UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 Sixth Avenue
Seattle, Washington 98101

URGENT LEGAL MATTER
PRIORITY OVERNIGHT MAIL REQUESTED

April 28, 2006

Re: Supplemental Notice of Potential Liability for the Portland Harbor Superfund Site; Portland, Oregon

Dear

The United States Environmental Protection Agency ("EPA") previously contacted your company regarding activities connected with the Portland Harbor Superfund Site (the "Site") located in Portland, Oregon. In our December 2000 correspondence, EPA informed your company and other potentially responsible parties ("PRPs") at the Site that you may be liable for money expended by EPA for response actions at the Site under the Comprehensive Environmental Response, Compensation, and Liability Act, as amended ("CERCLA"), commonly known as the federal Superfund law. At that time, EPA also offered you and other PRPs the opportunity to take action necessary to abate any releases or threats of release of hazardous substances from the Site or to reimburse EPA for response actions undertaken.

EPA is contacting you and your company again to reconfirm your company's potential responsibility for response costs incurred in the Portland Harbor Superfund Site and to request that your company participate in the ongoing studies being undertaken, referred to as the remedial investigation and feasibility study (RI/FS).

In response to the original notice letters issued in 2000, 10 cooperating notice letter recipients entered into an Administrative Order on Consent ("AOC") with EPA for the performance of a RI/FS for the Site. These cooperating parties, along with five other notice letter recipients, have formed a coalition of private and public entities, known as the Lower Willamette Group ("LWG"), to jointly perform the RI/FS pursuant to the AOC. EPA is now providing you a second opportunity to join in the investigation of the Site.

The parties who signed the AOC have conducted, with EPA oversight, extensive data collection and evaluation efforts. However, more data collection and analysis is required to determine the

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nature and extent of contamination and evaluate the risks to human health and the environment at the Site. RI/FS and PRP search efforts to date have confirmed your company's potential liability for the contamination at the Site. Therefore, EPA is again requesting that you become a cooperating party for the RI/FS by participating in the LWG and entering into the AOC. A copy of the AOC is attached for your review.

Explanation of Potential Liability

Under Section 107(a) of CERCLA and Section 1002(a) of the Oil Pollution Act ("OPA"), PRPs may be held liable for all costs incurred by the EPA (including interest) in responding to any release or threatened release of hazardous substances or oil at the Site, unless the PRP can show any of the statutory defenses to liability. CERCLA PRPs include current and former owners and operators of a facility, as well as persons who arranged for treatment and/or disposal of any hazardous substances found at the Site, and persons who accepted hazardous substances for transport and selected the Site to which the hazardous substances were delivered. OPA responsible parties include owners and operators of onshore facilities.

Based on the information that EPA evaluated during the course of its investigation of the Site, EPA believes that your company may be liable under Section 107(a) of CERCLA, with respect to the Site, as an owner, operator, and/or arranger who by contract, agreement or otherwise arranged for the disposal, treatment or transportation of hazardous substances at the Site. Similarly, EPA believes that your company may be liable under Section 1002(a) of OPA, with respect to the Site, and as owner or operator of an onshore facility. Specifically, EPA has reason to believe that hazardous substances and/or oil have been and/or are being released from the facility located at _____, into the "study area" for the Portland Harbor Superfund Site, as defined under the AOC.

Settlement Opportunity

As noted earlier, an opportunity exists for you to become a cooperating party. There are advantages to joining the RI/FS process. By joining the RI/FS, you have an ability to shape the investigation and remedial alternatives that will be evaluated when EPA selects a remedy for the Site. Remaining outside of the process limits your opportunity to have a meaningful role in the critical decisions leading up to the development of the Proposed Plan.

Further, the LWG is beginning an allocation discussion in which they will develop a proposed allocation scheme for sharing costs of the RI/FS and remedial action among all identified PRPs. Even if you do not participate in the allocation, it is likely that you will be assigned a share in that process. Accordingly, it would be in your interest to be an active participant to ensure that your interests are fairly represented. Moreover, participating in the cleanup process will facilitate resolution of all viable PRPs' shares of responsibility for investigation and cleanup costs outside of court.

Respondents to the AOC also receive the benefit of obtaining an administrative settlement with EPA for the RI/FS work and costs. Such a settlement confers upon you the right to seek contribution from third parties for costs exceeding your fair share to the extent provided by the

Superfund law. Through this AOC, you also receive statutory protection from third party lawsuits seeking contribution of their RI/FS costs.

If you choose not to join in the RI/FS by becoming a signatory to the AOC, EPA may take appropriate action which could include any of the following options: EPA may issue a Unilateral Administrative Order ("UAO") to you under Section 106(a) to perform some portion of the RI/FS work. Or, EPA may issue a Unilateral Participate and Cooperate Order requiring you to undertake completion of the RI/FS at the Site in cooperation with the PRPs who are already performing under the AOC. If you refuse to comply with an order issued against you, EPA may pursue civil litigation against you pursuant to Section 106(a) to compel compliance, or EPA may pursue a Section 107 cost recovery claim against you for costs incurred and to be incurred by EPA at the Site. In addition, EPA may pursue civil enforcement against you under Section 311(e) of the Federal Water Pollution Control Act, 33 U.S.C. § 132(e).

We strongly encourage you to contact the LWG to discuss your participation as a cooperating party for the performance or funding of the AOC. You may do so by contacting:

David Ashton
Port of Portland
P.O. Box 3529
121 NW Everett
Portland, OR 97208
(503) 944-7090
david.ashton@portofportland.com

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1601 Fifth Avenue, Suite 2040
Seattle, WA 98101
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EPA understands that the LWG will soon be issuing an invitation for you and other PRPs to attend an informational meeting to discuss the LWG's past and ongoing activities and your potential participation in performing or funding the RI/FS. EPA representatives intend to participate in portions of such a meeting.

Reply Instructions

EPA asks that you provide a written response to this request for you to become a cooperating party before June 14, 2006. Your written response should be submitted to:

U.S. Environmental Protection Agency
Attn: Elizabeth McKenna, Attorney
Office of Regional Counsel
1200 Sixth Avenue, M/S ORC 158

Seattle, Washington 98101

Contacting Mr. Ashton or William Joyce alone will not be considered a sufficient response to EPA. If a response from you is not received by June 14, 2006, EPA will assume that you have declined this offer to become a signatory to the AOC and EPA may pursue, without further notice to you, one of the options for civil litigation and/or administrative relief, including issuance of a participate and cooperate order requiring you to undertake completion of the RI/FS at the Site in cooperation with the PRPs who are already performing under the AOC.

Questions may be directed to Ms. McKenna by contacting her at (206) 553-0016. At your request, Ms. McKenna will provide you with a standardized "letter of intent" for acknowledging your intent to engage in good faith negotiations to become a cooperating party and become a respondent to the existing AOC.

Sincerely,

Daniel D. Opalski, Director
Office of Environmental Cleanup

Enclosure:

Administrative Order on Consent