CONFIDENTIAL SETTLEMENT
PROPOSALPURSUANT TO MRE 408

Proposed Modifications to Cleanup Program

During informal discussions, the Michigan Department of Environmental Quality ("MDEQ"), has suggested that it may be willing to consider broad-scale changes to the current cleanup program. The parties acknowledge that in some areas of the site the current program and objectives do not reflect the current state of knowledge regarding the nature and extent of the contamination. Moreover, current program and objectives do not always efficiently allocate the resources of the parties in a manner that maximizes the clean up benefits.

This proposal will summarize PLS' recommendations regarding the modifications it believes should be implemented to improve the protectiveness and reliability of the cleanup program. PLS has informally discussed the recommended modifications with the City of Ann Arbor and believes that the City will support these changes.

EVERGREEN SYSTEM MODIFICATION

Current Cleanup Objectives:

a. Intercept the leading edge of the Evergreen plume near Allison Street to prevent groundwater with 1,4-dioxane concentrations above the drinking water cleanup criterion of 85 ppb from migrating any further east.
b. Maintain a combined purge rate of 200 gpm from the three Evergreen extraction wells (LB-1, LB-3, AE-3) at all times. The groundwater from these wells is conveyed to the Wagner Road treatment unit via the Horizontal Well/Transmission line (the "deep transmission line").

Proposed Modification

a. Replace the current cleanup objective of capturing the leading edge of the Evergreen plume above 85 ppb with the Unit E objective of preventing 2,800 ppb from migrating past Maple Road.
b. Expand the current boundaries of the Prohibition Zone to include the Evergreen Subdivision area. (A map depicting the proposed new PZ boundary will be provided at our next meeting.)
c. Allow the Evergreen plume to migrate east, where it will merge with the Unit E plume.

Rationale for Modification

Groundwater data obtained since the Court's 2004 Unit E order suggest that the shallower portion of the Unit E plume and the Evergreen plume are hydraulically

connected. These investigations also confirm that the Evergreen plume would merge with the Unit E plume if it were allowed to migrate east. Consequently, PLS believes, and we think the MDEQ agrees, that it would make sense to address these plumes in a similar manner. The exposure risks posed by the Evergreen plume would be addressed by extending the boundary of the Prohibition Zone to encompass the Evergreen Subdivision area. These changes would allow PLS to terminate groundwater extraction from the Allison Street (leading edge) location and to terminate or reduce purging from LB-1 and LB-3. The new cleanup objective would be limited to preventing groundwater with concentrations above 2,800 ppb from migrating east of Maple Road. This would be consistent with the Unit E cleanup objective. By extending the Prohibition Zone to encompass the Evergreen Subdivision area and making it illegal to use the groundwater within the Evergreen Subdivision, this modification will be more protective of human health than the current operation. Consistent with the Unit E Order, PLS would be responsible for connecting any residents not already on municipal water and abandoning their drinking water wells.

This modification is important because it addresses a serious issue regarding the sustainability of the current program and allows PLS to address another, even more serious issue regarding the Maple Road system. PLS does not believe that it is technically practical to continue to capture the leading edge of the Evergreen plume in the Allison Street area because of the geologic conditions in this area, among other factors. Eliminating the capture objective resolves this problem. Just as importantly, this modification would free up capacity in the deep transmission line, which would make the Maple Road modification described below feasible.

MAPLE ROAD MODIFICATION

Current Situation

a. PLS is required to prevent groundwater with concentrations above 2,800 ppb from migrating east of Maple Road.
b. In order to achieve this objective, PLS treats groundwater extracted from Maple Road on-site with the Mobile Treatment Unit. PLS disposes of the treated water by injecting it back into the aquifer via two injection wells.
c. PLS has experienced severe operational problems with both injection wells and this disposal method does not appear to be a reliable long-term solution.

Proposed Modification

PLS would install a pipeline from the Maple Road groundwater extraction system to the Evergreen Subdivision where it would be connected to the existing deep transmission line. If the Evergreen Modification described above is also adopted, there will be enough capacity in the deep transmission line to allow PLS to convey the groundwater extracted from Maple Road back to the Wagner Road facility for treatment. This modification will allow PLS to: (a) eliminate the current groundwater re-injection

disposal method at Maple Road, which has proved to be impractical and unreliable at this location; (b) eliminate the need for the Mobile Treatment Unit and allow PLS to treat the water extracted from Maple Road with the Wagner Road treatment system; and (c) free up the Mobile Treatment Unit for use elsewhere at the site (see below). During informal discussions with representatives of the City of Ann Arbor, the City has indicated that it would support construction of the proposed pipeline. PLS also proposes to install a new "sentinel" monitoring well west of Maple Road to refine the delineation of the 2,800 contour so that the parties will have a better idea of when (or if) that contour will reach the Maple Road extraction well.

WAGNER ROAD MODIFICATION.

Current Situation

a. PLS is required to prevent groundwater in the deeper portion of the aquifer (Unit E) from migrating past Wagner Road, so long as it can accomplish this goal without slowing down the shallow aquifer cleanup previously ordered by the Court.
b. The MDEQ has taken the position that unless PLS can distinguish between the Unit E and D2 plumes as they cross Wagner Road, PLS must prevent all of the groundwater containing concentrations above 85 ppb from migrating past Wagner Road, even if the contamination is in the shallower zone.

Proposed Process for Moving the Wagner Road Response Forward

PLS is proposing to meet with the MDEQ to formulate a joint strategy regarding Wagner Road. PLS believes that, in this case, a collaborative effort to develop an acceptable approach is preferable PLS' submission of a specific proposal. The parties appear to have divergent views of what type of response is appropriate at this location and further discussion of options seems warranted. It is also possible, if not likely, that additional delineation and investigation in this area will be necessary before the proper course of action can be identified.

PLS does not believe that the straight-forward modifications regarding the Evergreen Subdivision and Maple Road should be delayed while the parties tackle the more difficult Wagner Road issues. (For example, PLS would like to begin installing the proposed pipeline from Maple Road to the Evergreen Subdivision during the current construction season.) Therefore, PLS proposes, subject to MDEQ review and approval, to proceed with the proposed modifications regarding Maple Road and the Evergreen Subdivision area. Hopefully the bulk of the next meeting with the MDEQ can be dedicated to resolving the Wagner Road issues in a mutually acceptable manner.