

ANTHONY J. SABINO

Attorney at Law

P.O. Box 400
14 RUSSELL AVENUE
BETHPAGE, NEW YORK 11714
(516) 939-0736

February 12, 1995

Grumman Corporation/Northrop
1111 Stewart Avenue
Bethpage, New York 11735
Att. Mr Art Gibson

Re: Bethpage Water District with Grumman

Dear Mr. Gibson:

Enclosed you will find a fully executed copy of the Indemnity Agreement between the Bethpage Water District and Grumman. In addition, you will find the final cost summary of the Plant 4 project. The landscape contract will be bid and finalized in the fall of 1995. Final arrangements have been made with the Towns of Oyster Bay and Hempstead with respect to bonding. The total bond amount will exactly equal the cost summary or \$1,718,718.00 plus any bonding fees added by the Towns of Oyster Bay and Hempstead.

At a 6.5% interest rate the annual payment is expected to be approximately \$200,000.00 per year inclusive of amortization. Therefore, the quarterly payment inclusive of the maintenance charge contained in paragraph 1 a for the year 1995, will be \$52,500.00. After the initial year we will adjust to the actual bill rendered by the municipalities. The District will render its first bill in February 1995.

If you have any questions regarding the above kindly contact me.

Very truly yours,

Anthony J. Sabino

THIS AGREEMENT dated as of the 17th day of June, 1994, between Grumman Aerospace Corporation, a New York corporation with its principal place of business at Bethpage, New York ("Grumman"), and the Bethpage Water District, a municipal corporation located at Bethpage, New York ("The Water District"),

WHEREAS, certain contaminants have been found to be currently existing in the ground water in Bethpage Water District, as more particularly described in the hydrogeological surveys prepared by the United States Geological Service and the New York State Department of Conservation, and

WHEREAS a Water District well located at the District's Well Site No. 4 is downgradient from the source of said contaminants and in danger of closure due to the presence and level of said contaminants found in the ground water at and surrounding such well site, and

WHEREAS the potential closure of Well Site No. 4 will result in a serious shortage in the potable water available to the Water District for delivery to its customers, and

WHEREAS Grumman is the largest user of potable water supplied by the Water District and its current and prospective operations, including presently planned new commercial development at its large industrial plant located within the District, could be seriously impaired by any such shortage of potable water, and

WHEREAS the source of the contaminants has been

located on property owned by Grumman, the United States Navy, Hooker/Ruco and possibly others, as has been indicated in studies performed by the State of New York and the Federal government, and

WHEREAS Grumman wishes to secure the Water District's capability for continued uninterrupted supply of potable water to Grumman, as well as to all other customers within the Water District, by contributing to the economic costs associated with the design, construction and operation of an appropriate air stripping tower at Well Site No.4, and

WHEREAS the Water District's air stripping tower is designed to treat up to 600 parts per billion of the type of contaminants which have been identified to date.

N O W T H E R E F O R E

It is agreed as follows:

1. a. Grumman shall contribute to the costs of designing and building of the air stripping tower at Well Site No. 4 in the amount of approximately One Million, Five Hundred Ninety Thousand Seven Hundred Fifty Four Dollars (\$1,590,764.00) plus interest thereon. The exact amount of said contribution shall equal the actual cost of the design, engineering, construction, construction administration and supervision, legal, landscaping and contingency costs. Said sum is to be paid by Grumman as set forth in Paragraph 2, over a period of twenty (20) years, at the rate equal to the Water District's bond payment to the Towns of Oyster Bay and Hempstead in

proportion to the above sum and the total amount borrowed by the Water District inclusive of bond interest. Grumman acknowledges and agrees that the bond issue contemplated by the Water District will include administrative and legal fees which will be included in the amount financed. The computation of the Grumman payment will include Grumman's pro rata share of said fees. In addition to the above, Grumman shall pay to the District the amount of Ten Thousand (\$10,000.00) per year, representing operational and maintenance expenses, for a twenty-year period.

b. In the event the Water District's cost of design, engineering, construction, construction administration and supervision, legal, landscaping and contingencies of said tower exceeds \$1,590,765 as outlined in the Capital Cost Summary of H2M Group dated October 14, 1993, attached hereto as Exhibit 1, Grumman agrees to pay said additional cost, if said cost is reasonable and approved by Grumman after review of itemized invoices detailing the additional charges. Grumman may, at its sole option, rely on the opinion of Geraghty and Miller P.C. as to the reasonableness of any additional costs. Said approval will be made in good faith and not unreasonably withheld.

2. The annual payments required under Paragraph 1 shall be collected as a water charge on the Water District's regular water bill to Grumman. One quarter of the required annual payment will be itemized and added to all other water charges for each quarterly bill. If, during the course of this

agreement, the normal quarterly billing periods are changed, the required annual payment specified above shall be spread evenly over the number of billings sent to Grumman for each year.

If, during the course of this agreement, Grumman relocates or fails for any other reason to actually consume water from the Water District, the required annual payments due under Paragraphs 1 and 2 above shall be due on January 1 of each year of this agreement.

Any principal amount pursuant to this agreement, by Grumman or other party, may be prepaid to the District without interest or penalty.

3. Grumman is currently developing a Remedial Investigation/Feasibility Study (RI/FS) for the New York State Department of Environmental Conservation (DEC). Grumman has informed the Water District that the study will not be finalized for some time. Grumman agrees to continue its well pumping operation at its Bethpage site for as long as and in the manner which may be required by the DEC or the U.S. Environmental Protection Agency (EPA). Grumman further agrees to comply with all other terms and conditions of any remediation order issued by DEC or EPA as it may effect the Water District's interests.

The parties recognize that DEC or EPA or other appropriate governmental agency may issue an off-site remediation plan which incorporates participation by the Water District. In that event, Grumman, if it is the responsible party, will reimburse the Water District for all additional

monitoring and remediation costs which the Water District incurs under any remediation plan for the site including all reasonable administrative, engineering and legal expenses if said participation is related to a plan consented to by Grumman. In the event that a party or parties other than Grumman is responsible for all or any part of the costs incurred by the Water District under such a remediation plan, Grumman will make its best effort to assist the Water District in securing appropriate reimbursement from said party or parties.

Notwithstanding any of the above, nothing contained in this agreement shall in any way imply consent by the Water District to jurisdiction of the DEC or EPA over the Water District, or participation in any DEC or EPA remediation plan. Moreover, notwithstanding any of the above, nothing contained herein shall in any way imply admission by Grumman of the validity of any claim against Grumman by the Water District.

4. The provisions of this agreement only cover the type, level and location of the contaminants that exist at Well Site No. 4 as currently revealed in the remedial studies referred to above. Five areas of damage are specifically not covered by this agreement:

First, any damages which may be incurred by the Water District for the migration of the existing contamination.

Second, the parties agree that the design capability of the air stripping tower is 600 parts per billion for the existing contaminants. Accordingly, this agreement

specifically does not cover any damages incurred by the Water District caused by the discovery of any new contaminants or an increase in the present levels of the already identified contaminants to a total of over 600 parts per billion, excluding pollution from sources other than Grumman.

Third, this agreement does not cover any additional costs incurred by the District should the air stripping towers become obsolete or require modifications by virtue of any new drinking water standards imposed by regulating authorities (1994 air and drinking water standards apply to this agreement.)

Fourth, any damages which may arise from the discovery of contaminants in any other part of the Water District not already described in the above mentioned studies.

Fifth, any additional damages incurred by the District not enumerated herein, arising from the contamination referred to herein, including but not limited to claims by third parties and costs incurred by the District as a result of government remediation programs.

With respect to any damages not covered by this agreement, the Water District reserves all of its rights to seek legal redress against any responsible party, including Grumman, and Grumman reserves all of its rights to seek legal redress against any other responsible party, including the Water District.

The Water District will make no other claim or

demand against Grumman for the pollution of the water supply at Well Site No. 4 for the contaminants identified to date, providing that such contaminants do not exceed 600 parts per billion; or as otherwise provided for in this agreement; nor will the District seek any damages from Grumman for the prior construction of Well No. BGD-1.

5. The Water District represents that Well Site No. 4 is a primary water storage and pumping facility. As such, Water District supply and pressure demand require primary use of this facility at the present time. The Water District agrees to use its best efforts to maintain such status of Well Site No. 4 in the future. However, the Water District has the right to exercise its judgment as to when and how frequently Well Site No. 4 will be used by the Water District, subject only to the standard operating procedures of the Water District.

The Water District agrees that, within three (3) days of exercising its judgment to change the use of Well Site No. 4 to less than a primary water storage and pumping facility, it will provide written notice of such planned change in use to Grumman.

The Water District further agrees that it will promptly provide Grumman with copies of Well Site No. 4 test and pumpage data upon Grumman's request.

6. Grumman shall indemnify and hold the Water District harmless, including reasonable attorney's fees, from all claims, suits, actions, damages, and costs whatsoever

arising out of the existence or migration of the contaminants identified in the reports mentioned above except for direct actions or omissions for failure to operate the tower.

7. Grumman agrees not to interpose the defense of statute of limitations to the extent that any claim by the Water District against Grumman for future damages to Well Site No. 4 shall not accrue until the Water District discovers or reasonably should have discovered that the stripping towers cannot achieve present or future drinking water standards for any reason including an increase in the existing contaminant level over 600 parts per billion.

8. Nothing contained in this agreement shall be construed as barring, diminishing, adjudicating or in any way affecting any legal or equitable rights or claims, actions, suits, causes of action or demands whatsoever that (a) the Water District may have against anyone other than Grumman and (b) Grumman may have against anyone other than the Water district.

9. Nothing contained in this agreement shall be construed as barring, diminishing, adjudicating or in any way affecting (a) the Water District's right to enforce against Grumman, or (b) Grumman's right to enforce against the Water district, at law or in equity, the terms and conditions set forth in this agreement, in the event that either party shall fail to fulfill any of its obligations hereunder.

10. Nothing contained in this agreement shall be construed as constituting an admission by Grumman of any

liability or the violation of any law. Grumman shall have the absolute and exclusive right to pursue its remedies against other responsible parties for the damages provided for in this agreement.

11. This agreement shall constitute the complete and entire understanding between the parties, and the terms thereof shall inure to the benefit of their heirs, successors or assigns. No terms, conditions, understandings or agreements purporting to modify or vary the terms hereof shall be binding unless made in writing and subscribed by the party to be bound.

12. Grumman agrees to provide the Water District with collateral for the purpose of securing the obligations of Grumman to the Water District provided for in this agreement in the form of a performance bond or letter of credit. Said security shall be provided to the Water District within thirty (30) days of the occurrence of any of the following events:

- i. Cessation of Grumman (or any corporate successor of Grumman) to be "Investment Grade". For purposes hereof "Investment Grade" means that the senior debt of Grumman is rated BBB or higher by Standard & Poors.
- ii. From the date of this agreement forward, transfer a total of 200 acres or more of the Bethpage facility to parties other than

Grumman or its affiliates or any corporate successor of Grumman. In order that the Water District may track dispositions of Grumman Bethpage property, Grumman agrees to provide the Water District with notice of each sale or long-term (51 years or more) lease of parcels within the Bethpage facility.


iii. Material default of any of the terms and conditions of this agreement.

13. The forum and venue of all disputes arising out of this agreement is designated as the Supreme Court of the State of New York and/or the United States District Court for Eastern District of New York, Nassau or Suffolk Courthouse.

14. Grumman Aerospace Corporation represents that it is the fee owner or the owner of all of the shares of stock of the fee owner of the lands described in Exhibit 2 attached hereto, except for the Grumman Corporate Headquarters facility and associated property.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed by the officers thereof duly authorized to do so:

GRUMMAN AEROSPACE CORPORATION

By 
Jacob J. Bussolini
Vice President

Attest:

Secretary

BETHPAGE WATER DISTRICT

By *John T. Trice Jr*
Commissioner

By *Gerard S. Donlon Jr*
Commissioner

By *William A. Ellinger*
Commissioner

EXHIBIT 2

That certain plot, piece or parcel of land situate, lying and being at Bethpage in the Town of Oyster Bay, County of Nassau and State of New York known as designated on the land and tax map of the County of Nassau:

Section 46 Block 323 Lots 16A, 16C, 17E, 17G

Section 46 Block G Lots 8, 49 & 50

**Bethpage Water District
Air Stripping Treatment for Organic Removal at Plant No.4
Project No. BPWD 93-01**

Project Cost Summary as of 1/31/95

A. Construction:

I. Tank Connection Work

Contractor: James McCullagh, Inc., Plainview, New York

Status of Work: Completed April 1994

Total Contract Amount:.....\$ 17,358.00

II. Contact No.1- Well and Well Pump Work

Contractor: William Stothoff Co., Inc., Flemington, New Jersey

Status of Work: Completed July 1994

Bid Amount:.....\$ 98,771.00

Change Order No.1:.....\$ 10,945.00

Total Contract Amount:.....\$ 109,716.00

III. Contact No.2- General Construction and Mechanical Work

Contractor: C.F. Mentzinger's Son, Inc., Plainview, New York

Status of Work: On going

Bid Amount:.....\$ 716,394.00

Change Order No.1:.....\$ 1,162.65

Change Order No.2:.....\$ 638.00

Change Order No.3:.....\$ 4,175.00

Change Order No.4:.....\$ 15,041.61

Change Order No.5:.....\$ 14,415.73

Change Order No.6:.....\$ 22,083.45

Change Order No.7:.....\$ 15,519.25

Total Contract Amount:.....\$ 789,429.69

IV. Contact No.3- Electrical Work

Contractor: Wire-to-Water, Inc., Dix Hills, New York

Status of Work: On going

Bid Amount:.....\$ 267,500.00

Change Order No.1:.....\$ 76,700.00

Total Contract Amount:.....\$ 344,200.00

V. Contact No.4- Landscaping Work

Contractor: Bid of contract pending completion of Contracts 2 and 3.

Status of Work: Tentatively Scheduled to Commence during September 1995

Estimated Contract Amount:.....\$ 200,000.00

Construction Subtotal:.....\$ 1,460,703.70

**Bethpage Water District
Air Stripping Treatment for Organic Removal at Plant No.4
Project No. BPWD 93-01**

**Project Cost Summary as of 1/05/95
(Cont.)**

B. Engineering, Surveying and Testing:

1. Engineering Study:.....	\$ 15,000.00
2. Engineering Design:.....	84,129.37
3. Permits:.....	3,000.57
4. Soil Borings and Testing:.....	3,825.99
5. Construction Administration:.....	33,280.00
6. Construction Observation:.....	68,000.00
7. Surveying Services:.....	3,866.76
8. Additional Design and Construction Services:.....	6,500.00

Engineering Subtotal:.....\$ 217,602.69

C. Legal Services:

1. Contract Review and Administration:.....	\$ 23,412.00
2. Municipal Financing:.....	17,000.00

Legal Service Subtotal:.....\$ 40,412.00

Project Total:.....\$1,718,718.40
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