Respect to Maintaining High Quality of Waters in California) and 88-63 (Sources of Drinking Water); and (5) relevant standards, criteria, and advisories adopted by other state and federal agencies;
22. State Water Board regulations governing discharges of waste to land (California Code of Regulations (CCR), Title 23, Division 3, Chapter 15), require that cleanup and abatement actions intended to contain wastes at the place of release are to implement the applicable provisions of that Chapter, to the extent feasible (23 CCR 2511(d)). Also Article 5 of that Chapter prescribes a methodology for establishing cleanup standards (23 CCR 2550.4) and undertaking corrective actions where discharges to a waste management unit have resulted in discharges subject to WC Section 13304;
23. State Water Board regulations governing site investigation and corrective action at underground storage tank unauthorized release sites are found in 23 CCR Division 3, Chapter 16, in particular Article 11 commencing with Section 2720;
24. It is the responsibility of the Regional Water Board to make decisions regarding cleanup and abatement goals and objectives for the protection of water quality and the beneficial uses of waters of the state within each Region;
25. Investigations and cleanup and abatement activities usually contain five basic elements:
 - a. Preliminary site assessment (to confirm the discharge and the identity of the dischargers; to identify affected or threatened waters of the state and their beneficial uses; and to develop preliminary information on the nature, and vertical and horizontal extent, of the discharge);

- b. Soil and water investigation (to determine the source, nature and extent of the discharge with sufficient detail to provide the basis for decisions regarding subsequent cleanup and abatement actions, if any are determined by the Regional Water Board to be necessary);
 - c. Proposal and selection of cleanup action (to evaluate feasible and effective cleanup and abatement actions, and to develop preferred cleanup and abatement alternatives);
 - d. Implementation of cleanup action (to implement the selected alternative, and to monitor in order to verify progress);
 - e. Monitoring (to confirm short- and long-term effectiveness of cleanup and abatement);
26. Cleanup and abatement alternatives that entail discharge of residual wastes to waters of the state, discharges to regulated waste management units, or leaving wastes in place, create additional regulatory constraints and long-term liability, which must be considered in any evaluation of cost-effectiveness;
27. Regional Water Boards may impose more stringent requirements as needed to protect water quality and to reflect regional and site-specific conditions.

THEREFORE BE IT RESOLVED:

These policies and procedures apply to all investigations and cleanup and abatement activities of all types of discharges subject to Section 13304 of the Water Code.

- I. The Regional Water Board shall implement the following procedures in making decisions as to when a person may be required to undertake an investigation related to a discharge or threat of a discharge subject to WC Section 13304. The Regional Water Board shall:
 - A. Use any relevant evidence, whether direct or circumstantial, in order to establish the existence of a discharge or threatened discharge or the source of a discharge. Any such determination must be supported by substantial evidence. There must be sufficient evidence to support the action of the Regional Water Board. Sources of evidence may include, but are not limited to, the following:
 1. Documentation of historical or current activities, waste characteristics, chemical use, storage or disposal information, as documented by public records, responses to questionnaires, or other sources of information;
 2. Site characteristics and location in relation to other potential sources of a discharge;

3. Hydrologic and hydrogeologic information, such as differences in upgradient and downgradient water quality;
 4. Industry-wide operational practices that have historically led to discharges, such as leakage of pollutants from wastewater collection and conveyance systems, sumps, storage tanks, landfills, and clarifiers;
 5. Evidence of poor management of materials or wastes, such as improper storage practices or inability to reconcile inventories;
 6. In conjunction with other evidence, lack of documentation of responsible management of materials or wastes, such as lack of manifests or lack of documentation of proper disposal;
 7. Physical evidence, such as analytical data, soil or pavement staining, distressed vegetation, or unusual odor or appearance;
 8. Reports and complaints;
 9. Other agencies' records of possible or known discharge; and
 10. In conjunction with other evidence, refusal or failure to respond to Regional Water Board inquiries;
- B. Make a reasonable effort to identify the dischargers associated with the discharge. It is not necessary to identify all dischargers for the Regional Water Board to proceed with requirements for a discharger to investigate and cleanup;
 - C. Require one or more persons identified as a discharger associated with a discharge or threatened discharge subject to WC Section 13304 to undertake an investigation, based on findings of IA and IB above;
 - D. Notify appropriate federal, state, and local agencies regarding discharges subject to WC Section 13304 and coordinate with these agencies on investigation, cleanup, and abatement activities.
- II. The Regional Water Board shall apply the following policies in overseeing: (a) investigations to determine the nature and horizontal and vertical extent of a discharge and (b) appropriate cleanup and abatement measures.
- A. The Regional Water Board shall:
 1. Routinely require the discharger to conduct a phased, step-by-step investigation and cleanup. However, certain circumstances may require a flexible application of this approach, for example:

- a. Emergency situations involving acute pollution or contamination affecting present uses of waters of the state;
- b. Imminent threat of pollution;
- c. Protracted investigations resulting in unreasonable delay of cleanup and abatement; or
- d. Discharges of limited extent which can be effectively investigated and cleaned up within a short time;

Any or all elements of phased investigation may proceed concurrently, rather than sequentially, in order to expedite cleanup and abatement of a discharge, provided that overall cleanup goals and objectives are not compromised. For example, interim cleanup and abatement actions, such as source removal, may begin before investigations are complete;

2. Require the discharger to extend the investigation and cleanup and abatement to any location affected by the discharge or threatened discharge. The Regional Water Board has the authority to require uncooperative landowners and tenants of property affected by the discharge to cooperate or, if necessary, to participate in investigation, cleanup, and abatement;
3. Require the discharger to submit written workplans for elements and phases of the investigation, cleanup, and abatement, whenever practicable;
4. Review and concur with adequate workplans prior to initiation of investigations, to the extent practicable. The Regional Water Board may give verbal concurrence for investigations to proceed, with written follow-up. An adequate workplan should include or reference, at least, a comprehensive description of proposed investigative, cleanup, and abatement activities, a sampling and analysis plan, a quality assurance project plan, a health and safety plan, and a commitment to implement the workplan;
5. Require the discharger to submit reports on results of all phases of investigations and cleanup and abatement actions, regardless of degree of oversight by the Regional Water Board;
6. Require the discharger to provide documentation that plans and reports are prepared by professionals qualified to prepare such reports, and that each component of investigative and cleanup and abatement actions is conducted under the direction of appropriately qualified professionals.

A statement of qualifications of the responsible lead professionals shall be included in all plans and reports submitted by the discharger;

7. Prescribe cleanup levels which are consistent with appropriate levels set by the Regional Water Board for analogous discharges that involve similar wastes, site characteristics, and water quality considerations;
 - B. The Regional Water Board may identify investigative and cleanup and abatement activities that the discharger could undertake without Regional Water Board oversight, provided that these investigations and cleanup and abatement activities shall be consistent with the policies and procedures established herein;
- III. The Regional Water Board shall implement the following procedures to ensure that dischargers shall have the opportunity to select cost-effective methods for detecting discharges or threatened discharges and methods for cleaning up or abating the effects thereof. The Regional Water Board shall:
- A. Concur with any investigative and cleanup and abatement proposal which the discharger demonstrates and the Regional Board finds to have a substantial likelihood to achieve compliance, within a reasonable time frame, with cleanup goals and objectives that implement the applicable Water Quality Control Plans and Policies adopted by the State Water Board and Regional Water Boards, and which implement permanent cleanup and abatement solutions which do not require ongoing maintenance, wherever feasible;
 - B. Consider whether the burden, including costs, of reports required of the discharger during the investigation and cleanup and abatement of a discharge bears a reasonable relationship to the need for the reports and the benefits to be obtained from the reports;
 - C. Require the discharger to consider the effectiveness, feasibility, and relative costs of applicable alternative methods for investigation, cleanup, and abatement. Such comparison may rely on previous analysis of analogous sites, and shall include supporting rationale for the selected methods;
 - D. Ensure that the discharger is aware of and considers techniques which provide a cost-effective basis for initial assessment of a discharge.
 1. The following techniques may be applicable:
 - a. Use of available current and historical photographs and site records to focus investigative activities on locations and wastes or materials handled at the site;
 - b. Soil gas surveys;

- c. Shallow geophysical surveys;
- d. Remote sensing techniques;
- 2. The above techniques are in addition to the standard site assessment techniques, which include:
 - a. Inventory and sampling and analysis of materials or wastes;
 - b. Sampling and analysis of surface water;
 - c. Sampling and analysis of sediment and aquatic biota;
 - d. Sampling and analysis of ground water;
 - e. Sampling and analysis of soil and soil pore moisture;
 - f. Hydrogeologic investigation;
- E. Ensure that the discharger is aware of and considers the following cleanup and abatement methods or combinations thereof, to the extent that they may be applicable to the discharge or threat thereof:
 - 1. Source removal and/or isolation;
 - 2. In-place treatment of soil or water:
 - a. Bioremediation;
 - b. Aeration;
 - c. Fixation;
 - 3. Excavation or extraction of soil, water, or gas for on-site or off-site treatment by the following techniques:
 - a. Bioremediation;
 - b. Thermal destruction;
 - c. Aeration;
 - d. Sorption;
 - e. Precipitation, flocculation, and sedimentation;
 - f. Filtration;
 - g. Fixation;

h. Evaporation;

4. Excavation or extraction of soil, water, or gas for appropriate recycling, re-use, or disposal;

F. Require actions for cleanup and abatement to:

1. Conform to the provisions of Resolution 68-16 of the State Water Board, and the Water Quality Control Plans of the State and Regional Water Boards, provided that under no circumstances shall these provisions be interpreted to require cleanup to levels that are more stringent than background; and

2. Implement the applicable provisions of Chapter 15, Division 3, Title 23, California Code of Regulations, to the extent feasible;

G. Ensure that dischargers are required to cleanup and abate the effects of discharges in a manner that promotes attainment of background water quality, or the highest water quality which is reasonable if background levels of water quality cannot be restored, considering all demands being made and to be made on those waters and the total values involved, beneficial and detrimental, economic and social, tangible and intangible; any alternative cleanup levels less stringent than background shall:

1. be consistent with maximum benefit to the people of the state;

2. not unreasonably affect present and anticipated beneficial use of such water; and

3. not result in water quality less than that prescribed in the Water Quality Control Plans and Policies adopted by the State and Regional Water Boards.

IV. The Regional Water Board shall determine schedules for investigation, cleanup, and abatement, taking into account the following factors:

A. The degree of threat or impact of the discharge on water quality and beneficial uses;


B. The obligation to achieve timely compliance with cleanup and abatement goals and objectives that implement the applicable Water Quality Control Plans and Policies adopted by the State Water Board and Regional Water Boards;

C. The financial and technical resources available to the discharger; and

- D. Minimizing the likelihood of imposing a burden on the people of the state with the expense of cleanup and abatement, where feasible.
- V. The State and Regional Water Boards shall develop an expedited technical conflict resolution process so when disagreements occur, a prompt appeal and resolution of the conflict is accomplished.

CERTIFICATION

The undersigned, Administrative Assistant to the Board, does hereby certify that the foregoing is full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on June 18, 1992.



Maureen Marché
Administrative Assistant to the Board

CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARDS

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(805) 549-3147

LOS ANGELES REGION (4)

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Monterey Park, CA 91754-2156
(213) 266-7500

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(916) 361-5600

Fresno Branch Office

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COLORADO RIVER BASIN REGION (7)

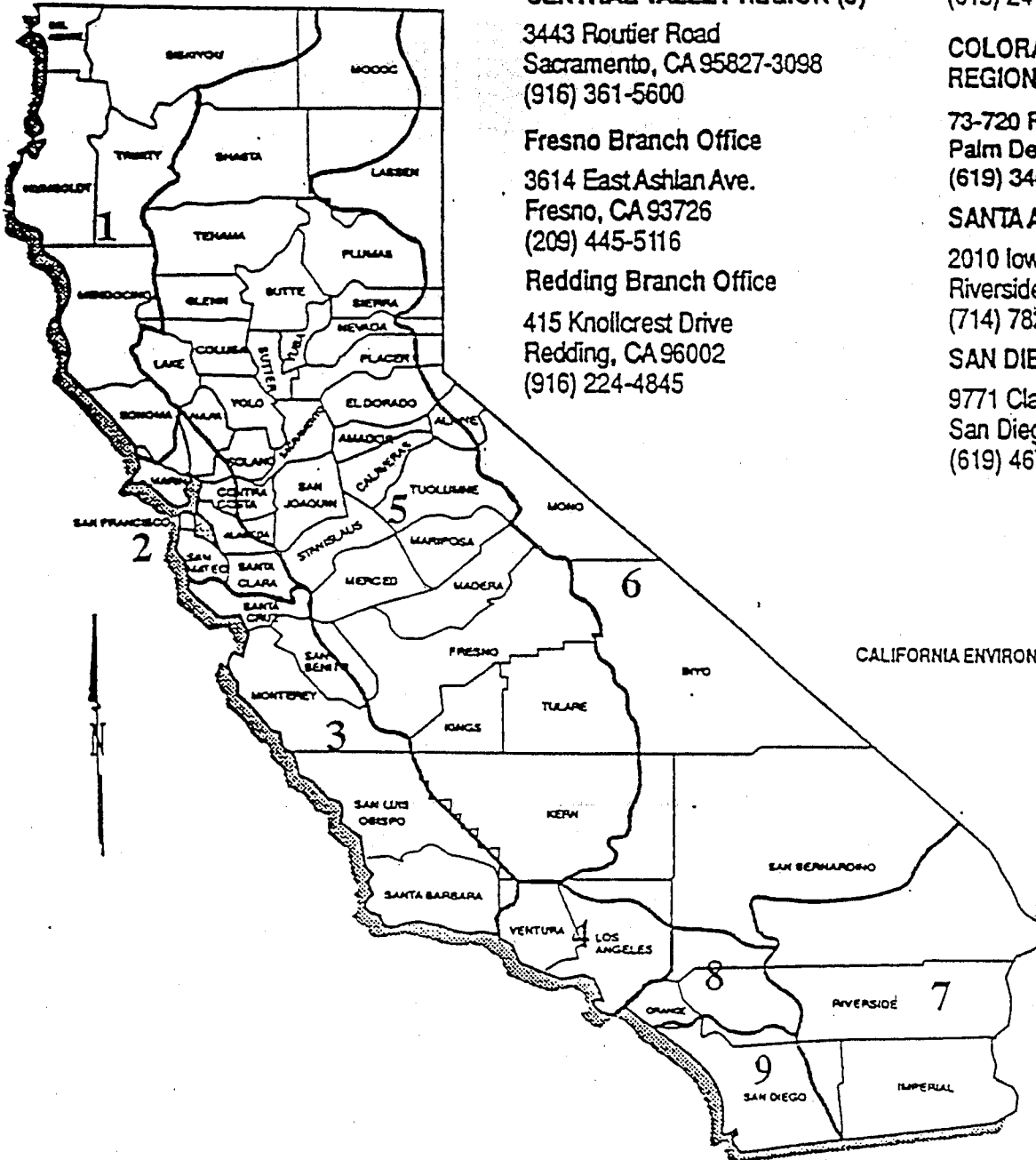
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STATE OF CALIFORNIA
Pete Wilson, Governor

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
James M. Strock, Secretary

PROOF OF SERVICE

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 550 North Brand Boulevard, Suite 2100, Glendale, California 91203.

On December 19, 1996, I served the foregoing document described as **FIRST AMENDED COMPLAINT OF THE WATSON LAND COMPANY FOR: (1) PERMANENT TRESPASS; (2) CONTINUING TRESPASS; (3) PERMANENT PRIVATE NUISANCE; (4) PERMANENT PUBLIC NUISANCE; (5) CONTINUING PRIVATE NUISANCE; (6) CONTINUING PUBLIC NUISANCE; (7) FRAUD (CONCEALMENT); (8) FRAUD (MISREPRESENTATION); (9) EQUITABLE INDEMNITY; (10) UNJUST ENRICHMENT; AND (11) DECLARATORY RELIEF** on the parties having appeared in this action

XX by placing the original XX a true copy thereof enclosed in a sealed envelope addressed as follows:

PLEASE SEE ATTACHED LIST

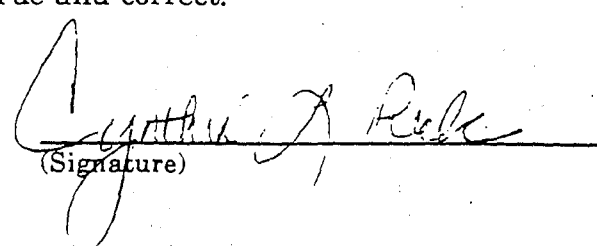
XX BY MAIL:

As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. postal service on that same day with postage thereon fully prepaid at 550 North Brand Boulevard, Glendale, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

Executed on December 19, 1996, at Glendale, California.

XX (State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Cynthia L. Peck
(Type or Print Name)


(Signature)

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Remediation Capital Corporation

SETTLEMENT AGREEMENT
AND RELEASE OF CERTAIN CLAIMS

BY AND BETWEEN
WATSON LAND COMPANY,
BP AMERICA INC.,
AND
ATLANTIC RICHFIELD COMPANY

EFFECTIVE
NOVEMBER 1, 2000

EXHIBIT C

3204-1

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LIST OF EXHIBITS

- Exhibit 1 Legal Description of the Atlantic Richfield Refinery Property
- Exhibit 2 Map of the WICS Property
- Exhibit 3 Legal Description of the DWP Pipeline Corridor
- Exhibit 4 Legal Description of the Eastern Pipeline Corridor
- Exhibit 5 Legal Description of the Utility Way Pipeline Corridor
- Exhibit 6 Legal Description of the WICS Property
- Exhibit 7 Jury Instruction
- Exhibit 8 Map of the Three WICS Property Environmental Cleanup Areas
- Exhibit 9 Memorandum of Agreement

SETTLEMENT AGREEMENT AND RELEASE OF CERTAIN CLAIMS

THIS AGREEMENT, effective as of November 1, 2000, is by and between WATSON LAND COMPANY, a California corporation ("Watson"), on the one hand, and BP AMERICA INC., a Delaware corporation ("BP"), and its subsidiary ATLANTIC RICHFIELD COMPANY, a Delaware corporation ("Atlantic Richfield"), on the other hand (when necessary to differentiate between them, this Agreement separately references BP or Atlantic Richfield; BP and Atlantic Richfield are collectively referred to in this Agreement as "ARCO," a term that is separately defined in Paragraph 1.4, and all references to "ARCO" throughout this Agreement shall include both BP and Atlantic Richfield, although "ARCO" is referenced in the singular), and sets forth the terms and conditions under which Watson and ARCO propose to settle as between themselves, and not with respect to any other defendants, a lawsuit brought by Watson against Atlantic Richfield and other defendants. Watson and ARCO do not intend by this Agreement to release any claims that they or any of them have or may have against any other named defendant in said lawsuit. Watson and ARCO do intend as a part of this Agreement to establish a "qualified settlement fund" as defined in Treasury Regulations section 1.468B-1. Accordingly, ARCO and Watson have agreed to seek an order from the court determining that the terms and conditions of the settlement set forth in this Agreement constitute a good-faith settlement under the provisions of Code of Civil Procedure section 877.6, and further agree that an order from the court

making such a determination, or in the alternative, an order determining that the provisions of said section 877.6 are inapplicable to the settlement set forth in this Agreement, is a condition precedent for the settlement set forth in this Agreement to be effective between them. Similarly, Watson and ARCO have agreed to seek an order from the Court under which the Court will retain certain jurisdiction over the "qualified settlement fund" as provided in this Agreement in order to satisfy the requirements of Treasury Regulations section 1.468B-1, and further agree that such an order is a condition precedent for the settlement set forth in this Agreement to be effective between them.

RECITALS

A. Watson is in the business of developing and operating commercial/industrial properties and is the largest developer of master-planned commercial/industrial centers in Southern California. Among its various properties, Watson owns a master-planned commercial/industrial park in the City of Carson consisting of approximately 350 acres which is referred to as the Watson Industrial Center South or the "WICS Property" (a term that is more particularly defined in Paragraph 1.32).

B. The WICS Property is a fully developed commercial/industrial park consisting of over 50 separate land parcels or legal lots, virtually all of which have been improved with buildings that are leased by Watson to various tenants for periods of time specified in the leases between such tenant and Watson. As a result of the number of buildings and the size of the WICS Property, Watson is essentially

leasing properties continuously as one tenant or another moves out and another moves in under the provisions of a newly-negotiated lease with Watson. Watson believes that because of the quality and location of the WICS Property and the history and business reputation of Watson, it is generally able to attract what are considered by Watson to be high quality "credit" tenants (i.e., financially strong and reputable companies).

C. The land and improvements constituting the WICS Property are often used by Watson as collateral for the various loans which Watson regularly secures as part of its normal business operations, which loans constitute an important part of Watson's capital structure.

D. The WICS Property is located immediately across Wilmington Avenue and west of the "Atlantic Richfield Refinery Property" (a term that is more particularly defined in Paragraph 1.3).

E. There are two major pipeline corridors which run within or in the immediate vicinity of the WICS Property, one of which is commonly referred to as the "Utility Way Pipeline Corridor" (a term that is more particularly defined in Paragraph 1.28), and the other of which is commonly called the "DWP Pipeline Corridor" (a term that is more particularly defined in Paragraph 1.7). Although the DWP Pipeline Corridor divides the WICS Property, it is a strip of land that is not owned by Watson and thus is not a part of the WICS Property. There is also one smaller abandoned pipeline corridor running through the WICS Property that is commonly referred to as the "Eastern Pipeline Corridor" (a term more particularly

defined in Paragraph 1.8), as well as pipelines which run along the eastern and southern boundaries of the WICS Property. Shell Oil Company or "Shell Oil" (a term more particularly defined in Paragraph 1.25) has pipelines which Shell Oil currently uses within the Utility Way Pipeline Corridor and within the DWP Pipeline Corridor running through the WICS Property, and Shell Oil has historically operated other pipelines in the Utility Way Pipeline Corridor and the Eastern Pipeline Corridor. GATX Tank Storage Terminals Corporation or "GATX" (a term more particularly defined in Paragraph 1.16) currently operates a pipeline in the DWP Pipeline Corridor. ARCO and Shell Oil also have pipelines which run along the eastern and/or southern boundaries of the WICS Property.

F. By the mid-1990s, as more and more environmental regulations were enacted and environmental concerns became increasingly more significant, prospective tenants and lenders of Watson began to conduct limited environmental investigations of various lots comprising portions of the WICS Property (i.e., environmental studies which include site inspections and record review, and which may include the taking and testing of soil and groundwater samples to assess the environmental condition of the property prior to consummating a loan or lease transaction). As a result of one such investigation undertaken in 1995, a prospective tenant of Watson discovered the existence of petroleum hydrocarbon contamination in soil and groundwater beneath an interior lot comprising a part of the WICS Property. That discovery ultimately led Watson to commission and

undertake the expanded investigation of the WICS Property which is described below.

G. In August 1990, the Los Angeles Regional Water Quality Control Board issued a Cleanup And Abatement Order requiring Atlantic Richfield to, among other things, assess and begin remediation of certain petroleum contamination in the groundwater under the WICS Property and under the Atlantic Richfield Refinery Property. In December 1990, Atlantic Richfield and Watson entered into a Temporary License Agreement whereby Atlantic Richfield installed groundwater monitoring wells on the WICS Property and agreed to share data from the wells with Watson. ARCO has informed Watson that from 1990 to the present, Atlantic Richfield has spent millions of dollars investigating and remediating petroleum contamination under the direction and supervision of the Los Angeles Regional Water Quality Control Board. Among other things, the activities undertaken by Atlantic Richfield have included the development of programs to ascertain the sources of contamination under the WICS Property and the Atlantic Richfield Refinery Property, the delineation of the extent of certain contamination beneath the Atlantic Richfield Refinery Property and the WICS Property, sampling and analysis of groundwater and free product beneath the Atlantic Richfield Refinery Property and the WICS Property, evaluation of the remediation plans developed by Atlantic Richfield, development and implementation of revised remediation plans, development of programs to detect and prevent future releases of contamination, development of a computer groundwater model to characterize

and predict the fate and transport of contaminants in the subsurface, and the development of a program to remove contaminated soil and to remediate contaminated groundwater. From 1990 to the present, Atlantic Richfield has been preparing and filing with the Los Angeles Regional Water Quality Control Board bi-annual progress reports, entitled Refinery Subsurface Cleanup Progress Reports, concerning its environmental activities undertaken pursuant to said order of the Los Angeles Regional Water Quality Control Board. In addition, and also under the supervision of the Los Angeles Regional Water Quality Control Board, Atlantic Richfield designed and constructed a subsurface hydraulic barrier system between the WICS Property and the Atlantic Richfield Refinery Property. The purpose of the barrier system is to prevent any potential migration of contamination from the Atlantic Richfield Refinery Property to or under the WICS Property. The barrier system also extracts contaminated groundwater from beneath the Atlantic Richfield Refinery Property and from beneath a portion of the WICS Property and removes the contaminants from the extracted groundwater. Atlantic Richfield began operation of this barrier system in 1996.

H. In May of 1996, Watson initiated a lawsuit in the Los Angeles Superior Court, styled *Watson Land Company v. Atlantic Richfield Company, et. al.*, Case Number BC 150161, against ARCO, Shell Oil, GATX and various other defendants, seeking to recover damages arising out of the soil and groundwater contamination which had been identified on and within the WICS Property, including without limitation cleanup costs, which lawsuit is referred to in this

Agreement as the "Watson Lawsuit." The contamination complained of in the Watson Lawsuit essentially consists of various petroleum hydrocarbon products and miscellaneous non-petroleum compounds that Watson contends are additives to some of those products.

I. Through extended environmental assessment work and discovery in the Watson Lawsuit, Watson ultimately dismissed and/or entered into tolling agreements with certain of the defendants originally named in the Watson Lawsuit, such that the defendants who remain in the Watson Lawsuit as of November 1, 2000 are Atlantic Richfield, Shell Oil and GATX. Various cross-defendants named by Atlantic Richfield have likewise been dismissed and/or the claims against those cross-defendants tolled, such that the only cross-claims which currently remain in the Watson Lawsuit are those of Atlantic Richfield against Watson, Shell Oil, GATX, Mobil Oil Corporation and Mobil Pipe Line Company.

J. Watson has alleged a number of different causes of action against the defendants in the Watson Lawsuit including, among others, trespass and nuisance against all defendants and breach of contract and fraud against Atlantic Richfield. Watson seeks to recover all damages to which it is entitled at law, including but not limited to the cost to remediate and remove the contamination from the WICS Property. The cost to remediate and remove all of the contamination identified on the WICS Property remains to be finally calculated by Watson's experts and will be affected by the remediation method and the volume,

type and concentration of the contaminants; however, based upon all currently available information the cost to remediate all of the soil and groundwater contamination currently known to exist under the WICS Property is expected by Watson to exceed \$40 Million.

K. Watson has spent in excess of \$850,000 through November 1, 2000 in order to assess the extent of the environmental contamination on the WICS Property. Watson has conducted a variety of different tests on the subsurface of the WICS Property, including soil sampling, gas sampling, a second specialized form of gas sampling known as "down-hole flux" sampling, groundwater sampling and product typing. Atlantic Richfield has conducted groundwater and product sampling on the WICS Property and has conducted extensive groundwater testing and product typing on the Atlantic Richfield Refinery Property, including locations immediately east of the WICS Property. GATX has conducted separate soil sampling, groundwater sampling and product typing on the DWP Pipeline Corridor and on portions of the WICS Property abutting the DWP Pipeline Corridor. As a result of all of the various assessment work, Watson has identified several areas of contamination in the soil and groundwater beneath the WICS Property, each of which Watson believes has been caused by one or more of the defendants currently remaining in the Watson Lawsuit.

L. Watson has identified an area, or plume, running immediately east of and along Wilmington Avenue in which deep soils and groundwater have been contaminated by petroleum hydrocarbon fractions and other miscellaneous

compounds. Watson contends that a substantial portion of this contamination emanates from the Atlantic Richfield Refinery Property. Watson believes that a substantial portion of the contamination of the deep soils and groundwater in this particular area has been caused by Atlantic Richfield. Atlantic Richfield disputes this characterization.

M. Watson has identified three large plumes of contaminated soil and groundwater under and surrounding the Utility Way Pipeline Corridor and/or the DWP Pipeline Corridor and impacting the WICS Property in which contamination extends from the pipelines all the way down and into groundwater. These plumes consist primarily of gasoline and related additives. Watson and ARCO contend that Shell Oil is the only pipeline company to have transported these products through the pipelines in the Utility Way Pipeline Corridor, which Shell Oil pipelines overlay a substantial portion of these particular impacted plume areas. Watson and ARCO attribute these gasoline and related additives contamination impacts to Shell Oil. Watson and ARCO have also identified other locations on the WICS Property in the vicinity of the Shell Oil pipelines in the Eastern Pipeline Corridor (extending north from Wilmington Avenue), in Sepulveda Boulevard, in the DWP Pipeline Corridor and in Wilmington Avenue which indicates to Watson the presence of contamination emanating from Shell Oil pipelines. Watson attributes this contamination to Shell Oil based upon the location of its pipelines, the surface to groundwater impacts beneath those pipelines, the petroleum products which Shell Oil has admittedly run through those pipelines and the matching

composition of the contamination in the soil and groundwater below those pipelines to the petroleum products Shell Oil was transporting.

N. Watson has identified a plume of jet fuel in the soil and groundwater under and surrounding the DWP Pipeline Corridor which extends from the pipelines to groundwater. In 1995, GATX, which has transported jet fuel through its pipeline in the DWP Pipeline Corridor, reported a release of jet fuel to the Los Angeles Regional Water Quality Control Board within the area of the jet fuel plume on the WICS Property. Watson and ARCO attribute this plume to GATX.

O. Extensive discovery has been taken in the Watson Lawsuit and extensive evidence has been developed. While the evidence demonstrates contamination on, within and under the WICS Property, no evidence has been uncovered that in any way suggests that Atlantic Richfield, Shell Oil and GATX, or any combination of them, have (i) in any way caused the same contamination of the WICS Property, or (ii) acted in concert with one another respecting any contamination currently known to exist on the WICS Property, or (iii) were in any way responsible for each other with respect to any of the releases of petroleum hydrocarbons and related additives that now exist on and within the WICS Property. Thus, all of the available evidence known to Watson and ARCO demonstrates that to the extent Atlantic Richfield, Shell Oil and GATX are each responsible in any way for any of the contamination now existing on and within the

WICS Property, Atlantic Richfield, Shell Oil and GATX are each successive or concurrent tortfeasors with respect to each other, as opposed to joint tortfeasors.

P. There are various identified plumes of contamination on the WICS Property that include areas in which the environmental testing and other evidence indicates to Watson that the contamination present in that area of the plume or the entire plume can only be attributed solely to one of the defendants in the Watson Lawsuit. However, there are several identified plumes or areas within a plume that exist on the WICS Property where the environmental testing and other evidence indicates to Watson that the contamination present within the plume or the area of the plume in question came from discharges caused by more than one of the defendants in the Watson Lawsuit, and that said discharges have migrated such that the discharges of contamination of the defendants are now overlapping or commingled. Because the composition of each of the identified contaminant plumes attributed to each defendant is sufficiently distinct from that attributed to the other defendants, in these commingled areas the respective impacts of the contamination caused by the defendants can be allocated by experts based upon the type and concentration of contaminants present in the soil and groundwater. Similarly, Watson can allocate the assessment costs which it has incurred and will incur among the defendants in the Watson Lawsuit based upon the type and content of the contamination assessed. As a result, at trial in the Watson Lawsuit, Watson will ask the jury to award to Watson against each

defendant only those damages which, based on the evidence presented, the jury allocates to that defendant (i.e., the judgment sought will be several, not joint).

Q. Watson learned more about the contamination on the WICS Property as Watson proceeded with its assessment work and received and analyzed the various assessments undertaken by some of the defendants in the Watson Lawsuit. In accordance with its legal responsibilities, the information which Watson learned was disclosed by Watson and will continue to be disclosed by Watson to Watson's prospective tenants and lenders. As a result, various of Watson's tenants and lenders have required that Watson execute indemnities in favor of them under which Watson has agreed to hold them harmless from consequences resulting from the presence of the contamination on and within the WICS Property, including, for example, any cleanup obligations that might be imposed by governmental agencies or private parties, any third-party claims for personal injury, death or damage to property which might be asserted because of the contamination, and business interruption and relocation expenses that might be incurred in the event of on-site remediation activities. Watson contends that each of these indemnities was required for Watson to obtain its financing or to lease one or more of the individual lots comprising the WICS Property to a particular tenant, and each such transaction would not have been consummated without the required indemnification by Watson.

R. Watson has been involved in settlement discussions with ARCO, Shell Oil and GATX to varying degrees for nearly three years. Of those discussions,

the vast majority have been between Watson and ARCO. Over that three-year period, Watson and ARCO have held multiple settlement discussions on their own involving representatives of each company, their respective legal counsel and their respective environmental experts. The Honorable Daniel Weinstein, Retired, conducted an extensive mediation lasting for approximately one and one half years, and which involved primarily Atlantic Richfield but also included Shell Oil and GATX at the beginning. During the later stages of the mediation, Michael Kavanaugh, an independent environmental expert, was retained to assist Judge Weinstein.

S. In about March 2000, Judge Weinstein contacted Watson and Atlantic Richfield to advise that he did not think the parties would be able to reach a settlement absent a global settlement among all of the parties. One of the primary obstacles to a non-global settlement was that of the so-called "empty chair" (i.e., Watson was concerned that it not settle with one defendant only to discover at trial that the jury would allocate a greater share of the liability to the settling defendant than the settling defendant assumed responsibility for in its settlement with Watson, thereby leaving Watson with the liability and financial responsibility for an unrecoverable loss for contamination on the WICS Property caused by one or more of the defendants). Watson's principle objective in settling is to be made whole with respect to all of the damages, costs and liability resulting from the presence of the contamination on and within the WICS Property collectively caused by the defendants in the Watson Lawsuit. Watson was concerned with the potential

“empty chair” liability it might incur for the costs to remediate and clean up such contamination within the WICS Property, to respond to governmental cleanup requirements and to defend against and satisfy any potential third-party claims.

~~Watson also wanted relief from the various indemnities which it has already had to~~ provide to its lenders and various of its tenants as a result of the contamination on and within the WICS Property, the indemnities respecting such contamination which Watson believes it will undoubtedly have to provide in the future, assurances that the WICS Property can continue to serve as collateral for Watson's various loans, and assurances that future construction activities on the WICS Property will not be prevented or made more costly as a result of the contamination caused by the defendants in the Watson Lawsuit. In addition, Watson has been disinclined to accept any settlement proposal which would result in either an ongoing obligation to clean up the WICS Property or a joint indemnity obligation in favor of Watson from two or more of the defendants in the Watson Lawsuit, as that would place Watson in the position of having traded one litigation now for the potential of multiple future lawsuits later to resolve disputes over which defendant should be obligated to perform. Neither Watson nor ARCO were willing to release any of the other defendants in the Watson Lawsuit from liability for any contamination they caused to exist on and within the WICS Property, and both Watson and ARCO expected that if a settlement were achieved between them, each one of the other remaining defendants would continue to be responsible for its share of liability for the contamination it caused on the WICS Property. Finally, Watson was unwilling

to enter into a settlement with one defendant if that settlement would in any way prejudice Watson's rights at trial with respect to any other defendant in the Watson Lawsuit.

T. Despite the fact that proceedings before Judge Weinstein were terminated, ARCO and Watson continued settlement discussions over the last several months without supervision by Judge Weinstein.

U. Subject to Court approval, Watson and ARCO have agreed upon a settlement as set forth in this Agreement. That agreed upon settlement is the result of extended and extensive settlement negotiations, both with and without Judge Weinstein, and reflects the efforts of Watson and ARCO to accommodate each of the objectives and concerns of the other. Because this agreed upon settlement was difficult to structure and is predicated upon the fundamental agreement that no other defendant in the Watson Lawsuit be released or in any way relieved of its liability for the contamination on and within the WICS Property which that defendant caused, it is material to both Watson and ARCO that the settlement between Watson and ARCO as set forth in this Agreement be of no force and effect whatsoever unless and until the Court first determines that: (1) the settlement will not affect any setoff against the liability of or release any of the remaining defendants in the Watson Lawsuit; (2) the settlement qualifies as a good-faith settlement under section 877.6 of the California Code of Civil Procedure or need not qualify because liability is several and not joint; (3) in the event Watson should call any of the ARCO witnesses to testify at trial, the proposed jury instruction attached

as Exhibit 7 to this Agreement will be used and will satisfy the disclosure obligations inherent in section 877.5 of the California Code of Civil Procedure; and (4) Watson may proceed at trial against any remaining defendants in the Watson Lawsuit seeking from the jury only that liability attributed by the jury to each such remaining defendant. Subject to and upon the court reaching each of these determinations and agreeing to retain certain continuing jurisdiction over the "qualified settlement fund" to be established by this Agreement, Watson and ARCO have agreed that their settlement shall be effective with respect to the WICS Property and the Watson Lawsuit on the terms, provisions, covenants and conditions set forth in this Agreement.

NOW, THEREFORE, Watson, BP and Atlantic Richfield agree as set forth below.

1. DEFINITIONS. The following terms when used in this Agreement or in the Exhibits to this Agreement with initial capitalized letters or all capitalized letters, as applicable, shall have the meaning set forth below in this Section 1. The definitions are equally applicable to both the singular and plural forms of the term defined.

1.1 Affiliate. "Affiliate" shall mean, as to any specified Person (defined in Paragraph 1.22), any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For purposes of this definition, "control," "controlled by," and "under control with" with respect to any Person shall mean the

1.11 Environmental Contamination. "Environmental Contamination" shall mean all petroleum hydrocarbons, petroleum hydrocarbon fractions, petroleum hydrocarbon products and all other chemicals or chemical compounds and the like that are not native to the soil and/or groundwater on, under or within the WICS Property (i.e., Environmental Contamination does not include elements and substances that occur naturally in soil and groundwater on and within the WICS Property, such as, for example, such naturally occurring dissolved solid substances in the water table aquifer).

1.12 Environmental Facilities. "Environmental Facilities" shall have the meaning provided in Paragraph 24.4.

1.13 Environmental Law. "Environmental Law" shall mean any Law (defined in Paragraph 1.17) that has as its purpose or one of its significant purposes the protection of health and safety and/or the environment.

1.14 Exigent Circumstances Arbitration. "Exigent Circumstances Arbitration" shall have the meaning provided in Paragraph 25.1.

1.15 Force Majeure Event. "Force Majeure Event" shall have the meaning provided in Section 29.

1.16 GATX. "GATX" means GATX Tank Storage Terminals Corporation and any Affiliate of GATX Tank Storage Terminals Corporation that may be responsible in any way for any Environmental Contamination existing on the WICS Property as of the Effective Date, or for the ownership, use, maintenance, operation, management and/or liability associated with any pipeline or other facility

1.28 Utility Way Pipeline Corridor. "Utility Way Pipeline Corridor" means the specific portion of the WICS Property that is covered by and subject to a pipeline easement held by Shell Oil as of the Effective Date, the legal description of which is set forth in the Legal Description of the Utility Way Pipeline Corridor attached to this Agreement as Exhibit 5. The location of the Utility Way Pipeline Corridor is shown the Map of the WICS Property attached to this Agreement as Exhibit 2.

1.29 Watson Lawsuit. "Watson Lawsuit" shall have the meaning provided in Recital H.

1.30 Watson Released Claims. "Watson Released Claims" shall have the meaning provided in Section 3.

1.31 WICS Lot. "WICS Lot" shall mean any individual legal lot that comprises a part of the WICS Property (defined in Paragraph 1.32).

1.32 WICS Property. The "WICS Property" is comprised of a number of separate or individual legal lots that are commonly referred to as the Watson Industrial Center South or "WICS," as shown on the Map of the WICS Property attached to this Agreement as Exhibit 2. The legal description of the WICS Property describing the property shown in the map which is Exhibit 2 is set forth on the Legal Description of the WICS Property which will be attached to this Agreement as Exhibit 6. Generally, the WICS Property consists of a number of contiguous legal lots and connecting streets, approximately one third of which lie west of the DWP Pipeline Corridor, and approximately two thirds of which lie east

of the DWP Pipeline Corridor. In other words, all of the WICS Property would be contiguous but for the DWP Pipeline Corridor which divides the WICS Property into two large parts, each containing a number of separate legal lots and streets. Unless otherwise expressly indicated to the contrary, a reference to the WICS Property in this Agreement is a reference to both the WICS Property in its entirety and each individual lot comprising any part or portion of the WICS Property.

1.33 WICS Property Environmental Cleanup Fund. "WICS Property Environmental Cleanup Fund" shall have the meaning provided in Section 17.

1.34 WICS Property Environmental Cleanup Fund Administrator. WICS Property Environmental Cleanup Fund Administrator shall have the meaning provided in Section 17.

1.35 1990 Agreement. "1990 Agreement" shall have the meaning provided in Paragraph 24.1.

2. PERFORMANCE OF OBLIGATIONS; ENFORCEMENT OF RIGHTS. Unless otherwise expressly stated to the contrary in this Agreement, the obligations of ARCO under this Agreement may be performed by either Atlantic Richfield or BP, as Atlantic Richfield and BP may elect between themselves at any time, and from time to time, and full performance of any such obligation by either Atlantic Richfield or BP shall be deemed to satisfy that obligation of ARCO. Similarly, Watson may elect to enforce its rights and/or pursue any claims relating to this Agreement and the performance of this Agreement solely against BP, or

timely obtained as required by Section 7, Watson shall file a Notice of Dismissal dismissing its complaint against Atlantic Richfield in the Watson Lawsuit with prejudice, and Atlantic Richfield will file a Notice of Dismissal dismissing its cross-complaint against Watson in the Watson Lawsuit with prejudice. ARCO shall have the right, at its sole election, to remain in the Watson Lawsuit as a Cross-Complainant with respect to its various cross-claims against other defendants.

13. ARCO PAYMENT TO WATSON. Within ten (10) Business Days after the order or last order from the Court that is necessary to fully satisfy all of the conditions precedent for the settlement set forth in this Agreement to be effective has been timely obtained as required by Section 7, ARCO shall pay or cause to be paid to Watson in United States currency the sum of One Million Five Hundred Thousand Dollars (\$1,500,000) in immediately available funds by wire transfer to the account of Watson. ARCO shall deliver written notice to Watson setting forth the date upon which ARCO has timely scheduled said wire transfer of funds to occur at least five (5) Business Days prior to the scheduled wire transfer date. Watson shall deliver written notice to ARCO specifying the identity of the Watson account, the identity of the bank personnel to be notified by ARCO in advance of consummating the wire transfer and any other reasonable instructions required to effectuate said wire transfer at least two (2) Business Days prior to the scheduled wire transfer date. The payment by ARCO to Watson under this

Section 13 is in settlement and partial satisfaction of the damages which Watson attributes to ARCO only.

14. WATSON PURSUIT OF WATSON LAWSUIT CLAIMS.

Watson shall exercise good faith in continuing to diligently pursue each of its claims against all of the other defendants remaining in the Watson Lawsuit (i.e., all of the defendants other than Atlantic Richfield). Watson agrees that it will seek to recover from each defendant only that several share of damages that Watson attributes to that defendant as may ultimately be awarded by a court or jury, and Watson shall not seek to hold any defendant jointly liable with any other defendant or otherwise seek to hold any defendant liable for more than its individual several share of liability, all for the purpose of eliminating any potential claim for contribution or indemnity by any defendant against ARCO and any claim for any offset or credit against any judgment which Watson might obtain against such defendant with respect to any Environmental Contamination existing as of the Effective Date on or within the WICS Property. Any cash recovery that would otherwise be obtained directly by Watson from any such defendant respecting Watson's claims in the Watson Lawsuit, whether by settlement that becomes final and binding on the parties to that settlement after the commencement of trial in the Watson Lawsuit, or as a result of a final judgment in the Watson Lawsuit, shall be a part of the WICS Property Environmental Cleanup Fund as provided in Section 17 and shall be paid, handled, maintained and distributed in accordance with the provisions of Sections 17 and 18. Watson shall have the right to settle said

claims with any such defendant other than Shell Oil under any terms deemed reasonable and appropriate to Watson under the circumstances existing at the time of the settlement, including a settlement under which that defendant undertakes remediation of Environmental Contamination on the WICS Property in complete or partial satisfaction of Watson's claims in the Watson Lawsuit against that defendant; provided, however, that absent the prior written consent of ARCO, any such settlement shall be subject to the requirement that the Court must first approve the proposed settlement under the provisions of California Code of Civil Procedure section 877. As to Shell Oil, Watson shall have the right to settle said claims with Shell Oil under any terms deemed reasonable and appropriate to Watson under the circumstances existing at the time of the settlement; provided, however, that absent the prior written consent of ARCO, any settlement with Shell Oil of Watson's claims in the Watson Lawsuit shall be for cash only, and shall be subject to the requirement that the Court must first approve the proposed settlement under the provisions of California Code of Civil Procedure section 877 unless Shell Oil is the last remaining defendant in the Watson Lawsuit at the time of that settlement. From and after the Effective Date, Watson shall periodically advise ARCO of the status of any settlement discussions with any other defendant in the Watson Lawsuit whenever Watson reasonably determines that material progress has been made with respect to any such settlement, and shall deliver to ARCO a copy of any proposed settlement which Watson is prepared to accept in advance of executing the same. The failure by Watson to supply any such

information to ARCO shall not constitute a material breach of this Agreement; however, as soon as Watson becomes aware of any such failure to provide notice, Watson shall promptly deliver to ARCO all information required under this Section 14. From and after the Effective Date and upon reasonable request by ARCO, Watson shall meet with ARCO to discuss the status or progress of any settlement discussions with any other defendants, including any terms of settlement which may then be under consideration. In the event that Watson should settle with any defendant under terms which require that defendant undertake remediation of Environmental Contamination on the WICS Property in complete or partial satisfaction of Watson's claims in the Watson Lawsuit against that defendant (as is anticipated with respect to GATX), Watson shall promptly complete the assignment of rights required under Section 20, shall otherwise diligently pursue the enforcement of any remaining contract rights of Watson with respect to such remediation and shall provide ARCO with information concerning such remediation, including any assessment or testing associated with such remediation, in accordance with the provisions of Paragraph 24.10.

15. FUNDING OF WATSON LAWSUIT LITIGATION COSTS AND EXPENSES SUBSEQUENT TO EFFECTIVE DATE. After the order or last order from the Court that is necessary to fully satisfy all of the conditions precedent for the settlement set forth in this Agreement to be effective has been timely obtained as required by Section 7, ARCO shall be obligated to reimburse Watson for fifty percent (50%) of all of the litigation costs and expenses actually incurred by Watson

for Watson to pursue the claims of Watson in the Watson Lawsuit from and after the Effective Date. Litigation costs and expenses incurred by Watson to pursue the claims of Watson in the Watson Lawsuit shall consist of any and all costs and expenses which are actually incurred by Watson to pursue settlement (including this settlement) of and prosecute and/or defend against any claim or assertion arising in the Watson Lawsuit through to final settlement and/or to final judgment (i.e., through all appeals and petitions for review), and the collection of any settlement or judgment, including: attorney's fees; paralegal fees; expert fees; environmental assessment or testing conducted in connection with any claims in the Watson Lawsuit; transcript fees; court reporter fees; videographer fees; transcript and video tape charges; meals, lodging and transportation costs incurred by counsel or its employees, or payable to any witnesses, in each case in connection with discovery, trial and any appeal; trial exhibit costs; jury fees; witness fees; court costs; messenger fees; shipping charges; parking fees; copying charges and telephone charges. Compensation and salaries of Watson employees, and administrative fees and overhead fees of Watson shall not be reimbursable. Watson shall prepare and deliver written statements to ARCO describing such litigation costs and expenses in reasonable detail from time to time, but in no event more often than once in any calendar month or less often than once during any three consecutive calendar months, with each such statement setting forth the litigation costs and expenses actually incurred by Watson subsequent to the date of the last statement. Each such statement shall be accompanied with a copy of the invoice(s)

for which reimbursement is sought, or such other back up documentation as may be available to substantiate the amount due; provided, however, that nothing in this Section 15 shall obligate Watson to provide unredacted statements to the extent they contain information protected from disclosure by the attorney-client privilege and/or the attorney work product doctrine. ARCO shall pay Watson for ARCO's 50% share of such litigation costs and expenses within forty-five (45) days after ARCO receives each such statement from Watson. Payment shall be made by check delivered to Watson, with late payments bearing interest at the Reference Interest Rate until paid. In the event that ARCO, acting reasonably and in good faith, shall dispute any portion of any such statement, ARCO shall pay the portion of the statement which ARCO does not dispute within the required 45-day period, and shall also deliver written notice to Watson within sixty (60) days from and after the date ARCO receives such statement specifying in reasonable detail the particular respects in which ARCO disputes the statement. Absent a subsequent showing of fraud by or on behalf of ARCO in connection with a particular statement submitted by Watson to ARCO for payment pursuant to this Section 15, the failure of ARCO to deliver written notice specifying the particular respects in which ARCO disputes the statement within said 60-day period shall result in a conclusive presumption that ARCO does not have a legitimate basis for disputing the statement. Should ARCO timely deliver written notice specifying dispute(s) with respect to any statement, Watson and ARCO will promptly confer with each other in an effort to resolve the disputes identified in ARCO's written notice. If Watson and ARCO are unable to

resolve all such identified disputes within thirty (30) days after Watson's receipt of ARCO's written notice specifying the dispute(s), then either Party may have the dispute(s) resolved by arbitration conducted pursuant to Section 25 if, and only if the arbitration is commenced within two (2) years from and after the date of delivery by ARCO to Watson of written notice specifying the respect(s) in which ARCO disputes the statement. If arbitration is not commenced within said 2-year period, it shall be conclusively presumed that the disputes to the statement raised in ARCO's written notice were well taken, and that ARCO is not obligated to pay the disputed portion of that statement. If it is determined by failure of ARCO to timely deliver written notice disputing the statement, by mutual agreement or by arbitration that any portion of any disputed statement is due to Watson, ARCO shall promptly pay the amount due to Watson plus interest thereon at the Reference Interest Rate from the date payment was due (i.e., 45 days after ARCO received the statement) until paid in full. It is the intent of the Parties that ARCO pay for its 50% share of the actual costs paid by Watson to prosecute the Watson Lawsuit. Accordingly, if Watson negotiates and obtains a reduction of any bill or receives a rebate or other consideration in connection with any bill paid by Watson in connection with the prosecution of the Watson Lawsuit, a 50% share of the reduction, rebate or the equivalent cash value of any such other consideration shall be passed through by Watson to ARCO, either by cash payment or by way of credit reflected on the next statement for reimbursement of litigation costs submitted by Watson to ARCO following the date of receipt of such rebate or other consideration

or the date of confirmation of the reduction of any bill for which ARCO had previously been charged its 50% share, whichever is applicable. Nothing in this Section 15 shall be construed to limit or modify in any way any right of Watson to recover its litigation costs and expenses in connection with the Watson Lawsuit incurred prior to the Effective Date from the WICS Property Environmental Cleanup Fund pursuant to Paragraph 18.1.

16. WATSON COUNSEL LIMITED ATTORNEY/CLIENT RELATIONSHIP WITH ARCO. After the order or last order of the Court that is necessary to fully satisfy all of the conditions precedent for the settlement set forth in this Agreement to be effective has been timely obtained as required by Section 7, Bright and Brown shall undertake, jointly and in connection with its representation of Watson in the Watson Lawsuit, the limited legal representation of ARCO in connection with legal matters pertaining to the claims and issues presented in the Watson Lawsuit under those terms, conditions, waivers and limitations set forth in that certain letter to Watson and ARCO from Bright and Brown dated February 20, 2001 (the "Limited Joint Representation Letter"). It is material to ARCO to establish such limited joint attorney/client relationship with Bright and Brown in connection with the Watson Lawsuit to protect the confidentiality of communications between ARCO and Bright and Brown respecting issues involved in the Watson Lawsuit and to ensure that Bright and Brown will not undertake any legal representation of any Third Party against ARCO with respect to any claims relating to any Environmental Contamination emanating from or migrating

procedures set forth in Section 25. In the event any arbitration should occur which in any way includes a determination upon the rights and obligations respecting such limited joint representation of ARCO, including a determination concerning the right of Watson to obtain, or continue to obtain, legal representation from Bright and Brown directly against and contrary to the interests of ARCO in connection with any arbitration under this Agreement, or to interpret or enforce the terms, conditions, waivers or limitations contained in the Limited Joint Representation Letter, regardless of whether other issues are also included in such arbitration, the matter shall be deemed for purposes of such arbitration to be a Long Cause Arbitration. To the extent that legal services are provided directly to ARCO by Bright and Brown in connection with such limited joint representation, charges for such services shall be included within the bills sent to Watson with respect to litigation costs and expenses associated with the Watson Lawsuit and shall be paid by Watson and reimbursed by ARCO as set forth in Section 15.

17. ESTABLISHMENT, USE AND MAINTENANCE OF WICS PROPERTY ENVIRONMENTAL CLEANUP FUND. The money payable at any time and from time to time on or after the Effective Date from any defendant in the Watson Lawsuit other than Atlantic Richfield on account of any of Watson's claims in the Watson Lawsuit, exclusive of any such money Watson receives from GATX in connection with any settlement with GATX that is final and binding on both Watson and GATX prior to the commencement of the trial of the Watson Lawsuit, shall constitute the "WICS Property Environmental Cleanup Fund" to be paid and

held and maintained, used and distributed only as provided in this Section 17 and Section 18. The WICS Property Environmental Cleanup Fund shall be a trust fund placed in a separate interest-bearing account established at a reputable financial institution with offices in Los Angeles, California, with such reputable financial institution serving as trustee responsible for administering the WICS Property Environmental Cleanup Fund in the manner provided in this Agreement (the "WICS Property Environmental Cleanup Fund Administrator"). Approval from the Court retaining jurisdiction over the WICS Property Environmental Cleanup Fund shall be required before any financial institution may serve as the WICS Property Environmental Cleanup Fund Administrator. Promptly following the execution of this Agreement by all Parties, Watson and ARCO shall attempt to agree upon and select a proposed WICS Property Environmental Cleanup Fund Administrator for approval by the Court. If Watson and ARCO are unable to agree within ten (10) Business Days from and after the date this Agreement is signed by the last of the Parties to sign it, then ARCO shall promptly (i.e., as soon as reasonably possible after the order or the last order from the Court that is necessary to fully satisfy all of the conditions precedent for the settlement set forth in this Agreement to be effective has been timely obtained as required by Section 7) apply by noticed motion to the Court retaining jurisdiction over the WICS Property Environmental Cleanup Fund for the appointment of a reputable financial institution with offices in Los Angeles, California to serve as the WICS Property Environmental Cleanup Fund Administrator. If Watson and ARCO are able to agree upon a proposed WICS

Property Environmental Cleanup Fund Administrator within said 10-Business Day period, or upon appointment of the WICS Property Environmental Cleanup Fund Administrator by the Court if Watson and ARCO are unable to agree, Watson and ARCO shall promptly and diligently proceed to establish a trust account with such reputable financial institution pursuant to a written trust agreement and related written instructions for the administration of the WICS Property Environmental Cleanup Fund in a manner that is fully consistent with all of the provisions of this Agreement, including provisions covering the following subjects: (1) the circumstances under which the WICS Property Environmental Cleanup Fund Administrator may release money from the WICS Property Environmental Cleanup Fund, including the method of payment of any fees or charges related to the administration of that fund, the method of releasing money from that fund and the particulars of delivery of the money released from time to time from that fund; (2) the preparation of income tax returns for the trust as required by Law and the preparation of statements to be issued by the WICS Property Environmental Cleanup Fund Administrator and delivered to Watson, ARCO and the Court retaining jurisdiction over the WICS Property Environmental Cleanup Fund at regular intervals setting forth the account balance respecting the WICS Property Environmental Cleanup Fund, including disbursements made from that fund and any interest or other income earned on that fund during the reporting period in question; and (3) such other terms and conditions as may be reasonably required in order to establish, maintain and distribute moneys from the WICS Property

Environmental Cleanup Fund consistent with this Agreement, including terms and conditions reasonably required by the proposed or appointed WICS Property Environmental Cleanup Fund Administrator, as applicable. Approval of the trust agreement and related written instructions from the Court retaining jurisdiction over the WICS Property Environmental Cleanup Fund shall also be required before any money constituting any part of the WICS Property Environmental Cleanup Fund shall be deposited into any trust account established with the WICS Property Environmental Cleanup Fund Administrator or the proposed WICS Property Environmental Cleanup Fund Administrator. Once the proposed WICS Property Environmental Cleanup Fund Administrator has been agreed upon by Watson and ARCO or upon the appointment of the WICS Property Environmental Cleanup Fund Administrator by the Court, Watson and ARCO shall promptly and diligently negotiate and consummate with the applicable reputable financial institution the trust agreement and related written instructions satisfying the requirements set forth above in this Section 17 and thereafter promptly seek the approval of the same from the Court retaining jurisdiction over the WICS Property Environmental Cleanup Fund, and shall also seek the approval of the reputable financial institution proposed by Watson and ARCO to serve as the WICS Property Environmental Cleanup Fund Administrator in the event Watson and ARCO have timely reached agreement on the selection of such proposed administrator and avoided the need for the administrator to be appointed by the Court. If approval from the Court is not obtained, Watson and ARCO will promptly and diligently

work to cure any deficiencies identified by the Court as the reason(s) for its refusal to approve the signed trust agreement and related written instructions and/or the reputable financial institution proposed by Watson and ARCO to serve as the WICS Property Environmental Cleanup Fund Administrator, as applicable, to the end that Watson and ARCO will have a WICS Property Environmental Cleanup Fund Administrator and a signed trust agreement and related written instructions consistent with the provisions of this Agreement approved by the Court as soon as possible, and in any event prior to any payment by any defendant in the Watson Lawsuit that constitutes all or any part of the WICS Property Environmental Cleanup Fund. Once the WICS Property Environmental Cleanup Fund Administrator and the trust agreement and related written instructions have been approved by an order from the Court retaining jurisdiction over the WICS Property Environmental Cleanup Fund, if either Watson or ARCO or both of them thereafter become dissatisfied with the administration of the WICS Property Environmental Cleanup Fund by said WICS Property Environmental Cleanup Fund Administrator for any reason, an application may be made to said Court seeking the appointment of a replacement WICS Property Environmental Cleanup Fund Administrator and approval of a trust agreement and related written instructions applicable to such replacement WICS Property Environmental Cleanup Fund Administrator; the same criteria that is to be used in appointing or approving the initial WICS Property Environmental Cleanup Fund Administrator and approving the trust agreement and related written instructions shall be used in the approval of any replacement