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September 24, 2008

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Mr. Jerry Wickham
Senior Hazardous Materials Specialist
Alameda County Health Care Services Agency
Environmental Health Services
Environmental Protection
1131 Harbor Bay Parkway, Suite 250
Alameda, CA 94502-6577

**Re: 9201 San Leandro Street, Oakland, California; Former Paco Pumps, Inc. Facility
Fuel Leak Case No. RO0000320 and Geo Tracker Global ID T0600101592**

Dear Mr. Wickham:

We represent PCC Flow Technologies Holdings, Inc. ("PCC Flow"), the successor to Paco Pumps, former owner of the above-referenced site. This is in response to the September 15, 2008 letter from counsel for Mark Vignoles, the current site operator, and 9201 San Leandro LLC ("9201"), the current site owner (collectively "Vignoles.")

Preliminarily, we believe it is not a proper use of public resources to try to draw Alameda County Health Care Services Agency ("Alameda County") into a private dispute that is presently being litigated in federal court, *9201 San Leandro, LLC v. Precision Castparts Corporation, et al.*, U.S. District Court (N.D. Cal.) Case No. C 07-4365 EDL. Most of counsel's September 15, 2008 letter seems to be directed more at trying to persuade your office that Vignoles' litigation positions are correct than to advance the investigation of the site. With regard to the site investigation, however, several points are clear:

1. Vignoles is the current site owner and operator and as such is responsible for the site investigation and cleanup.
2. Vignoles bought the site with full knowledge of environmental conditions and initiated the current investigation because he hopes to sell the property at a higher price once the investigation is complete.

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SEP 26 2008

ENVIRONMENTAL HEALTH SERVICES

Oregon
Washington
California
Utah
Idaho



Mr. Jerry Wickham
September 24, 2008
Page 2

3. As the current owner and operator, Vignoles is a discharger within the meaning of California law and liable for the investigation and cleanup.¹
4. A 2004 Phase I Environmental Assessment prepared for Vignoles by ERAS Environmental disclosed that Vignoles was utilizing in his operations new and used petroleum storage tanks and barrels of waste petroleum products. Sampling by ERAS this summer disclosed, in one location, GP-2, higher levels of TPH-G in the groundwater than had previously been uncovered.² Therefore, any investigation must focus on the potential for and extent of releases during Vignoles' operations.
5. The site was closed by PCC Flow with the exception of the recording of a deed restriction. Vignoles obviously has more information about his activities on the site, but to our knowledge, no activities have occurred on the site in violation of the proposed restriction. Vignoles is solely responsible for the failure to file the restriction.

For these reasons, we do not believe it is appropriate for Vignoles to involve Alameda County in his scheme to sell the property at a larger profit, with PCC Flow bearing the cost of the site investigation. Given this, we will not trouble you with explaining why Vignoles' version of the facts in counsel's September 15, 2008 letter is incorrect.

However, we do note that Eva Chu of your office was fully prepared to issue the formal closure letter in 2002 (see enclosed email exchange) upon 9201's signing a deed restriction. This satisfied PCC Flow's indemnity obligation and, had Vignoles signed the deed restriction, would have formally closed the site and avoided the expenditure of any additional Alameda County money on the site. Any expenditures at the site after that time are therefore properly the responsibility of the current owner and operator: again, Vignoles.

Finally, in his September 15, 2008 letter, counsel references certain reports you have requested. We would be happy to provide any reports in our files; however, given that PCC Flow completed its work at the site in 2002, our files might not be complete.

¹ See, e.g., In the Matter of the Petition of Zoccon Corp. for Review of Order No. 85-67, SWRCB Order No. 86-2 (1986); *Lake Madrone Water Dist. v. State Water Resources Control Bd.* (1989) 209 Cal. App. 3d 163, 171-72; Petition of USDA, SWRCB Order No. 87-5 (1987); 27 Ops. Cal. Atty. Gen. 182 (1956).

² See ERAS' Subsurface Investigation and Groundwater Monitoring Report, Quarter 2, 2008, dated July 31, 2008.

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SEP 26 2008

ENVIRONMENTAL HEALTH SERVICES



Mr. Jerry Wickham
September 24, 2008
Page 3

Please let me know if you have any questions.

Very truly yours,

Scott J. Kaplan

SJK:dmv
Enclosure
cc: Mr. Marc A. Zeppetello

John D. Lilla

From: John Lilla [jdilla@pcctflow.com]
Sent: Monday, March 18, 2002 8:49 AM
To: Mark Vignoles (E-mail); Mark Jonas (E-mail)
Cc: J. Mark Morford (E-mail); EChu@co.alameda.ca.us (E-mail)
Subject: FW: Deed Restriction-Torres



Deed Restriction RE: Risk Results
(Final)-Alame... - 9201 Paco

Mark Vignoles and Mark Jonas:

Please read below and review the draft deed restriction. Mark Vignoles - As you can see from Eva's message below, the only outstanding detail to complete to get site closure is completion and filing and recording of the deed restriction. Mark Jones, the environmental consultant did a RBCA report for a residential scenario on this property at her request. Mark Jones - please provide a copy to Mark Vignoles. If you don't have an address, then please ask Mark Vignoles for the one to send it to.

Mark Vignoles - I am willing to provide for the reasonable expense of legal and environmental consultant assistance to help you complete, file and record the deed restriction. Please advise how or what else is needed in order to move forward. The county will not provide closure on this site without the filing of the deed restriction.

We discussed this last October and there has been no movement (see attached email). Can you advise where you are at on this?

John Lilla

-----Original Message-----

From: Chu, Eva, Env. Health [mailto:EChu@co.alameda.ca.us]
Sent: Friday, March 01, 2002 6:55 PM
To: 'Jonas, Mark'
Cc: 'Lilla, John'
Subject: FW: Deed Restriction-Torres

Mark,

As you may recall, we spoke of doing a deed restriction for the site at Paco Pump, 9201 San Leandro, CA if the RBCA SSTLs are exceeded for a residential scenario. Since this is the case, take a look at the deed restriction format. Will you be doing it for John Lilla? or will he want his attorney to look it over first. You should attach a site plan and cross-section showing residual soil and groundwater contamination with the deed restriction. When I approve of the draft deed restriction, it will then be recorded and I'll close the case. In the meantime, I'll give the file to our new supervisor, to make sure she concurs with my recommendations.

eva

> -----
> From: Chu, Eva, Env. Health
> Sent: October 10, 2001 7:32 AM
> To: 'Jonas, Mark'; 'Lilla, John'
> Subject: Deed Restriction-Torres
>
> <<Deed Restriction (Final)-Alameda County.doc>>
>
> John, Mark,

Recording Requested By:

[CURRENT OWNER]

When Recorded, Mail To:

Mee Ling Tung, Director
Alameda County Environmental Health Services
1131 Harbor Bay Parkway
Alameda, California 94502

COVENANT AND ENVIRONMENTAL RESTRICTION
ON PROPERTY

[NAME OF SITE and ADDRESS OF PROPERTY]

This Covenant and Environmental Restriction on Property (this "Covenant") is made as of the ____ day of _____, 20__ by [CURRENT OWNER/S] ("Covenantor") who is the Owner of record of that certain property situated at ___(address)___, in the City of _____, County of _____, State of California, which is more particularly described in Exhibit A attached hereto and incorporated herein by this reference (such portion hereinafter referred to as the "Burdened Property"), for the benefit of the Alameda County Environmental Health Services (the "County"), with reference to the following facts:

A. The Burdened Property and groundwater underlying the property contains hazardous materials.

B. Contamination of the Burdened Property. Soil at the Burdened Property was contaminated by [BRIEFLY DESCRIBE OPERATIONS THAT CAUSED CONTAMINATION] conducted by _____. These operations resulted in contamination of [SOIL AND/OR GROUNDWATER] with [INORGANIC AND/OR ORGANIC] chemicals including _____, which constitute hazardous materials as that term is defined in Health & Safety Code Section 25260. [BRIEFLY DESCRIBE REMEDIATION AND CONTROLS IMPLEMENTED].

C. Exposure Pathways. The contaminants addressed in this Covenant are present in [SOIL AND/OR GROUNDWATER] on the Burdened Property. Without the mitigation measures which have been performed on the Burdened Property, exposure to these contaminants could take place via [LIST AS APPROPRIATE: IN-PLACE CONTACT, SURFACE-WATER RUNOFF, AND WIND DISPERSAL, RESULTING IN DERMAL CONTACT, INHALATION, OR INGESTION BY HUMANS, ETC.]. The risk of public exposure to the contaminants has been substantially lessened by the remediation and controls described herein.

D. Adjacent Land Uses and Population Potentially Affected. The Burdened Property is used for _____ and is adjacent to [LIST AS APPROPRIATE: INDUSTRIAL, COMMERCIAL, RESIDENTIAL] land uses.

E. Full and voluntary disclosure to the County of the presence of hazardous materials on the Burdened Property has been made and extensive sampling of the Burdened Property has been conducted.

F. Covenantor desires and intends that in order to benefit the County, and to protect the present and future public health and safety, the Burdened Property shall be used in such a manner as to avoid potential harm to persons or property that may result from hazardous materials that may have been deposited on portions of the Burdened Property.

ARTICLE I GENERAL PROVISIONS

1.1 Provisions to Run with the Land. This Covenant sets forth protective provisions, covenants, conditions and restrictions (collectively referred to as "Restrictions") upon and subject to which the Burdened Property and every portion thereof shall be improved, held, used, occupied, leased, sold, hypothecated, encumbered, and/or conveyed. The restrictions set forth in Article III are reasonably necessary to protect present and future human health and safety or the environment as a result of the presence on the land of hazardous materials. Each and all of the Restrictions shall run with the land, and pass with each and every portion of the Burdened Property, and shall apply to, inure to the benefit of, and bind the respective successors in interest thereof, for the benefit of the County and all Owners and Occupants. Each and all of the Restrictions are imposed upon the entire Burdened Property unless expressly stated as applicable to a specific portion of the Burdened Property. Each and all of the Restrictions run with the land pursuant to section 1471 of the Civil Code. Each and all of the Restrictions are enforceable by the County.

1.2 Concurrence of Owners and Lessees Presumed. All purchasers, lessees, or possessors of any portion of the Burdened Property shall be deemed by their purchase, leasing, or possession of such Burdened Property, to be in accord with the foregoing and to agree for and among themselves, their heirs, successors, and assignees, and the agents, employees, and lessees of such owners, heirs, successors, and assignees, that the Restrictions as herein established must be adhered to for the benefit of the County and the Owners and Occupants of the Burdened Property and that the interest of the Owners and Occupants of the Burdened Property shall be subject to the Restrictions contained herein.

1.3 Incorporation into Deeds and Leases. Covenantor desires and covenants that the Restrictions set out herein shall be incorporated in and attached to each and all deeds and leases of any portion of the Burdened Property. Recordation of this Covenant shall be deemed binding on all successors, assigns, and lessees, regardless of whether a copy of this Covenant and Agreement has been attached to or incorporated into any given deed or lease.

1.4 Purpose. It is the purpose of this instrument to convey to the County real property rights, which will run with the land, to facilitate the remediation of past environmental contamination and to protect human health and the environment by reducing the risk of exposure to residual hazardous materials.

ARTICLE II DEFINITIONS

2.1 County. "County" shall mean the Alameda County Environmental Health Services and shall include its successor agencies, if any.

2.2 Improvements. "Improvements" shall mean all buildings, roads, driveways, regradings, and paved parking areas, constructed or placed upon any portion of the Burdened Property.

2.3 Occupants. "Occupants" shall mean Owners and those persons entitled by ownership, leasehold, or other legal relationship to the exclusive right to use and/or occupy all or any portion of the Burdened Property.

2.4 Owner or Owners. "Owner" or "Owners" shall mean the Covenantor and/or its successors in interest, who hold title to all or any portion of the Burdened Property.

ARTICLE III DEVELOPMENT, USE AND CONVEYANCE OF THE BURDENED PROPERTY

3.1 Restrictions on Development and Use. Covenantor promises to restrict the use of the Burdened Property as follows:

[INCLUDE THE FOLLOWING PROVISIONS, A-I, IF APPROPRIATE]:

- a. Development of the Burdened Property shall be restricted to industrial, commercial or office space;
- b. No residence for human habitation shall be permitted on the Burdened Property;
- c. No hospitals shall be permitted on the Burdened Property;
- d. No schools for persons under 21 years of age shall be permitted on the Burdened Property;
- e. No day care centers for children or day care centers for Senior Citizens shall be permitted on the Burdened Property;

f. No Owners or Occupants of the Property or any portion thereof shall conduct any excavation work on the Property, unless expressly permitted in writing by the County. Any contaminated soils brought to the surface by grading, excavation, trenching, or backfilling shall be managed by Covenantor or his agent in accordance with all applicable provisions of local, state and federal law;

g. All uses and development of the Burdened Property shall be consistent with any applicable County Cleanup Order or Risk Management Plan, each of which is hereby incorporated by reference including future amendments thereto. All uses and development shall preserve the integrity of any cap, any remedial measures taken or remedial equipment installed, and any groundwater monitoring system installed on the Burdened Property pursuant to the requirements of the County, unless otherwise expressly permitted in writing by the County.

h. No Owners or Occupants of the Property or any portion thereof shall drill, bore, otherwise construct, or use a well for the purpose of extracting water for any use, including but not limited to, domestic, potable, or industrial uses, unless expressly permitted in writing by the County.

i. The Owner shall notify the County of each of the following: (1) The type, cause, location and date of any disturbance to any cap, any remedial measures taken or remedial equipment installed, and of the groundwater monitoring system installed on the Burdened Property pursuant to the requirements of the County, which could affect the ability of such cap or remedial measures, remedial equipment, or monitoring system to perform their respective functions and (2) the type and date of repair of such disturbance. Notification to the County shall be made by registered mail within ten (10) working days of both the discovery of such disturbance and the completion of repairs;

j. The Covenantor agrees that the County, and/or any persons acting pursuant to County cleanup orders, shall have reasonable access to the Burdened Property for the purposes of inspection, surveillance, maintenance, or monitoring, as provided for in Division 7 of the Water Code.

k. No Owner or Occupant of the Burdened Property shall act in any manner that will aggravate or contribute to the existing environmental conditions of the Burdened Property. All use and development of the Burdened Property shall preserve the integrity of any capped areas.

3.2 Enforcement. Failure of an Owner or Occupant to comply with any of the restrictions, as set forth in paragraph 3.1, shall be grounds for the County, by reason of this Covenant, to have the authority to require that the Owner modify or remove any Improvements constructed in violation of that paragraph. Violation of the Covenant shall be grounds for the County to file civil actions against the Owner as provided by law.

3.3 Notice in Agreements. After the date of recordation hereof, all Owners and Occupants shall execute a written instrument which shall accompany all purchase agreements or leases relating to the property. Any such instrument shall contain the following statement:

The land described herein contains hazardous materials in soils and in the ground water under the property, and is subject to a deed restriction dated as of _____, 199_, and recorded on _____, 199_, in the Official Records of _____ County, California, as Document No. _____, which Covenant and Restriction imposes certain covenants, conditions, and restrictions on usage of the property described herein. This statement is not a declaration that a hazard exists.

ARTICLE IV VARIANCE AND TERMINATION

4.1 Variance. Any Owner or, with the Owner's consent, any Occupant of the Burdened Property or any portion thereof may apply to the County for a written variance from the provisions of this Covenant.

4.2 Termination. Any Owner or, with the Owner's consent, any Occupant of the Burdened Property or a portion thereof may apply to the County for a termination of the Restrictions as they apply to all or any portion of the Burdened Property.

4.3 Term. Unless terminated in accordance with paragraph 4.2 above, by law or otherwise, this Covenant shall continue in effect in perpetuity.

ARTICLE V MISCELLANEOUS

5.1 No Dedication Intended. Nothing set forth herein shall be construed to be a gift or dedication, or offer of a gift or dedication, of the Burdened Property or any portion thereof to the general public.

5.2 Notices. Whenever any person gives or serves any notice, demand, or other communication with respect to this Covenant, each such notice, demand, or other communication shall be in writing and shall be deemed effective (1) when delivered, if personally delivered to the person being served or official of a government agency being served, or (2) three (3) business days after deposit in the mail if mailed by United States mail, postage paid certified, return receipt requested:

If To: "Covenantor"
[Owners name and address]

If To: "County"
Alameda County Environmental Health Services
Attention: Director
1131 Harbor Bay Parkway
Alameda, California 94502

5.3 Partial Invalidity. If any portion of the Restrictions or terms set forth herein is determined to be invalid for any reason, the remaining portion shall remain in full force and effect as if such portion had not been included herein.

5.4 Article Headings. Headings at the beginning of each numbered article of this Covenant are solely for the convenience of the parties and are not a part of the Covenant.

5.5 Recordation. This instrument shall be executed by the Covenantor and by the Director of Environmental Health Services. This instrument shall be recorded by the Covenantor in the County of _____ within ten (10) days of the date of execution.

5.6 References. All references to Code sections include successor provisions.

5.7 Construction. Any general rule of construction to the contrary notwithstanding, this instrument shall be liberally construed in favor of the Covenant to effect the purpose of this instrument and the policy and purpose of the Water Code. If any provision of this instrument is found to be ambiguous, an interpretation consistent with the purpose of this instrument that would render the provision valid shall be favored over any interpretation that would render it invalid.

IN WITNESS WHEREOF, the parties execute this Covenant as of the date set forth above.
Covenantor: _____

By: _____
Title: _____
Date: _____

Agency: Alameda County
Environmental Health Services

By: _____
Title: Director
Date: _____

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, 20__ before me, the undersigned a Notary Public in and for said state,
personally appeared [Covenantor], personally known to me or proved to me on the basis of
satisfactory evidence to be the person who executed the within instrument.

WITNESS my hand and official seal.

Notary Public in and for said
County and State

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, 20__ before me, the undersigned a Notary Public in and for said state,
personally appeared [DIRECTOR], personally known to me or proved to me on the basis of
satisfactory evidence to be the person who executed the within instrument.

WITNESS my hand and official seal.

Notary Public in and for said
County and State