

SETTLEMENT AGREEMENT - SCE AND COUNTY

THIS SETTLEMENT AGREEMENT (herein referred to as "Settlement Agreement" or "Agreement") is entered into by and between SOUTHERN CALIFORNIA EDISON COMPANY ("SCE"), and the COUNTY OF SANTA BARBARA ("County") (collectively "Parties"), to be effective the 21st day of March, 2002 (the "Effective Date").

RECITALS

WHEREAS, in accordance with the terms set forth herein, the purpose of this Settlement Agreement is to resolve all claims for damages arising out of the manufactured gas plant ("MGP") operations of SCE's predecessor companies, and the remediation thereof, on the site of the Santa Barbara Historical Society ("Society") Museum at 136 East De la Guerra Street, 118 East De la Guerra Street and 713 Santa Barbara Street and other adjoining properties in Santa Barbara as shown on the attached map, Exhibit "A" (the "Site"), portions of which are owned either by the Society or by the County; and

WHEREAS, SCE and Society entered into that certain Settlement Agreement effective September 29, 2000, regarding the Site for the purpose of resolving all Society claims for damages arising out of MGP operations of SCE's predecessor companies and the remediation thereof (the "Society Agreement"); and

WHEREAS, the Department of Toxic Substances Control ("DTSC") approved the Remedial Action Plan ("RAP") for the Site on September 29, 2000; and

WHEREAS, the purpose for SCE in entering into this Agreement is to expedite the implementation and completion of the Site remediation (defined below);

WHEREAS, for purposes of this Agreement the phrases "remediation", "Site remediation", "remediation effort", "remediation activities", "remediation work", and/or "remediation project" shall mean environmental assessment, characterization, monitoring, removal, corrective and/or remedial actions or compliance efforts, construction, excavation, installations and removals, testing, and any and all actions necessary to implement and carry out the RAP;

WHEREAS, SCE and County each desire to resolve all County claims for damages arising out of MGP operations of SCE's predecessor companies and the remediation thereof.

Accordingly, in consideration of the obligations, terms and conditions stated herein, the Parties agree, as follows:

A. Payment to Society on Behalf of County.

SCE shall pay to the Society a total payment of Three Hundred Thousand Dollars (\$300,000) for Property Loss Claims (as defined in Section D.2(b) below) on behalf of the

Society and the County, which amount shall be allocated between Society and County in accordance with their separate agreement.

SCE will deliver the payment described herein to the Society as follows. Three Hundred Thousand Dollars (\$300,000) shall be paid to the Society on behalf of the County and the Society within thirty (30) days of the date of recording of the Deed Restrictions by the Society and the County as described in Section E.1 below. This payment of Three Hundred Thousand Dollars (\$300,000) shall, until paid by SCE, accrue interest annually from September 29, 2000, at the Federal funds rate applicable as of December 31st of the preceding year.

B. Work Activities

1. Investigation and Remediation of Site.

SCE shall undertake and complete the remediation project in accordance with the RAP approved by DTSC and with the commitments made to Society in the Society Agreement, provided, however, that except as specifically identified in the Society Agreement or this Agreement, it is not intended that County obtains any enforceable rights thereby. The work will be completed when DTSC issues to SCE a "no further action" letter or other written certification or documentation as provided for by DTSC guidelines or regulations indicating that SCE has implemented the RAP to the satisfaction of the DTSC.

2. Indemnity of County.

(a) Third Parties. SCE agrees to investigate claims and to defend, indemnify and hold harmless County, its officers, agents, and employees from and against any and all third party claims to the extent they arise from SCE activities (and those of its contractors) related to the former MGP activities and remediation of the Site, except to the extent that County is already compensated for such claims by this Agreement. SCE agrees to investigate claims and to defend, indemnify and hold harmless the County, its officers, agents, and employees, from and against any and all loss, damage, liability, claims, demands, and causes of action of whatsoever character which County may be subjected to on account of loss of or damage to property of third parties or loss of use thereof or for bodily injury to or death of any person (including but not limited to, officers, employees, subcontractors, agents and invitees of County) to the extent such arise from SCE's activities (and those of its contractors) related to the former MGP activities and remediation of the Site, except to the extent that County is already compensated for such claims by this Agreement.

(b) County. SCE agrees to investigate claims and to defend, indemnify and hold harmless the County, its officers, agents, and employees, from and against any and all loss, damage, liability, claims, demands, and causes of action of whatsoever character which County may be subjected to on account of loss of or damage to property or loss of use of property (defined below) to the extent such arise from SCE's activities (and those of its contractors) in the course of the remediation of the Site for former MGP activities, except to the extent that County is already compensated for such claims by this Agreement. For the purpose of this Section., the

phrase "loss of use of property" shall mean only loss of use arising from physical damage to structures and/or personal property on the Site which occurs in the course of remediation work.

3. Insurance Coverage for County.

(a) SCE is self-insured up to Two Million Dollars (\$2,000,000). SCE has commercial general liability insurance covering claims above Two Million Dollars (\$2,000,000). SCE's insurance shall be available to meet the indemnity and other obligations owed to County pursuant to this Agreement. SCE's Certificate of Insurance is attached hereto as Exhibit "H".

(b) Additionally, SCE shall require its remediation contractor for Phases I, II and III to secure a policy of insurance to cover claims, totaling \$5 million for bodily injury and property damage, that results from contractor's operations at the Site (including any cleanup), including claims that result from the release of pollutants during the course of contractor's operations. SCE and County shall be named as additional insureds on the insurance policy. The insurance policy will be primary and non-contributory, and the County will be provided with copies of the certificate(s) of insurance for the policy prior to the beginning of remediation work. The County shall receive updated certificates of insurance for the policy, naming the County as additional insured on each renewal date, through the completion of the remediation in accordance with the RAP and SCE's filing of a completion report with DTSC. SCE shall require that its remediation contractor obtain from its insurer (i) an endorsement indicating that the County is an additional insured on the policy, and (ii) a statement that the remediation work to be conducted by the contractor is not excluded from coverage under the policy.

4. Additional Remediation Requirements Beyond the September 29, 2000, RAP.

(a) For purposes of this Section B.4., additional remediation shall mean all remediation and related activity at the Site required by DTSC or a "Related State Agency" (defined below), through issuance of a compliance action or order, if such action or order is in addition or supplemental to the work required under the RAP approved by DTSC on September 29, 2000, and if such work is for the purpose of completing the remediation of the Site for activities related to the former MGP ("Additional Remediation"). For purposes of this Agreement the term "Related State Agency" shall mean a department of the State of California organized at a date later than the Effective Date for purposes including regulatory oversight of the environmental cleanup of MGP sites.

(b) SCE agrees to carry out the Additional Remediation without cost to the Society and County.

(i) The Additional Remediation obligation is undertaken by SCE for the benefit of County, and notwithstanding Section G.4, no successor in interest to Society or County by transfer of property ownership of any portion of the Site shall be entitled to the benefits of this Section B.4 and such transfer of the property for valuable consideration shall void SCE's obligations to pay future costs of any kind to a subsequent owner under this Agreement; provided, however, that an assignment or other transfer by Society or County to another tax exempt, Internal Revenue Code Section 501(c)(3) organization for nominal consideration and/or a transfer of the County's ownership interest to the Society will not be subject to the limitation stated in this Section B.4(i).

C. Dispute Resolution

The County agrees to cooperate with SCE in the conduct of the remediation. The Parties agree to the following dispute resolution process to resolve any concerns that arise during the remediation project.

1. The Parties agree to give notice of any disagreement as to the remediation project process to the other parties as soon as possible. The Parties agree to deliver reasonable data (if any) and information in support of their position to the other parties. The receiving party will review the submission of the other party in a timely manner and, in the event that receiving party is not in agreement with the other party's concern, then the Parties will attempt in good faith, by prompt negotiations, to reach agreement. Any dispute that cannot be resolved by the authorized representatives of the Parties shall be referred to an officer, director or designee or each of the Parties for resolution. Any party may elect to deliver to the other party written notice of a dispute. Within thirty (30) days after delivery of such notice the designated parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to exchange information and to attempt to resolve the dispute.

2. If the dispute has not been resolved within sixty (60) days of the first meeting, SCE or County may initiate a mediation of the dispute. The mediation shall be facilitated by a mediator acceptable to all Parties and shall conclude within sixty (60) days of its commencement, unless the Parties agree in writing to extend the mediation process beyond the deadline. The Parties agree to enter into a written contract for mediation services with costs to be shared by the Parties. The mediation shall be conducted in accordance with the Commercial Mediation Rules of American Arbitration Association. The mediator shall only consider damages not excluded by the releases given by County under this Settlement Agreement, and no punitive or consequential damages may be considered in the proceeding. Each party shall bear its own legal fees and expenses. At the election of the County, the location of the mediation shall be in Santa Barbara County.

3. All negotiations and any mediation conducted to resolve a dispute shall be confidential and treated as compromise and settlement negotiations, to which Section 1152 of the California Evidence Code shall apply (said section is incorporated herein by this reference).

4. If the Parties, after good faith efforts to resolve the dispute through negotiation and/or mediation, cannot reach agreement, any party may pursue whatever legal remedies may be available, at law or in equity, before a court of competent jurisdiction; provided, however, that nothing in this Section C.4 shall give the County the right to recover for claims otherwise released pursuant to the terms of this Agreement.

D. Final Settlement and Release of County Claims.

1. This Agreement sets forth all future obligations of the Parties.

2. Except for obligations provided for by this Agreement, this Settlement Agreement fully and finally resolves all County claims arising out of or related to SCE's predecessor's use of

the Site as a manufactured gas plant, and all County claims relating or arising out of SCE's investigation and remediation of the Site, including but not limited to the following:

(a) All claims for loss, past, present and future, for business disruption, business interruption, impairment of business, disruption of access or other loss arising out of or related in any manner to the presence of the manufactured gas plant (on the Site and adjoining properties) or the remediation thereof ("Business Disruption Claims").

(b) All claims for loss or diminution in value of real property interests related to the Site, whether said property interests are held by the Society or the County or both the Society and County in some combination, including but not limited to claims of the Society and/or County which arise or result from the presence of the manufactured gas plant, the remediation thereof, or the Deed Restriction (as defined in Section E.1) to be placed on the properties of the Society and the County as required by DTSC (the "Property Loss Claims").

(c) All claims for loss or diminution in value of personal property interests of the County whether tangible or intangible, including but not limited to business equipment or other equipment, personal property stored on site, and loss of position in the community and/or good will.

(d) All Environmental Claims (as defined below), whether past, present or future, and all other claims, interests, demands, debts, obligations, damages, liabilities, causes of action, breaches of duty, costs, expenses, judgments or injunctions, in law or in equity, contractual or tortious or statutory, arising out of any act, breach of duty, omission or occurrence on the part of or attributable to SCE where the same arises from the presence of the manufactured gas plant (on the Site and adjoining properties) or from the remediation thereof, except the promises, covenants and warranties of this Agreement, all of which shall survive.

(i) "Environmental claims" as used in this Agreement include any and all claims involving environmental contamination, as that term is defined in paragraph (ii) below, arising or resulting from SCE's use, ownership and operation of the Site, and shall include Compliance Actions, as that term is defined in Paragraph (iii) below, arising from the SCE's use, ownership and operation of the Site.

(ii) "Environmental contamination" as used in this Settlement Agreement shall mean any substance, product, waste, or other material of any nature that is or becomes listed, regulated, or addressed under one or more of the following "Hazardous Substance or Waste Laws":

(A) The Comprehensive Environmental Response, Compensation, and Liability Act, referred to as "CERCLA", in 24 U.S.C. § 9601 et seq.;

(B) The Resource Conservation and Recovery Act, referred to as "RCRA", in 42 U.S.C. § 6901 et seq.;

- (C) The Clean Water Act in 33 U.S.C. § 1251 et seq.;
- (D) The Toxic Substances Control Act, in 15 U.S.C. § 2601 et seq.;
- (E) The California Carpenter-Presley-Tanner Hazardous Substances Account Act, referred to as the "HSAA", in Health & Safety Code § 25300 et seq.;
- (F) The California Porter-Cologne Water Quality Control Act, in Water Code § 13000 et seq.;
- (G) The California Hazardous Waste Control Act, in Health & Safety Code § 25100 et seq.;
- (H) The California Safe Drinking Water and Toxic Enforcement Act, in Health & Safety Code § 25249.5 et seq.;
- (I) The California Hazardous Waste Management Act, in Health & Safety Code § 25170.1 et seq.;
- (J) Environmental Health Standards for the Management of Hazardous Wastes in The California Code of Regulations, Title 22, Division 4.5, Chapter 10, § 66001 et seq.; and
- (K) Any other federal or state law or local ordinance or other rule concerning hazardous, toxic, or dangerous substances, wastes, or materials.

(iii) "Compliance Actions" as used in this Agreement shall include, but are not limited to, environmental assessment, characterization, monitoring, removal, corrective, remedial actions or compliance efforts alleged to be necessary by any regulatory agency.

3. No Admissions. By entering into this agreement, SCE does not admit or acknowledge any liability or wrongdoing concerning any aspect of the Site.

4. County Waiver of Civil Code Section 1542. County acknowledges that it has been advised by legal counsel and is familiar with the provisions of California Civil Code, Section 1542, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him must have materially affected his settlement with the debtor."

County being aware of said code section, hereby expressly waives any and all rights it may have there under, as well as under any other statute or common law principle of similar effect as to any and all claims arising from the Site or the remediation thereof, except as to the promises, covenants, and warranties of this Agreement, all of which shall survive. County understands and acknowledges the significance and consequence of the specific waiver of California Civil Code, Section 1542, and hereby assumes full responsibility for injuries, damages, losses, or liabilities that may hereinafter occur from said waiver.

County acknowledges that it may hereafter discover facts different from, or in addition to, those which it now knows or believes to be true with respect to the release herein made, and agrees that every release herein made by it is now and will remain effective notwithstanding the existence of the discovery of such additional facts.

E. County's Obligations

1. Deed Restrictions. County agrees to execute and record Covenants to Restrict the Use of Property ("Deed Restrictions") as required by DTSC for all property owned by the County which is a part of the Site for which DTSC requires a deed restriction. In the event that, after the Effective Date, the Society transfers to County ownership of property that is a part of the Site, County agrees to record the Deed Restrictions as required by the County Agreement for the transferred property. The County acknowledges and agrees that the Deed Restrictions shall restrict the use of the Site to the then current uses and other uses as permitted by DTSC within the Deed Restriction. If any security interests exist with respect to the subject property, County agrees to obtain from all parties holding secured interests in the real properties owned or controlled by County underlying the Site an agreement to subordinate the secured interests to the Deed Restrictions. County and Society shall have the right to review and comment on the language of the proposed deed restrictions and to participate in discussions with DTSC regarding the Deed Restrictions; however, the decision of the DTSC shall be final.

2. Site Access. The County agrees to the implementation of the RAP and agrees to forego any legal challenge to the RAP. County shall cooperate with SCE, its agents, employees and contractors as SCE schedules, stages, and implements and completes the remediation project in accordance with the RAP. SCE shall cooperate with County and Society, and their agents, employees, and contractors, in the scheduling of the remediation project. The County hereby grants SCE access to the Site in accordance with Exhibit "D", "Project Schedule", to carry out the remediation project. The Parties and Society may mutually agree by written amendment to this Agreement to revise the Project Schedule.

(a) County, if in possession of the premises, shall on the reasonable notice of SCE, its agents, employees or contractors, remove, cause to be removed or allow SCE to remove any obstruction to the remediation project, including but not limited to parked vehicles, equipment, or other personal property. The Parties shall provide each to the other a list of contact persons authorized to represent the Parties at all times during the remediation project. The Parties shall each authorize agents to make such decisions as are necessary to facilitate the remediation project and to avoid project delays.

(b) The County is required to cooperate with SCE to allow SCE to comply with the Project Schedule and to allow SCE access to the Site to carry out its obligations to DTSC.

F. Final Settlement and SCE Release of Claims

1. This Agreement sets forth all future obligations of the Parties.
2. Except for obligations provided by this Agreement, SCE hereby expressly releases and waives, and absolutely and forever discharges, County and its successors and assigns, and its officers, employees, and agents (for purposes of this Section, "County Agents") from any and all claims, liabilities, demands, debts, accounts, obligations, actions, and causes of action of any kind or nature whatsoever, past, present or future, known or unknown, suspected or unsuspected, at law or in equity (collectively "SCE Claims"), which SCE has or claims to have against County or County Agents, now or hereafter, to the extent such SCE Claims arise on or before the date of execution of this Agreement and arise from or otherwise relate to acts and omissions of County occurring on or before the date of execution of this Agreement, which acts or omissions arise from: the Site or the remediation thereof, the County's negotiation of claims, presentation of evidence, or participation in any manner whatsoever in response to the presence of the MGP on the Site, or SCE's activities arising out of or related to the MGP on the Site and the remediation thereof.

3. SCE Waiver of Civil Code Section 1542. SCE acknowledges that it has been advised by legal counsel and is familiar with the provisions of California Civil Code, Section 1542, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him must have materially affected his settlement with the debtor."

SCE being aware of said code section, hereby expressly waives any and all rights it may have there under, as well as under any other statute or common law principle of similar effect as to any and all SCE Claims (defined above), except as to the promises, covenants, and warranties of this Agreement, all of which shall survive. SCE understands and acknowledges the significance and consequence of the specific waiver of California Civil Code, Section 1542, and hereby assumes full responsibility for injuries, damages, losses, or liabilities that may hereinafter occur from said waiver.

SCE acknowledges that it may hereafter discover facts different from, or in addition to, those which it now knows or believes to be true with respect to the release herein made, and agrees that every release herein made by it is now and will remain effective notwithstanding the existence of the discovery of such additional facts.

G. General Provisions.

1. Cooperation and Confidentiality. The Parties shall each execute any and all other documents and take any and all additional steps which may be necessary or appropriate to implement the terms and intent of this Agreement. To the extent permitted by law, the parties shall not disclose the terms and conditions of this Agreement or the consideration paid to any third party, except that such may be disclosed as part of court, arbitration, mediation and/or regulatory proceedings involving the Site, in connection with any state or federal reporting obligations, in connection with the transfer of any right, title or interest in the Site, in connection with regulatory proceedings related to the Site, or as otherwise compelled by law. The confidentiality provisions of this Section G.1 shall not restrict the Parties from discussing the terms and conditions of this Agreement with their respective legal counsel or accountants.

2. Public Relations. Notwithstanding the provisions of Section G.1, the Parties shall cooperate in the preparation of a mutually agreed upon joint press release addressing this settlement, and the Parties shall cooperate in other public relations efforts addressing the remediation efforts at the Site. In no event may either Party issue a press release regarding the remediation project without concurrence by the other.

3. Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

4. Successors-In-Interest. This Agreement shall inure to the benefit of and be binding upon each of the Parties and their respective heirs, legal representatives, successors (including but not limited to unrelated subsequent owners or other persons or entities with any interest in the Site), predecessors, assignees, partners, trustees, directors, shareholders, officers, employees, agents, managers, tenants and investigators.

5. Authority. The Parties represent, warrant and covenant that each person executing this Agreement on behalf of a Party in a representative capacity is duly authorized to do so. Each of the Parties executing this Agreement for himself represents, warrants and covenants that he is fully authorized to do so.

6. Warranty of Capacity to Execute Settlement Agreement. The Parties represent and warrant that they have the sole right and exclusive authority to execute this Agreement, and that they have not sold, assigned, transferred, conveyed, or otherwise disposed of any of the claims, obligations, or causes of action relating to the Site or the remediation thereof.

7. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable. In lieu thereof, there shall be added a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

8. Representations of Comprehension of Document. In entering into this Agreement, the Parties represent that they have relied upon the legal advice of their respective attorneys, that the terms of this Agreement have been completely explained to them by their attorneys, and that those terms are fully understood and voluntarily accepted by them. The County of Santa Barbara is and has been represented by the following undersigned legal counsel in connection with this Agreement:

Craig A. Smith, Deputy County Counsel
105 E. Anapamu St., #201,
Santa Barbara, CA 93101-2063.

9. Application of Settlement Agreement Only to Parties. This Settlement Agreement is intended to confer rights and benefits only on the Parties. No person or entity, other than a Party or its successors in interest, as provided in Section G.4 above (successors in interest), shall have any legally enforceable rights under this Agreement. Except as specifically provided herein, this Agreement is not intended to and shall not be construed so as to vary, modify, or release any right that any of the Parties may have against anyone who is not a party to this Agreement.

10. Headings. The headings of this Agreement are for the purpose of reference only and shall not be used to interpret the meaning of any provision.

11. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of California, including, without limitation, all matters of formation, integration, construction, validity, performance and enforcement.

12. Entire Agreement. This Agreement is an integrated document that constitutes and contains the entire agreement and understanding concerning the subject matters addressed herein between and among the Parties and supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, concerning the subject matter hereof unless expressly provided for in this Agreement.

13. Construction. Since each Party has cooperated in the drafting and preparation of this Agreement, any construction of this Agreement shall not be construed against any party on the basis that the Party was the drafter.

14. Enforcement of Agreement. Any Party may seek to enforce any right provided in this Agreement by filing a civil lawsuit in a court of competent jurisdiction in the State of California.

15. Fees And Costs Incurred. Each Party shall be responsible for its own costs and fees incurred in connection with any action brought to enforce this Agreement, including attorney's fees, expert fees, and all other litigation costs.

16. Non-Waiver. No waiver of any breach of any term or provision of this Agreement shall be construed to be or shall be a waiver of any other breach of this Agreement. No waiver shall be binding unless in writing and signed by the Party waiving the breach.

DATED: May 10, 2002

APPROVED
STEPHEN E. PICKETT
Sr. Vice President and
General Counsel
By: Richard Tom
Attorney
May 8, 2002

“SCE”
SOUTHERN CALIFORNIA EDISON COMPANY

By: James A. Kelly
James A. Kelly
Vice President, Regulatory Compliance

DATED: MAY 23, 2002

“COUNTY”
SANTA BARBARA COUNTY

By: Craig A. Smith
Its: Deputy County Counsel

Exhibit List

- "A" Site Map
- "B" Museum Expansion footprint for Clean Fill Credit
- "C" Price Waterhousecoopers Claim Summary and Detailed Exhibit Sheets
- "D" Project Schedule
- "E" Voluntary Cleanup Agreement
- "F" Ogilvy Hill Insurance Quote
- "G" DTSC Letter Dated March 1, 2001
- "H" SCE Certificate of Insurance