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ORANGE COUNTY WATER DISTRICT

May 25, 1988

Brigadier General D.V. Shuter
 Commander General
 Marine Corps Air Station El Toro
 Santa Ana, California 92709

Dear General Shuter:

**MOU Regarding Apportionment of Costs of TCE Groundwater
 Contamination Investigation (USMCAS--El Toro)**

The purpose of this letter agreement is to serve as a Memorandum of Understanding between the Orange County Water District, a political subdivision of the State of California ("OCWD") and the United States Marines Corps ("USMC") regarding the reimbursement by USMC to OCWD of the costs incurred by OCWD in investigating the source and extent of TCE groundwater contamination near the USMC El Toro Air Station facility in the event that OCWD and USMC determine that the TCE contamination originated from the El Toro facility.

During the course of its basin-wide groundwater monitoring program conducted in June of 1985, OCWD detected an industrial solvent designated as trichlorethylene ("TCE") in four groundwater production wells owned by the Irvine Company ("TIC"), designated as TIC wells 47, 35, 55, and 17. TIC well 55 is located within the El Toro facility, and TIC wells 35, 47 and 17 are located to the west of, and downgradient (with respect to the current and historic groundwater flow) from the El Toro facility.

The action level established by the State of California Department of Health Services for TCE in drinking water is 5.00 parts per billion ("ppb"). The concentrations of TCE in the TIC wells ranged from trace amounts (less than 0.5 ppb) to 48.7 ppb, such that the presence of TCE in the TIC wells precludes the use of the groundwater for domestic purposes.

A preliminary investigation conducted by OCWD in November of 1985 also indicated the presence of tetrachloroethylene ("PCE"), another industrial solvent, in high concentrations in the soil at locations of surface runoff exiting the El Toro facility. Based on the results of the OCWD sampling and preliminary investigation, the California Regional Water Quality Control Board -- Santa Ana Region (the "Regional Board") requested that the USMC initiate an investigation into the extent of TCE contamination at and in the vicinity of the El Toro facility. In May of 1987, the USMC submitted a plan

to investigation the TCE contamination, and identified four historic solvent disposal sites and 13 solvent use areas within the confines of the El Toro facility. However, inasmuch as the USMC plan is confined to the boundaries of the El Toro facility, the Regional Board determined that the USMC plan was inadequate, and issued Cleanup and Abatement Order 87-97 in June of 1987, requiring the USMC to expand the investigation at the El Toro facility.

OCWD has undertaken the off-base portion of the investigation required by the Regional Board in its June, 1987 Order. By reason of OCWD's action to undertake the necessary off-base investigation, the Regional Board has deferred the initiation of legal action to compel the USMC to comply with Cleanup and Abatement Order 87-97. To date, OCWD has expended approximately \$40,000 in this investigative effort, and OCWD estimates that the total cost of this investigation will be approximately \$600,000. In testimony before the Regional Board and the OCWD Board of Directors, USMC Captain S.R. Holm indicated that the USMC is willing to reimburse OCWD for the costs incurred by OCWD in its off-base investigation.

Based upon the foregoing facts and the statements made by Captain Holm to the Regional Board and the OCWD Board of Directors, OCWD and the USMC hereby agree to the following program with regard to the payment of costs for the investigation of the source of TCE groundwater contamination in the vicinity of the USMC El Toro Air Station facility:

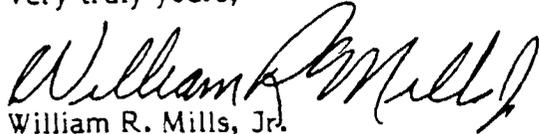
1. OCWD and the USMC shall jointly develop a program for an off-base investigation of TCE groundwater contamination in the vicinity of the El Toro facility, to be conducted by OCWD. OCWD shall conduct such investigation, and maintain an accounting of all expenditures and costs incurred by OCWD in connection with the conduct of the investigation.
2. Concurrently with OCWD's conduct of the off-base investigation, the USMC shall conduct an on-base investigation to determine the existence, source and extent of TCE groundwater contamination within the El Toro facility, and the USMC shall share the findings of such investigation with OCWD as such findings are made.
3. Upon the completion by OCWD of the off-base investigation, OCWD shall prepare a report summarizing the findings and conclusions, and copies of the report shall be transmitted to the USMC for its review.
4. If OCWD and the USMC mutually determine from the findings of the OCWD off-base investigation and/or the USMC on-base investigation that the TCE groundwater contamination affecting TIC wells 47, 35, 55 and 17 are the result of past or present actions of the USMC within the boundaries of the El Toro facility,

If the foregoing terms and conditions are acceptable to the USMC, please execute the original of this letter agreement and return it to me; the enclosed signed copy is for your records.

Brigadier General D.V. Shuter
May 26, 1988
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Thank you in advance for your cooperation in assisting in the resolution of the TCE groundwater contamination problem in the vicinity of the USMCAS El Toro facility.

Very truly yours,



William R. Mills, Jr.
General Manager

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ACCEPTANCE

On behalf of the United State Marine Corps, I approve the terms and conditions contained in this letter agreement regarding the conduct and apportionment of costs of an investigation to determine the source of the TCE groundwater contamination detected in the vicinity of the USMC El Toro Air Station.

Signature