



Legal and Claims Committee

In re Tronox Update

Room 2-145

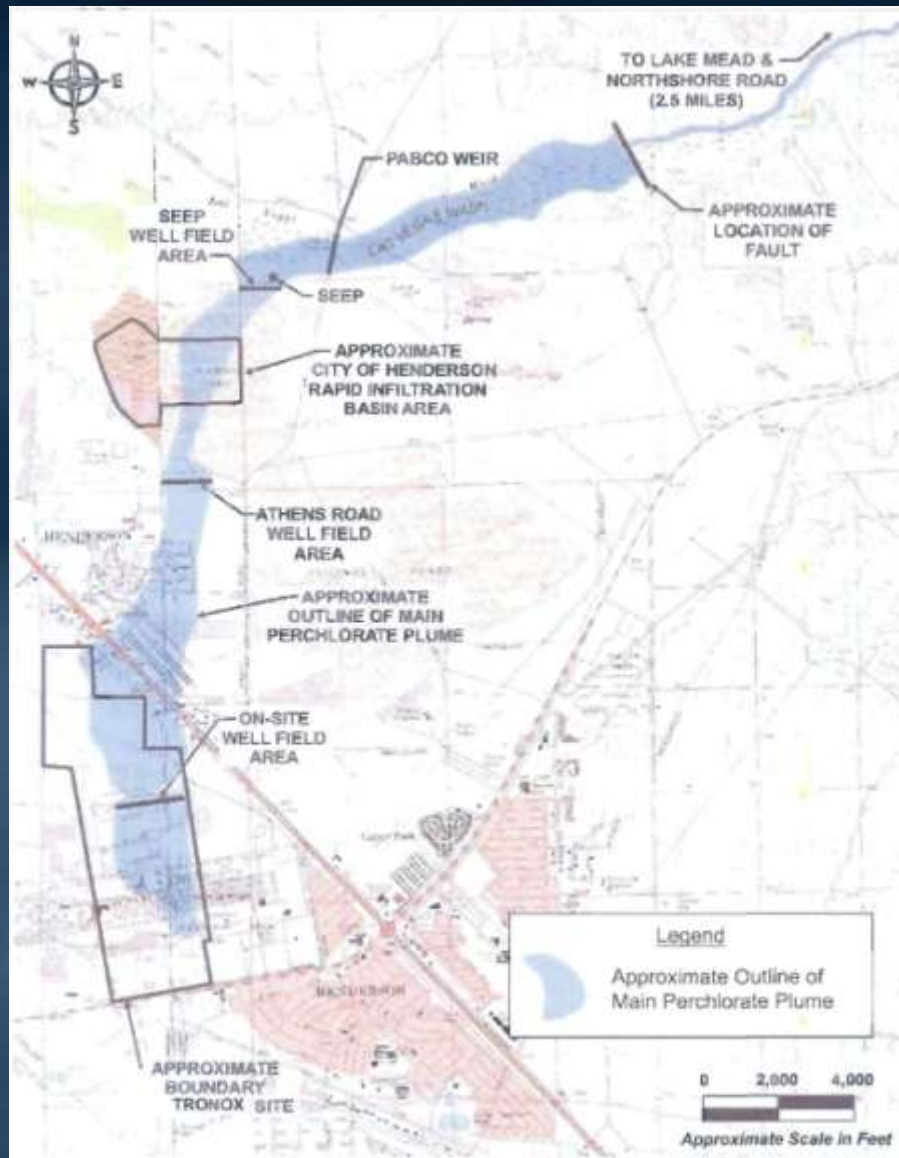
Consent Item 7-5
March 8, 2011

Request

- Authorize increase in maximum amount payable under contract with Manatt, Phelps and Phillips LLP by \$50,000 to a maximum of \$380,000
 - For continuing activities relating to the Tronox Bankruptcy and the Adversary Action against Kerr-McGee/Anadarko
 - Central Arizona Water Conservation District (CAWCD) also providing \$50,000 and will share costs equally.

Background

- Tronox manufacturing facility near Henderson, Nevada leaches contaminants into the groundwater
 - Perchlorate flows into Las Vegas Wash, Lake Mead and the Colorado River
- January 2009: Tronox filed bankruptcy to obtain relief from environmental liabilities, including its legal and financial obligations to intercept and treat the perchlorate or remediate the site



Source: Geomatrix, 2004.



CLIENT: Metropolitan Water District of Southern California
 PROJECT/SITE: Perchlorate Assessment, Colorado River Aqueduct
 Tronox (KMCC) Perchlorate
 Remediation Facilities, Las Vegas Wash

FIGURE: 2.4

Background - continued

- August 2009 – Metropolitan files a claim in the Tronox Bankruptcy
- Joins with other agencies (SNWA, CAWCD, Nevada NDEP, City of Henderson) to form the “Colorado River Authorities” (or “Nevada Parties”) to jointly participate in the Bankruptcy

RESULTS: Tronox Assets Provided to Environmental Entities

- \$270 million in cash: of that, \$81 million to Nevada
- 88% of Anadarko litigation: of that, 25% to Nevada
- Certain Nevada Assets: 100% to Nevada
- \$3 million in certain expenses incurred in negotiating the agreement: \$950,000 to the federal government; \$2,050,000 to Nevada Parties

Net Cost to Metropolitan

● Metropolitan Total Reimbursable Cost	\$1,662,672*
● Anticipated Reimbursement	<u>778,394</u>
● Net Cost	\$ 884,278**

* Approximately \$58,730 in additional nonreimbursable costs: Total Net Cost as of November 30, 2010 \$943,008

** Approximately 45% of total costs reimbursed

Benefits of Participation in Process

- Increase of more than \$70 million in cash and assets to the Henderson Trust Environmental
- Nevada parties do not lose the right to pursue other potentially responsible parties
- Elimination of Release Language
- Estate pays first \$23-25 million in Adversary Action litigation costs

Remaining Work

- Finalize lease, trust agreements, other bankruptcy-related documents
- Provide for Colorado River Authorities to continue as a working group and remain involved with Environmental Trust and NDEP
- Monitor and comment on pending Adversary Action against Kerr-McGee/Anadarko



Questions?