MARALCO Kent

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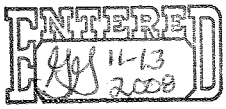
COMPLETE SUMMARY FORMAT
MARKET VALUE APPRAISAL
An existing warehouse property located at
7730 South 202nd Street
Kent, King county, Washington



File No. 05-025

AS OF

April 20, 2005

PREPARED FOR:
Mr. Charles Hinds
Contract Officer
WASHINGTON STATE DEPARTMENT OF ECOLOGY
PO Box 47600
Olympia, WA. 98504-7600

PREPARED BY

David E. Hunnicutt, MAI, JD
President
HUNNICUTT AND ASSOCIATES, INC.
P.O. Box 531
Kirkland, Washington 98083-0531

Hunnicutt & Associates, Inc.
Real Estate Appraisers and Consultants in Valuation
David E. Hunnicutt, MAI, JD

April 20, 2005

Mr. Chuck Hinds
Contract Officer
WASHINGTON STATE DEPARTMENT OF ECOLOGY
PO Box 47600
Olympia, WA. 98504-7600

Re: An existing warehouse building
located at 7730 South 202nd Street
Kent, King county, Washington
File No. 05-025

Dear Mr. Hinds:

In response to your request we have inspected and appraised the above referenced property, located in the city of Kent, King county, Washington. Enclosed is a written report presented in complete summary format that reports the results of formulation of our opinion of the Market Value of the fee simple interest in the property, as of April 20, 2005.

The assignment is the result of a complete appraisal process as defined in USPAP Standard 1, and the report is written with the intent of complying with USPAP Standard Rule 2-2(b) governing summary formats of a written report. The client is the state of Washington Department of Ecology, through the Department of General Administration. Department of Ecology is considering a purchase of this property, either singly as an agency, or with another party, and the intended use of this report is to provide the agency a basis of value for the transaction that is contemplated. The intended users of the report are employees of Washington State Department of Ecology and other parties deemed privy to the information at their discretion.

Based on our investigation, it is our opinion that the Market Value of the interests reported herein are as follows:

Market value of 7730 South 202nd Street - Kent:

THREE MILLION SIX HUNDRED THOUSAND DOLLARS
$3,600,000

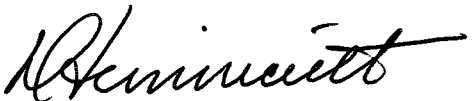
PO Box 531 • Kirkland, WA. 98083-0531 • (425) 576-1203 • Fax: (425) 576-8904

This report is subject to the Assumptions and Limiting Conditions and Certification, included in the appraisal. It has been prepared in conformity with, and is subject to, the requirements of the Uniform Standards of Professional Appraisal Practice, as well as the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute. **This report was not based on a requested minimum valuation or specific valuation, or approval of a loan.**

The appraiser assumes no liability for structural conditions not visible through ordinary, careful inspection or a review of the plans and specifications, if proposed, nor is there any responsibility for subsurface or hazardous waste conditions. The appraiser is not qualified to detect such substances. Nor did the appraiser take into consideration the possibility of the existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof. An expert in this field should be retained if desired.

The following report is a summary which contains the pertinent data and analyses used in arriving at our conclusions.

Respectfully submitted,
HUNNICUTT AND ASSOCIATES, INC.



David E. Hunnicutt, MAI, JD
President
Washington State General Certified Appraiser No. 1100308

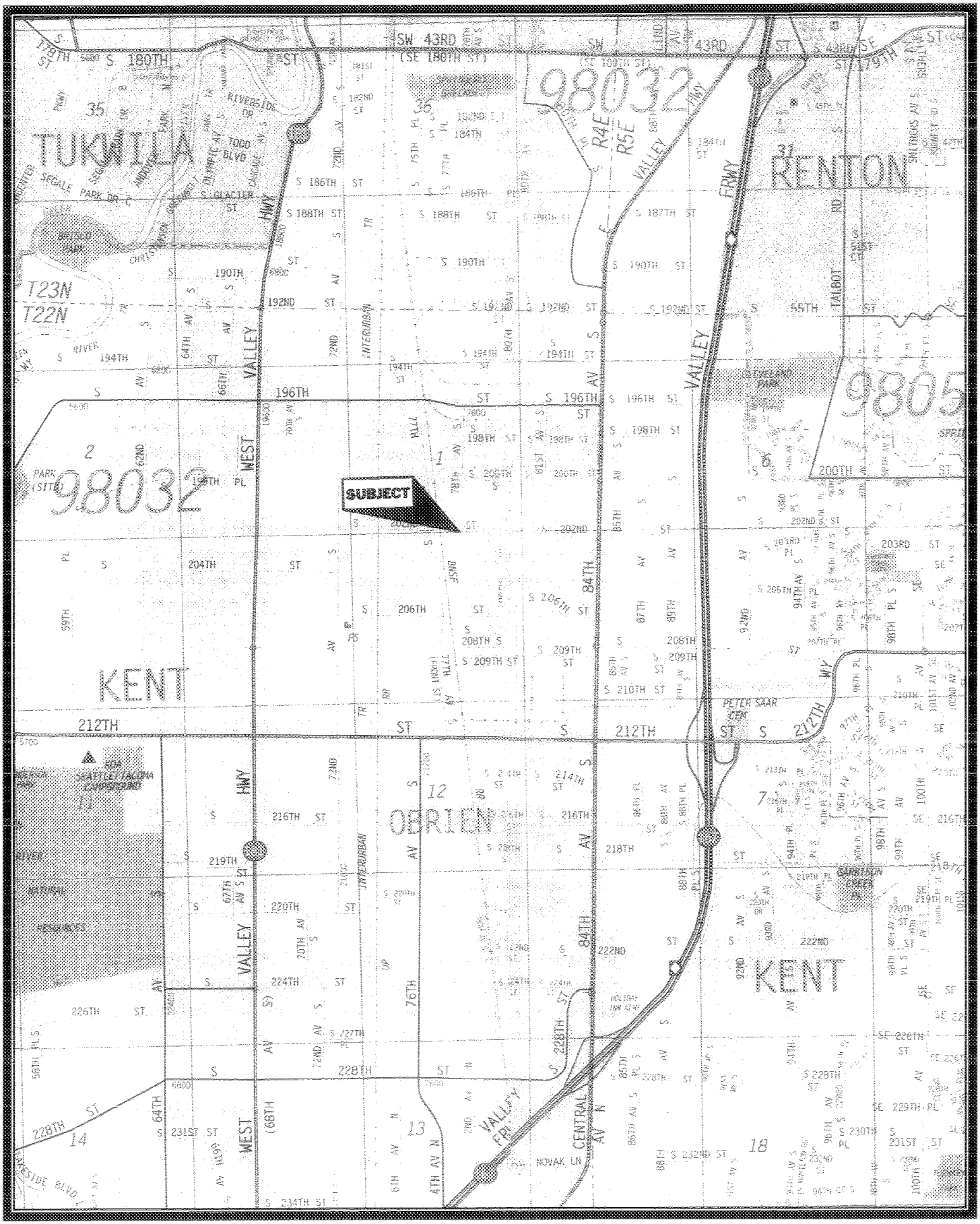


Figure 1

Location Map

Comments:	Subject site consists of 12.05 acres of total land area. The east roughly 1/3rd of the site is undeveloped and is bisected from the developed westerly 2/3rds, more or less, by Christopher Ditch, an area classified as wetlands, and protected by a 25' wetland buffer area. Christopher Ditch enters the property near the northeastern corner and flows southwest to the center of the site. Another drainage ditch extends from the southwest corner and joins Christopher Ditch near the center of the property.

Improvement Description:

Use:	Storage and distribution warehouse building.
Size:	
Gross building area:	Total 45,000 SF
Net Building area:	45,000 SF
Stories:	One
Age :	Built in 1981
Ceiling Height:	30 feet ±
Exterior:	tilt-up concrete
Foundation :	8" concrete foundation wall
Walls:	Tilt-up concrete panels
Roof:	Torch down, built up tar
Other:	Gutter and down spouts
Interior:	
Floor Plan:	largely open storage, minimal office space
Floors:	concrete slab
Ceiling:	Open truss and concrete
Other:	None
Mechanical:	Plumbing is adequate, heat by unit space heaters
Electrical:	3 phase power, 440 amp assumed from external service
Condition:	Average
Comments:	Building improvements make adequate use of the site.
ZONING:	Zoning is city of Kent M2, limited industrial zone.

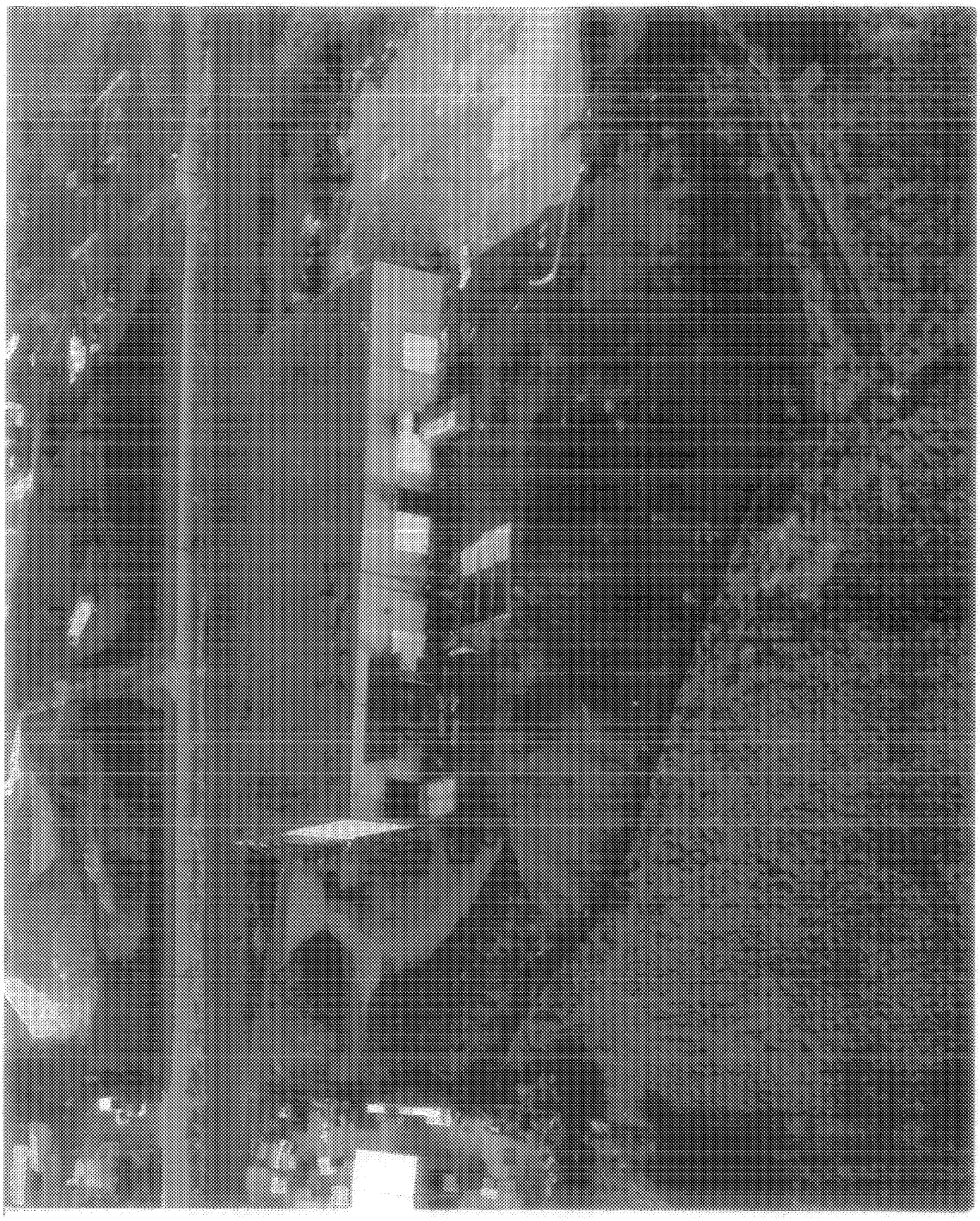


Figure 2 Aerial Photo of Subject Property

HIGHEST AND BEST USE:

The Highest and Best Use of the property is industrial. A use falling within the parameters of the M2 zone, for which the zone was intended to create, would be narrowly defined as the specific use that is Highest and Best Use. The existing use falls among the larger group of uses considered the Highest and Best Use as improved. We have determined two issues that comprise our conclusions:

1] as the result of wetlands on the property and their configuration, approximately 33% of the land is not developable, with 67% being useable; and

2] there is a small land-to-building ratio that results in land that is developable but excess to the economic needs of the existing 45,000 square feet of building area.

PROPERTY RIGHTS APPRAISED:

Fee simple estate. *Fee simple estate* is: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[1]

INTENDED USE:

To formulate and express an opinion of Market Value of the fee simple estate interest of the property, as of April 20, 2005.

INTENDED USERS:

Mr. Chuck Hinds, contract officer for Washington State Department of Ecology.

Summary of value opinions:

Value Indicated by Cost Approach	$3,794,000
Land Value as if vacant:	$2,282,544
Value Indicated by Income Capitalization - Fee Simple	$3,632,544
Value Indicated by Sales Comparison Approach - Fee Simple	$3,000,000

THREE MILLION SIX HUNDRED THOUSAND DOLLARS
$3,600,000

EFFECTIVE DATE OF APPRAISAL:	April 20, 2005
DATE OF REPORT:	April 20, 2005
APPRAISER:	David E. Hunnicutt, MAI, JD

[1] Dictionary of Real Estate Appraisal - Fourth Ed. p. 113 pub. 2002 by Appraisal Institute

Site Plan

Figure 3

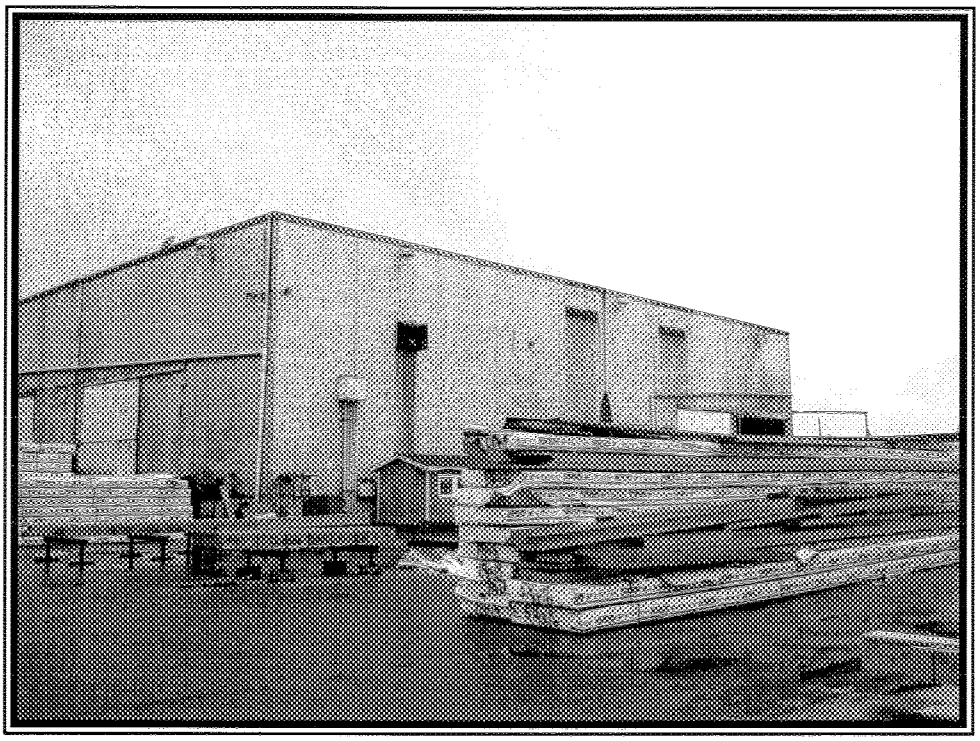


Figure 1 North side of building and paved area

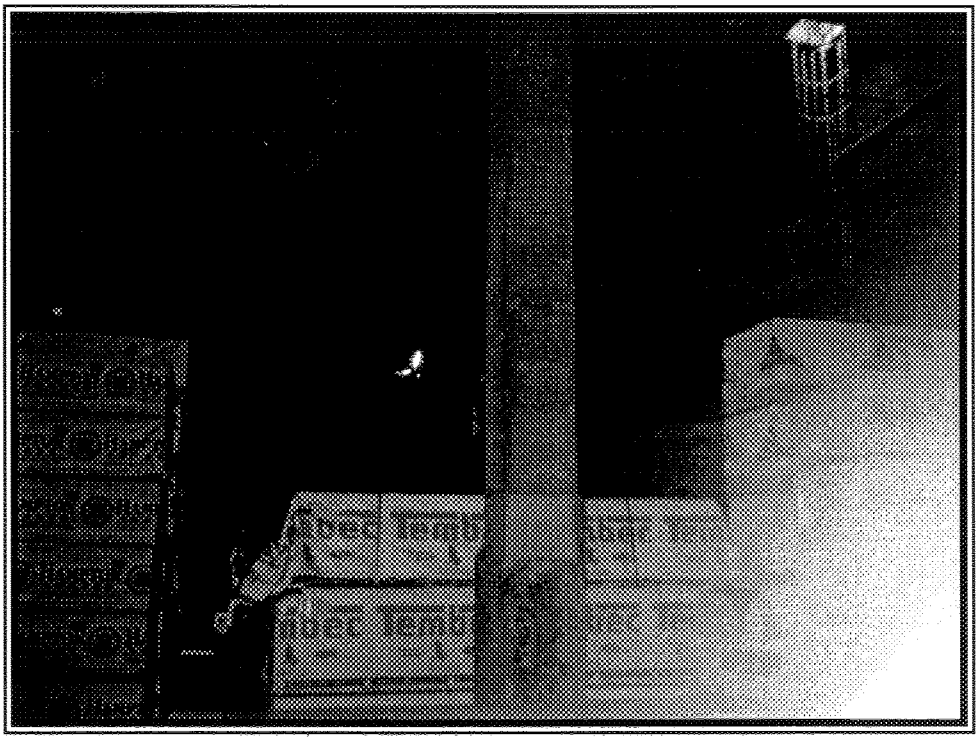


Figure 2 Interior view of warehouse

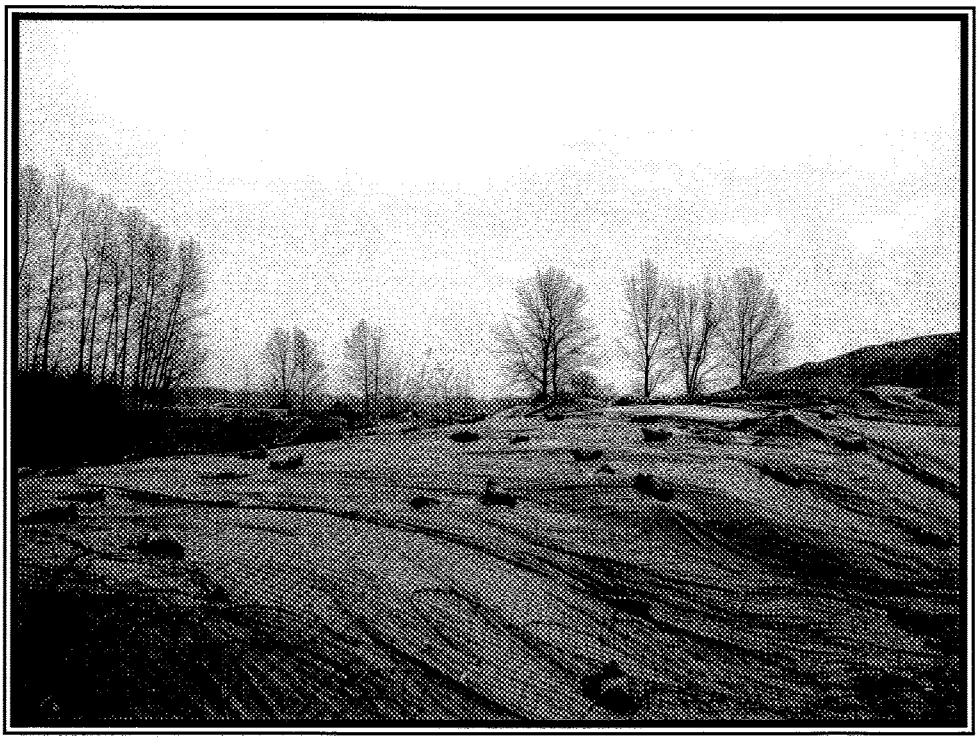


Figure 3 Dross pile

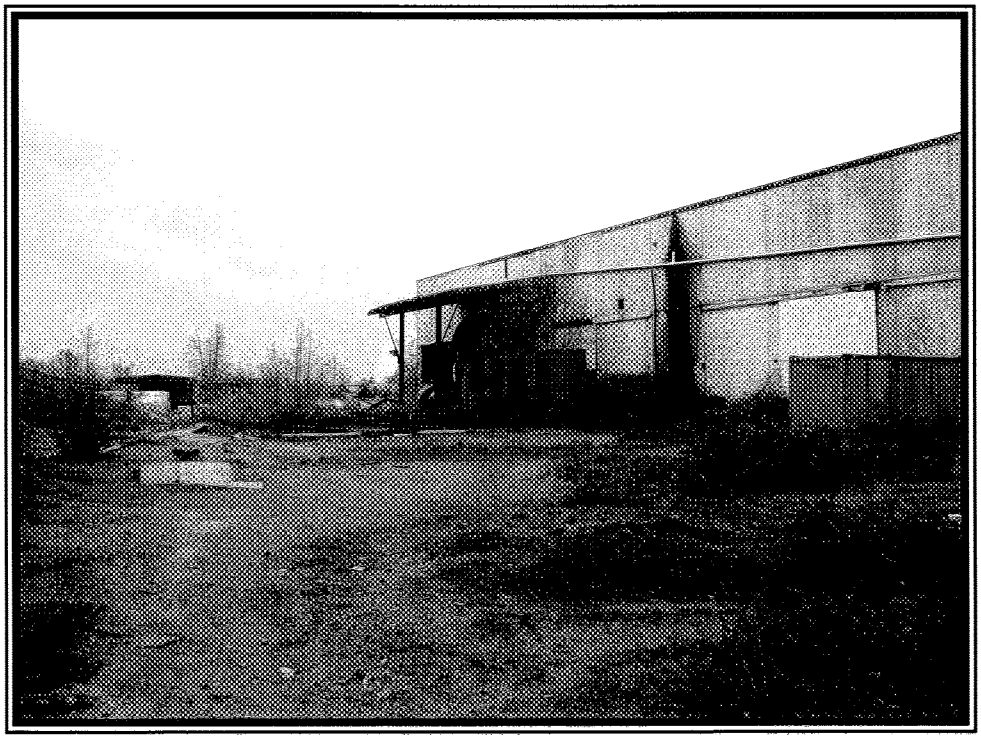


Figure 4 East side of building and yard area

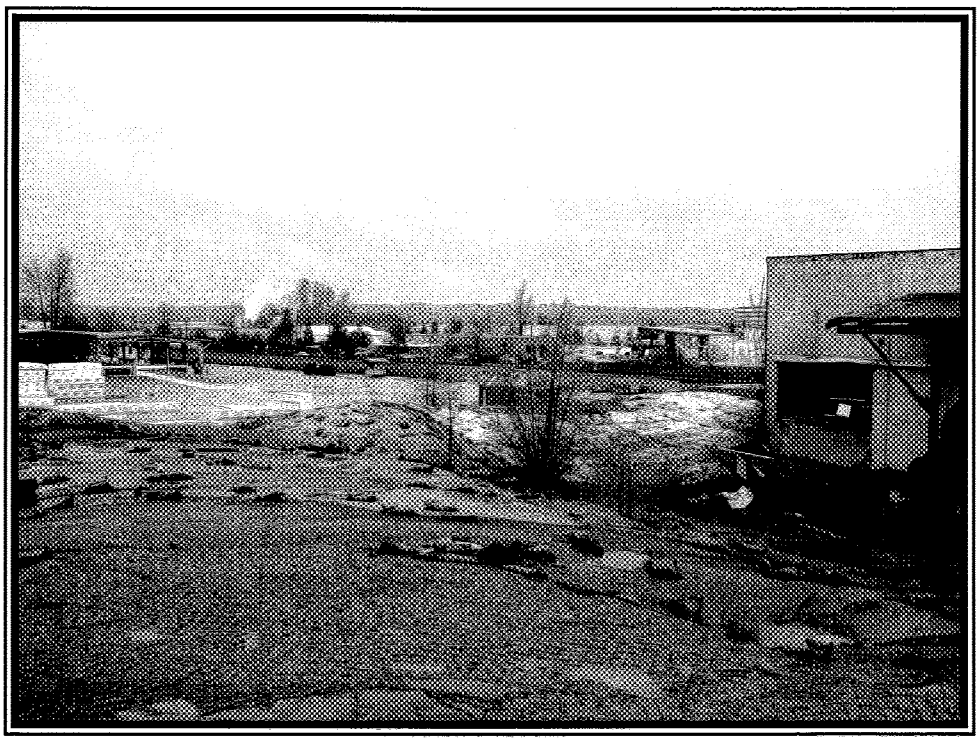


Figure 5 View off dross pile looking southwesterly

Figure 6 Wetland area on northeasterly portion of lot

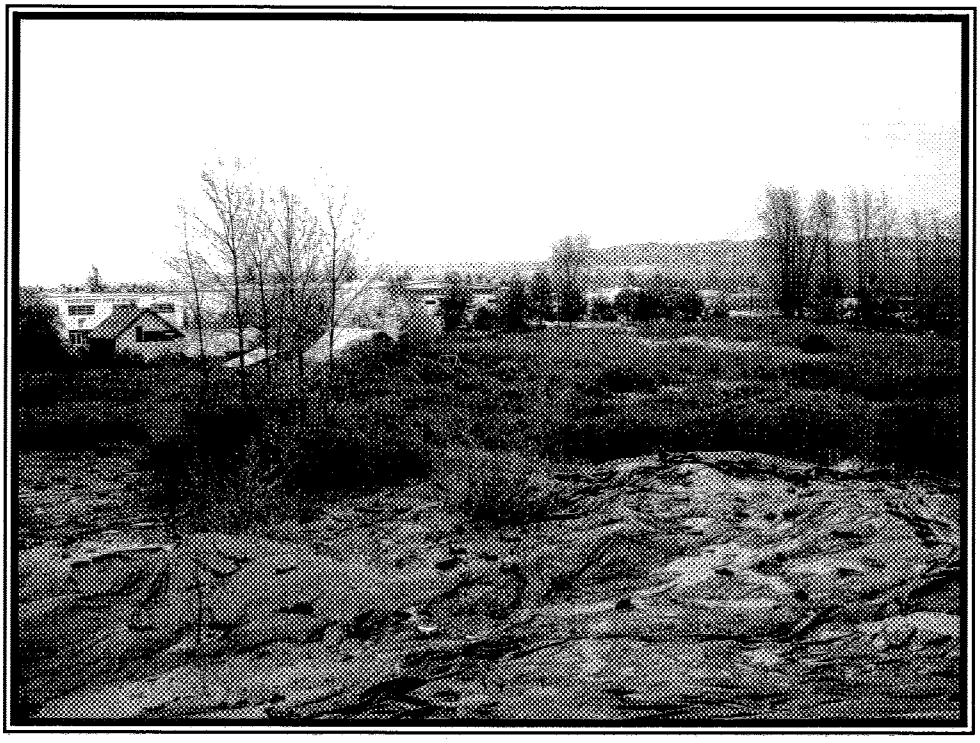


Figure 7 View of southeasterly portion of lot

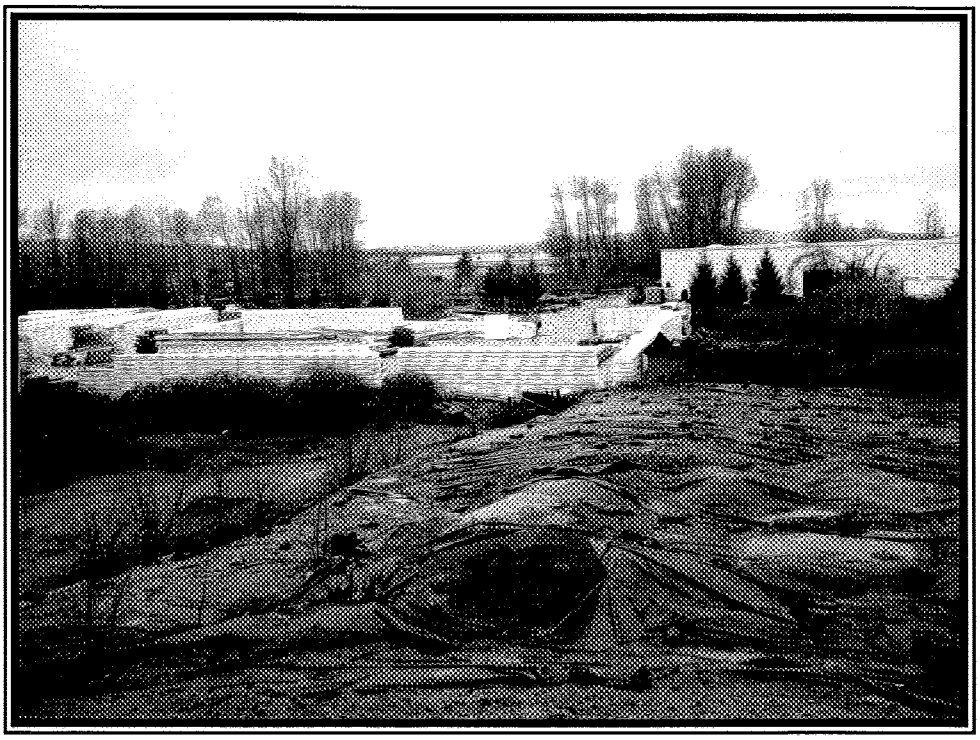


Figure 8 View of northwesterly corner of lot

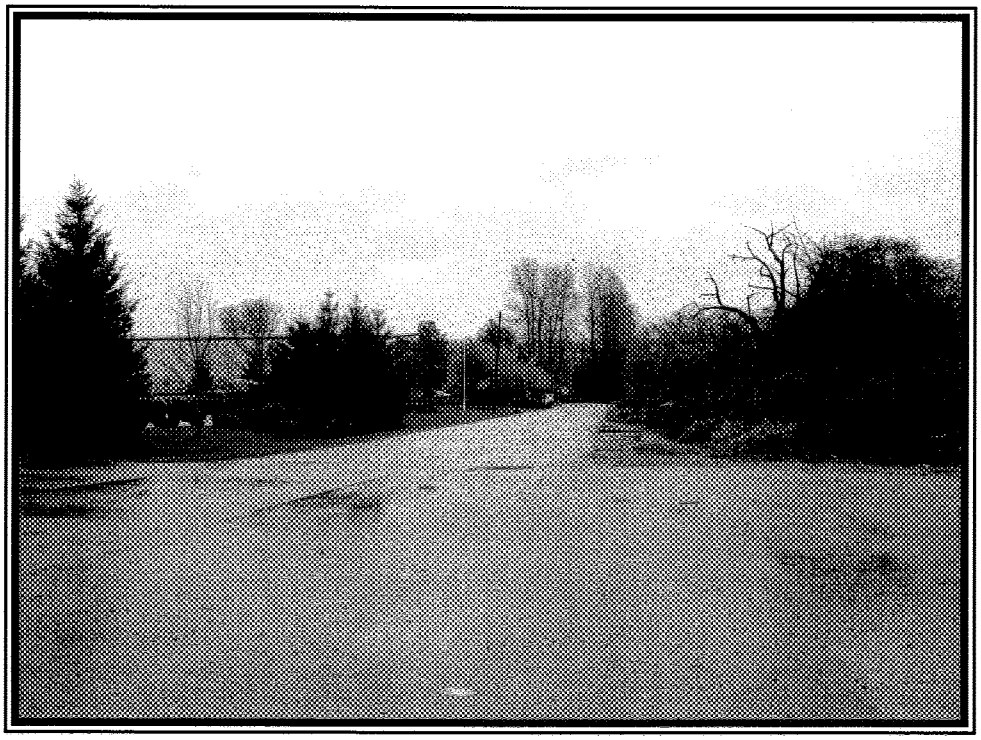


Figure 9 Looking east on South 202nd toward 80th Avenue

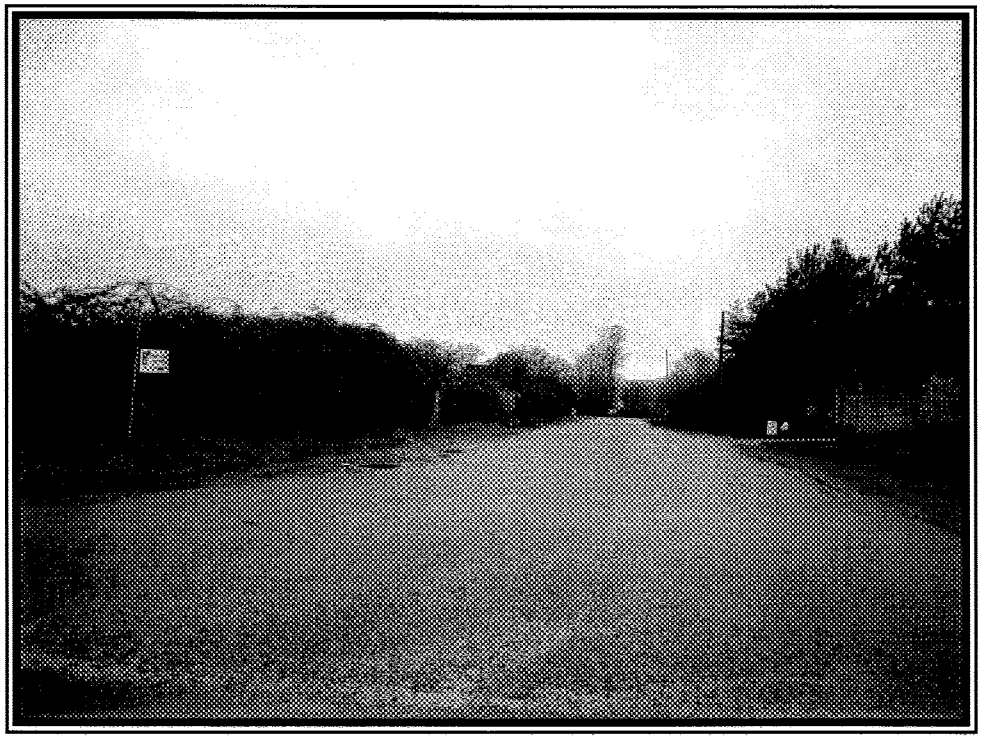


Figure 10 Looking west on 202nd toward subject

ANALYSIS OF HIGHEST AND BEST USE

Highest and Best Use is defined as:

1. The reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the date of the appraisal.

2. The reasonably probable and legal use of land or sites as though vacant, found to be physically possible, appropriately supported, financially feasible and that results in the highest present land value.

3. The most profitable use.

Implied within these definitions is that the determination of Highest and Best Use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners.

It is also implied that the determination of Highest and Best Use is generated from the appraiser's judgment and analytical skill; i.e., that the use concluded from analysis is not a fact to be found but represents an opinion only. In appraisal practice, the premise upon which value is based is expressed by the concept of Highest and Best Use. Another appropriate term to reflect Highest and Best Use, in the context of most probable selling price (Market Value), would be most probable use. Most profitable use would be an alternative term in the context of investment value.

In determining the Highest and Best Use of any property, an attempt is made to simulate the thought processes of knowledgeable and prudent purchasers in a sequence which considers the following questions:

1) To what use is it physically possible to put a particular site in question?

2) What uses are permitted by zoning, private conditions, covenants and restrictions, physical limitations and other factors?

3) What possible and permissible uses will produce the highest net return to the owner of the site?

4) The use must be most profitable, not speculative or conjectural. That is to say, there must be a profitable demand for a particular use, and it must return to the land the highest net return for the longest period of time.

5) Among the reasonable, permissible and possible uses, that use or uses which will produce the highest net return or the highest present worth. This becomes the Highest and Best Use of the property.

In considering the Highest and Best Use of the subject, we have evaluated possible, probable and feasible uses of the subject property within the context of the definition given, as well as the points outlined.

As if vacant the subject property has a Highest and Best Use as industrial, consistent with the intent of the limited industrial zone. Kent's ordinance has a number of permitted uses within M2, and it is beyond the scope of this report to determine a single specific use, rather it is more appropriate to identify the parameters of uses permitted by legal constraints, financial feasibility, and physical possibility. Due to Christopher Ditch, which runs diagonally in a southwesterly direction, and the intersection with a drainage ditch on the southwest corner of the lot that intersects with Christopher Ditch, the westerly portion of the land is buildable, and the easterly portion is most likely not useable (see Site Plan as exhibit preceding in this report). Because of the wetland and 25' buffer zone area, we have calculated the buildable area on the westerly portion of the lot at 67% of the gross land area of 12.05 acres, or 8.07 acres. The balance is wetland and area not immediately useable due to access restrictions as the result of the wetlands.

As improved the property represents a use that is within the larger group of uses that is the Highest and Best Use of the property as improved. The subject property consists of a 45,000 square foot building on 8.07 useable acres. This amounts to a land-to-building ratio of 7.82:1. Typically, industrial properties have land-to-building ratios in the range of 3.5:1, rarely exceeding 4:1. Consequently there is developable land excess to the economic needs of the existing building improvements. Using the existing building area of 45,000 square feet, and a 3.5:1 land-to-building ratio would indicate that the economic land unit for the subject property is 157,500 square feet, or 3.62 acres. Therefore, there is 4.45 acres, or 194,029 square feet of developable land, credited with the full value of

useable land by comparison, that is excess land for purposes of analysis. The balance is classified as wetland, having marginal utility at best. Income Capitalization adds the excess land and wetlands to the capitalized value of the income based on an economic unit, and our Sales Comparison Approach analyzes buildings based on price per square foot deducting the land at its estimated contribution value to the sale price.

Assessed value for 2005:

Land	$ 1,000
Improvements	$ 1,000
Total assessed value:	$ 2,000

Statement of the Problem:

The subject property consists of 12.05 gross acres of land, of which 8.07 acres, or roughly 67%, is developable, and the balance is declared wetlands. Improvements are a 45,000 square foot warehouse building with 30' clear height, built in1981. Construction of the building is tilt-up concrete walls. A prior user of the property used the yard area to the east of the building for dumping of aluminum dross pilings. This dross an aluminum alloy from recycled aluminum cans. The recycling/refinery operations took place in the warehouse building itself. Also included in the piles are particulate matter collected in baghouses located in the southwest corner of the warehouse, and washed oxides. Clean-up and redevelopment of the site has been proposed, and one of the problems associated with this is lack of specific knowledge as to the cost of cleanup. Some of the cost problems center on the specific content of material in the dross pile itself, as evidenced by materials and reports provided to us by Department of Ecology that have been performed over the last several years. Certain types of contaminated soils require disposal to site whereas other types of contaminants may be disposed of elsewhere. Depending on the actual type of piling will determine where the disposal may take place, and by extension, the actual cost to be deducted from our appraised market value to determine the price paid for the property.

The purpose of this appraisal is to state our opinion of the market value of the property as is, exclusive of and assuming that the dross pile has been removed and adequate cleanup of the site is completed that normal warehousing operations may be resumed on

the property consistent with its original intended use, and the uses allowed under present zoning and other restrictions.

A real estate purchase and sale agreement on this property was submitted on October 12, 1999 wherein Uresco Construction Materials proposed to buy the site based on an "...initial fair market Purchase Price of ($3,146,774)..." to be adjusted by "The gross square footage shall be reduced by the square footage of the property classified as wetland area to determine the property's usable square footage...the cost...to dispose of the contaminated material on the property is accordance with a remedial plan approved by the...Department of Ecology...costs to cap the property...reduction in value the property will suffer in the future based on potential environmental issues creating a perpetual reduction in the fair market value of this property...(equal to $2.00 per square foot)."

THE VALUATION PROCESS:

In most appraisal studies, the appraiser applies what have come to be known as the three approaches to value: the Cost Approach, the Direct Sales Comparison Approach and the Income Approach. These are briefly described as follows:

The Income Approach involves an analysis of the property in terms of its ability to provide a net annual income in dollars. The estimated net annual income is then capitalized at a rate commensurate with the relative certainty of continuance and the risk involved in ownership of the property. The Income Approach is generally defined as that procedure in appraisal analysis which converts anticipated benefit (dollar income or amenities) to be derived from the ownership of property into a value estimate. The Income Approach is widely applied in appraising income-producing property. Anticipated future income and/or reversions are discounted to a present worth through the capitalization process.

The Direct Sales Comparison Approach is typically defined as an appraisal procedure in which the Market Value estimate is predicated upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or

advancing market (price wise) and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) the verification of the sales data, (c) the degree of comparability and extent of adjustment necessary for time differences and (d) the absence of non-typical conditions affecting the sale price.

In essence, all approaches to value (particularly when the purpose of the appraisal is to estimate Market Value) are market data approaches, since the data inputs are presumably market derived. At the conclusion of the applicable approaches, the most relevant value indicators will be correlated into a final opinion, with the appraiser taking into consideration the purpose of the appraisal, the type of property appraised, and the adequacy of the data process as it relates to the market.

COST APPROACH

The Cost Approach is a valuation method based on the premise that an informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. The first step in the Cost Approach is to value land as vacant. Improvement value is then estimated by calculating the cost to construct the improvements and deducting accrued depreciation from all sources.

Land Valuation:

A search of recorded sales of competitive properties in the vicinity of the subject has been completed. A summary of the basic details of the most comparable sales is shown in table form below with a map of the sales on the facing page.

Four sales were surveyed indicating a range from $2.86 per square foot to $7.09 per square foot. Each of the four sales is east of the Green River and west of State Route 167. The properties are also south of 188th and north of 200th, whereas the subject property itself is on 202nd Street. Zoning is either M1 (Sale #3) or M2 (Sale 1, 2 and 4).

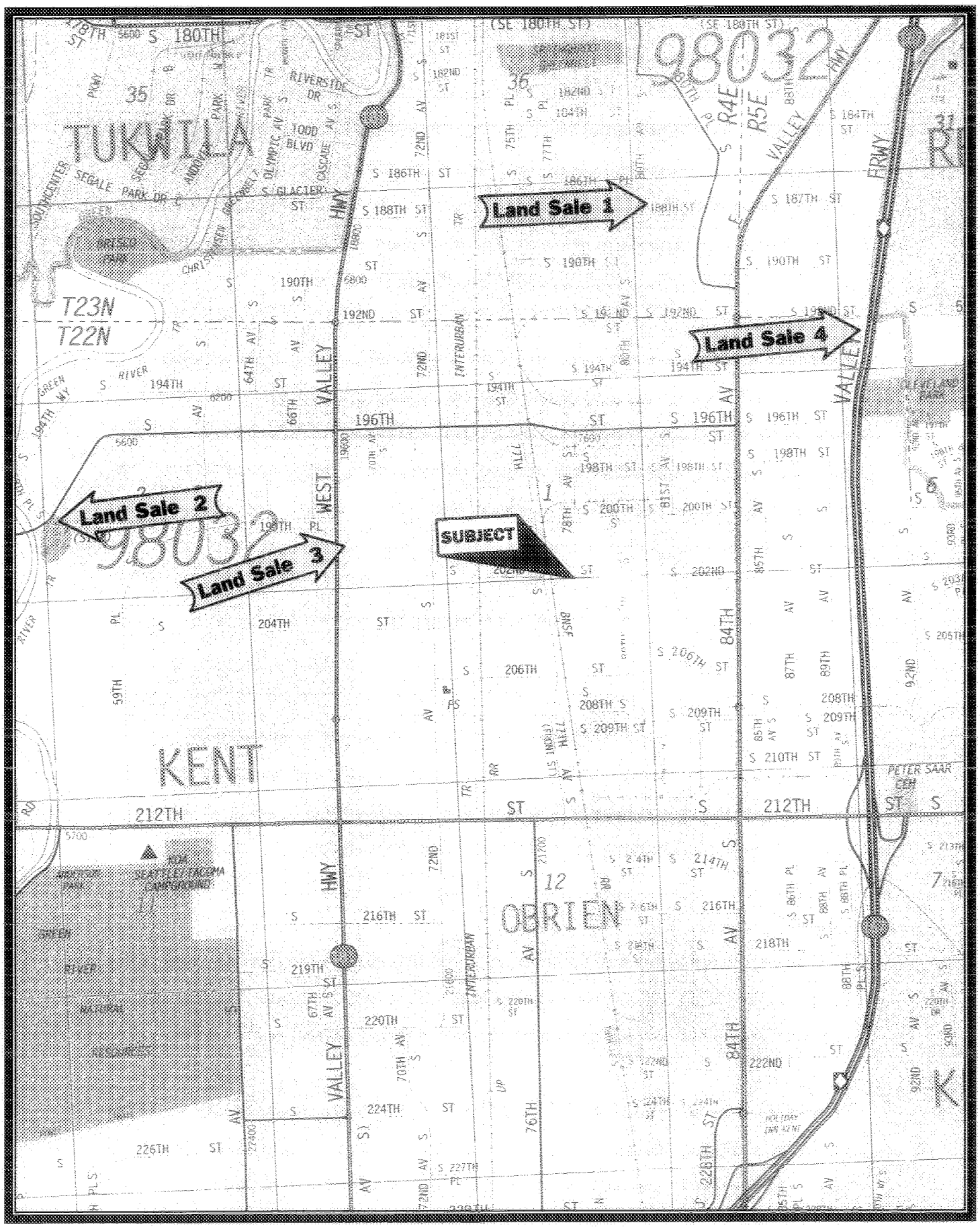


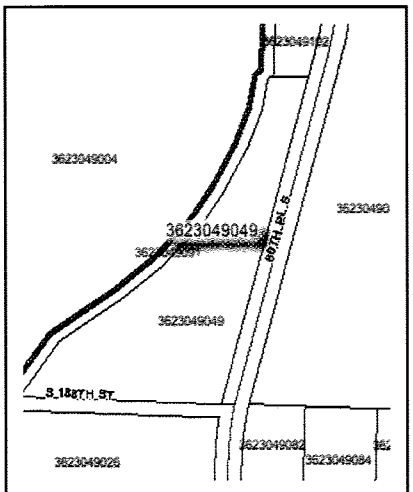
Figure 4

Land Sales Map

LAND SALES TABULATION - 7730 202nd Street:

	Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4
DESCRIPTION				
Street Address/Location	188th & 80th Pl	So 200th/Russell	20039 68th So	192nd & 167
City, State	Kent	Kent	Kent	Kent
Parcel Number	362304 9049	660021 0220, 0230	012204 9053	062205 9165
Sale Information:				
Buyer	Pile King LLC	Dickson	Latitude Dev	Kent Props
Seller	Group Nine	Boeing	Boeing	Lohman
Sale Date	5/21/2004	12/23/2002	12/15/2004	6/29/2004
Transaction Price	$400,000	$1,176,480	$400,000	$2,068,158
Analysis Price	$400,000	$1,176,480	$400,000	$2,068,158
Rights Transferred	fee simple	fee simple	fee simple	fee simple
Financing	cash to seller	cash to seller	cash to seller	cash to seller
Conditions of sale	cash to seller	cash to seller	cash to seller	cash to seller
Marketing Time	N/A	N/A	N/A	N/A
PHYSICAL CHARACTERISTICS:				
Gross area	139,392 SF	147,233 SF	140,024 SF	367,490 SF
Useable area	139,392 SF	147,233 SF	140,024 SF	367,590 SF
Zoning	M2	M2	M1	M2
Shape	rectangle	irregular	irregular	Rectangular
Topography	level	level	level	level
Corner	NWC 80th/188th	200th/Russell	inside	inside
Access/Exposure	direct	direct	direct	direct
Utilities	all available	all available	all available	all available
Views	None	None	None	None
Use at sale	unimproved	vacant	vacant	vacant
Intended use	storage	Lt Industrial	Lt Industrial	Lt Industrial
HABU	same	same	same	same
ANALYSIS:				
Price per SF	$2.87	$7.99	$2.86	$5.63
Time Adjusted Price/SF	$3.01	$9.03	$2.93	$5.91

Land Sale No. 1 is located on the northwest corner of 80th Place and South 188th Street. This is a 3.2 acre lot that is used equipment staging area. This property is level, and all utilities are available in the area. The site is highly irregular in shape, and consequently loses some utility as a result (see map accompanying).



Land Sale No. 1

Market Value by Comparison

Subject	Sale No. 1		Sale No. 2		Sale No. 3		Sale No. 4	
7730 202nd	188th & 80th Pl		So 200th/Russell		20039 68th So		192nd & 167	
Kent	Kent		Kent		Kent		Kent	
	one mile north		1/2 mile west		10 blks west		1.5 mi SE	
	5/21/2004		12/23/2002		6/29/2004		6/29/2004	
	$400,000		$1,176,480		$400,000		$2,068,158	
	139,392 SF		147,233 SF		140,024 SF		367,490 SF	
	$2.87		$7.99		$2.86		$5.63	
Subject Data:	**Comp**	**Adj**	**Comp**	**Adj**	**Comp**	**Adj**	**Comp**	**Adj**
Fee	Fee simple	0%	Fee	0%	Fee		Fee	
Cash equiv	Market		Market		Market		Market	
Arms length	Market		Market		Market		Market	
		1.05%	12/23/2002	1.02%	12/15/2004	1.02%	6/29/2004	1.05%
		$3.01		**$9.03**		**$2.93**		**$5.91**
	similar	0%	superior	-5%	same	0%	same	0%
	similar	0%	superior	-5%	inferior	-5%	same	0%
	similar	0%	similar	0%	similar	0%		0%
	inferior	50%	superior	-10%	inferior	50%	superior	-5%
	similar	0%	similar	0%	similar	0%		0%
351,529 useable SF	superior	-5%	superior	-5%	superior	-5%	similar	0%
	similar	0%	similar	0%	similar	0%		0%
	similar	0%	similar	0%	similar	0%		0%
	similar	0%	similar	0%	similar	0%		0%
	similar	0%	similar	0%	similar	0%		0%
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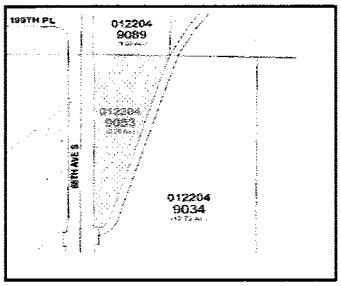
	similar	0%	similar	0%	similar	0%		0%
	similar	0%	similar	0%	similar	0%		0%
		45%		-25%		40%		-5%
		$4.37		**$6.77**		**$4.10**		**$5.61**

Land Sale No. 2 is located at the intersection of Russell Road and 59th Street/South 200th, just east of the Green River. This is essentially rectangular with a curve on the west side of 59th Place South. Boeing sold this property for development of a 60,000 square foot distribution building (2.45:1 L/B ratio).



Land Sale No. 3 is located on the east side of West Valley Highway just south of 196th Street. This site, like Sale #1, is irregularly shaped (see map) and consequently also loses some utility and hence value per square foot. This property is zoned M1, unlike the balance of the sales, and as of April 2005 is undeveloped.

Land Sale No. 4 is a large, rectangular-shaped parcel of land located on the west side of SR 167 at South 192nd Street. This is used for a staging and storage area.The facing page contains an adjustment chart that illustrates approximations, on a line-item basis, for dissimilarities between the sales and the subject property.

The subject's useable land on the westerly 2/3rds of the site is most similar, overall, to Sales 2 and 4. Placing greatest reliance on these two sales the indicated value of the property is summarized in the following manner:

8.07 acres (351,529 useable square feet) x $6.00 per square foot = $2,109,175

Wetland area:

The wetland area that makes up roughly 1.3rd of the gross land area of the subject property has far less utility, and hence value by comparison to the useable area. The contributory value of the wetland area is far less ascertainable, as there are no sales of wetland sections of land in and of themself, and their utility is not readily quantifiable. Therefore, the added value is more of a subjective criteria than objectively measurable. In my opinion the wetlands area has a contributory value of $1.00 per square foot added to the value of the buildable, developable area previously measured. Therefore:

3.98 acres (173,369 square feet) x $1.00 per square foot =	$ 173,369
Indicated land value is:	**$2,282,544**

COST APPROACH

Essentially, the Cost Approach provides for an estimate of the reproduction or replacement cost new of the improvements, to which is added an estimate of the land value. The basic steps in the procedure are as follows:

1. Estimate the land value as if vacant (treated in the previous section);

2. Estimate the cost to reproduce or replace the basic improvements, new;

3. Estimate and deduct the dollar amount of accrued depreciation resulting from physical deterioration, functional obsolescence, and adverse economic influences for all existing improvements;

4. Add the land value estimate to the depreciated cost of basic and other improvements to arrive at a value indications.

This approach treats the property as a physical entity which can be separated for valuation purposes into land (treated in the previous section) and improvements. The combined value of the land plus the depreciated value of the improvements becomes the value indication by the Cost Approach. In estimating the replacement cost of the subject improvements, we have relied upon one primary source of information, that being Marshall Valuation Service. *Marshall Valuation Service* primarily focuses on replacement as opposed to reproduction cost. The costs provided for are known as "calculator costs" and are averages of all final costs including normal architect fees and contractor's overhead and profit. The costs do not represent any specific building except to the extent that building may be included in the averages. *Marshall Valuation Service* makes adjustment to the average of all final costs for local and regional variations to the indicated replacement cost. The replacement cost estimate is derived in the manner discussed below.

Light industrial buildings are provided for in a special section of the manual for cost analysis purposes. The building replacement costs are built up using several components. We are utilizing a base cost for an average quality class C storage warehouse, as shown below:

REPLACEMENT COST CALCULATION - 7730 South 202nd Street:

Base Cost	**$28.76**
Perimeter/Floor area	0.907
Ceiling height multiplier	1.382
Regional Adjustment	1.07
Local Adjustment	1.15
Adjusted cost per SF	$44.36

The adjustments for local and regional cost figures are $44.36 per square foot for the basic shell to which is added an adjustment for the proportionate area to be used for cold storage usage, 30' ceiling height multiplier, and local and regional multipliers.

INDIRECT COSTS

Indirect costs not included in Marshall & Swift include: Appraisal fee, Legal and Accounting fees, ad valorem taxes, and leasing commissions and marketing. The total allocated cost factor of all these costs amounts to 10% of the total of hard and soft costs combined. **Indirect costs of 12% of the sum of hard and soft costs will be used in this report.**

Depreciation for the subject property consists of causes from three main elements: physical, functional and economic obsolescence. Physical and functional depreciation, dealing specifically with the appraised property, may be curable or incurable. Economic obsolescence, relating to elements external to the property is always incurable. The building has an estimated total life if new of 40 years, and an estimated effective age of 25 years, indicating a total depreciation of 43%, more or less, from cost new, based on tables in Section 97, page 16 of Marshall Valuation Service.

ENTREPRENEURIAL PROFIT & OVERHEAD

In order to estimate entrepreneurial profit and overhead, a survey of developers of five fairly recently constructed properties was conducted. Three of the five developers indicated that entrepreneurial profit and overhead was calculated at 15-25% of direct and indirect costs, excluding the land. Two of the five developers calculated entrepreneurial profit and overhead at 15%-25% of direct and indirect costs, **excluding** the land. Based on analysis of the results of the developer survey, 15% of direct and indirect costs, excluding the land, has been estimated for entrepreneurial profit and overhead. This is due largely to the fairly low level of risk associated with a project in a community like Kent.

Site Improvements including landscaping and paving, and the like are costed individually and included a estimated contributory value in place based upon a separate cost estimate. The estimate is $25,000 for the following items: asphalt paving, six foot high chain link fencing, razor wire security, and one - 24' side sliding gate, curbing, and landscaping.

The Cost Approach is summarized below:

Estimated Replacement Cost New of Structure			$1,996,174
	$44.36 per SF x 45,000 SF		
Add: Indirect Costs	10.00% of all hard and soft costs		$221,797
Total estimated replacement cost new, hard and soft costs combined:			$2,217,971
Less Estimated Accrued Depreciation - 43%			$953,727
Depreciated Value of retail Building			$1,264,243
Estimated Contributory Value of Site Imprts			$50,000
Total Depreciated Value of all Improvements			$1,314,243
Add Land Value			$2,282,544
Entrepreneurial Profit and Overhead	15%		$197,137
Value Indicated by Cost Approach			**$3,793,924**
Rounded to		**$84.31**	**$3,794,000**

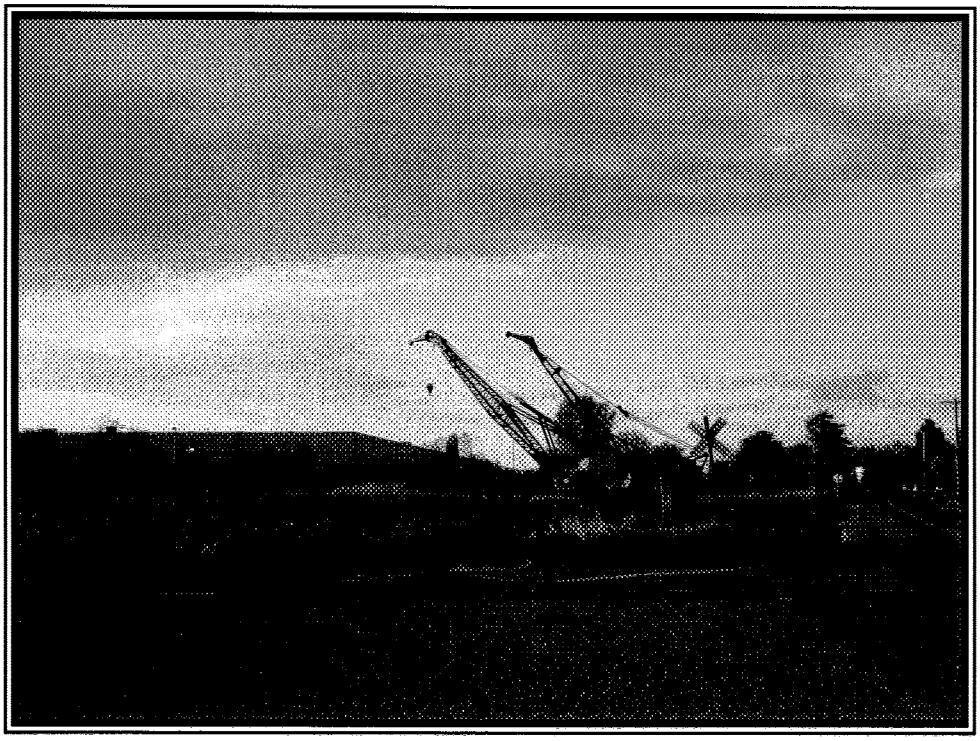


Figure 11 Land Sale No. 1
NWC 188th and 80th Pl South

Figure 12 Land Sale No. 2
South 200th and Russell Road

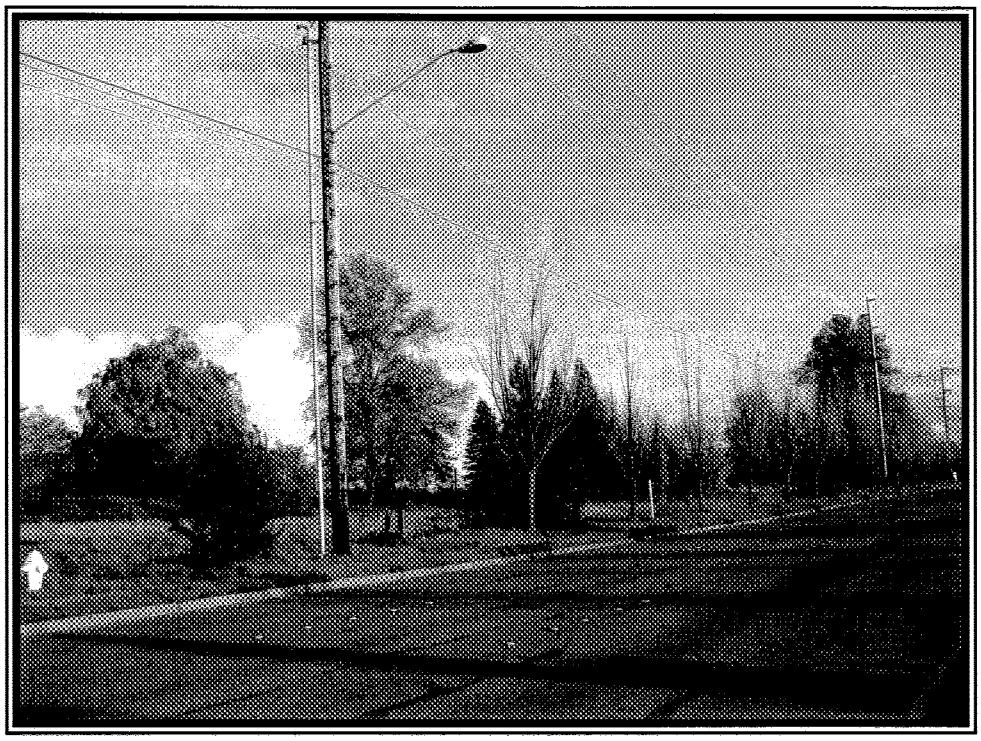


Figure 13 Land Sale No. 3
20039 68th Avenue South

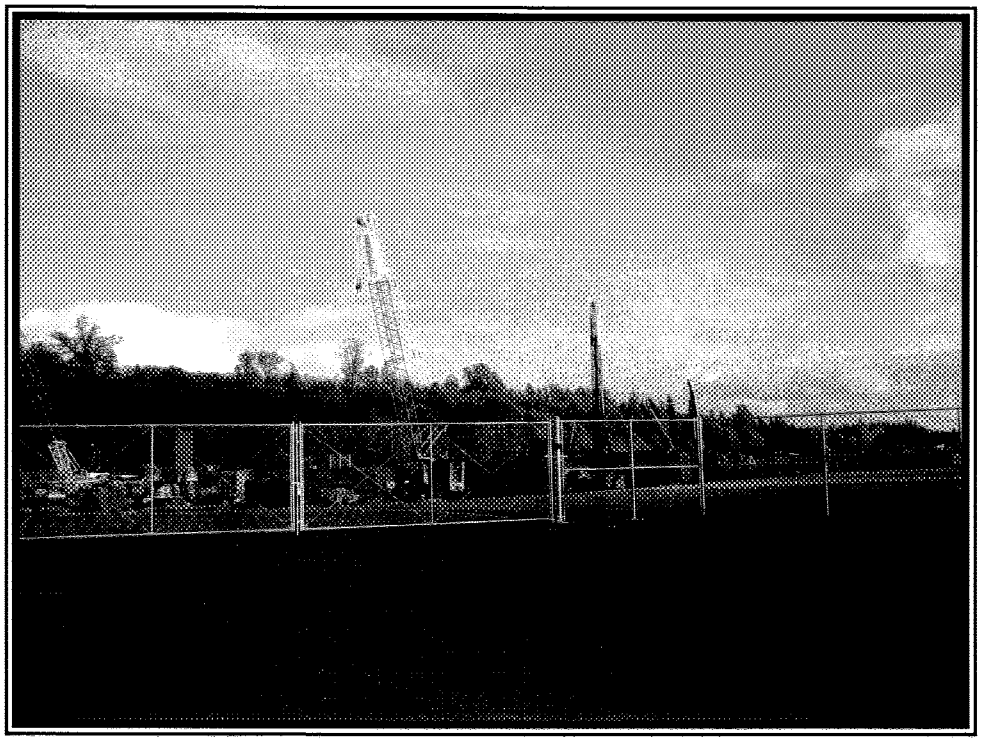


Figure 14 Land Sale No. 4
192nd and SR 167

INCOME CAPITALIZATION APPROACH

In this approach to value, measuring and quantifying the income potential of the subject property is the most important consideration. There are several methods by which the present value of the income stream may be measured, ranging from direct capitalization to discounted cash flow. For this appraisal, direct income capitalization will be used.

Direct Income Capitalization considers the value of the property based upon an overall capitalization rate appropriate for a warehouse building in Kent.

Direct capitalization consists of four sections organized in the following sequence:

1] Income forecast.

2] Analysis of operating expenses.

3] Income and expense statement.

4] Capitalization of projected net operating income.

The following section describes data used in developing the Direct Income Capitalization Approach to value: In the course of market research and investigation, we investigated rental rates in a number of the warehouse buildings near the subject property. The discussion on the following pages presents a summary of the properties from which a comparison of rental rates has been made. Due to Kent's location and the development of a bona-fide rental market, there was several properties found within the city itself, and the following four are representative of what is now being received as typical rent in this area.

The table below summarizes the results of our investigation:

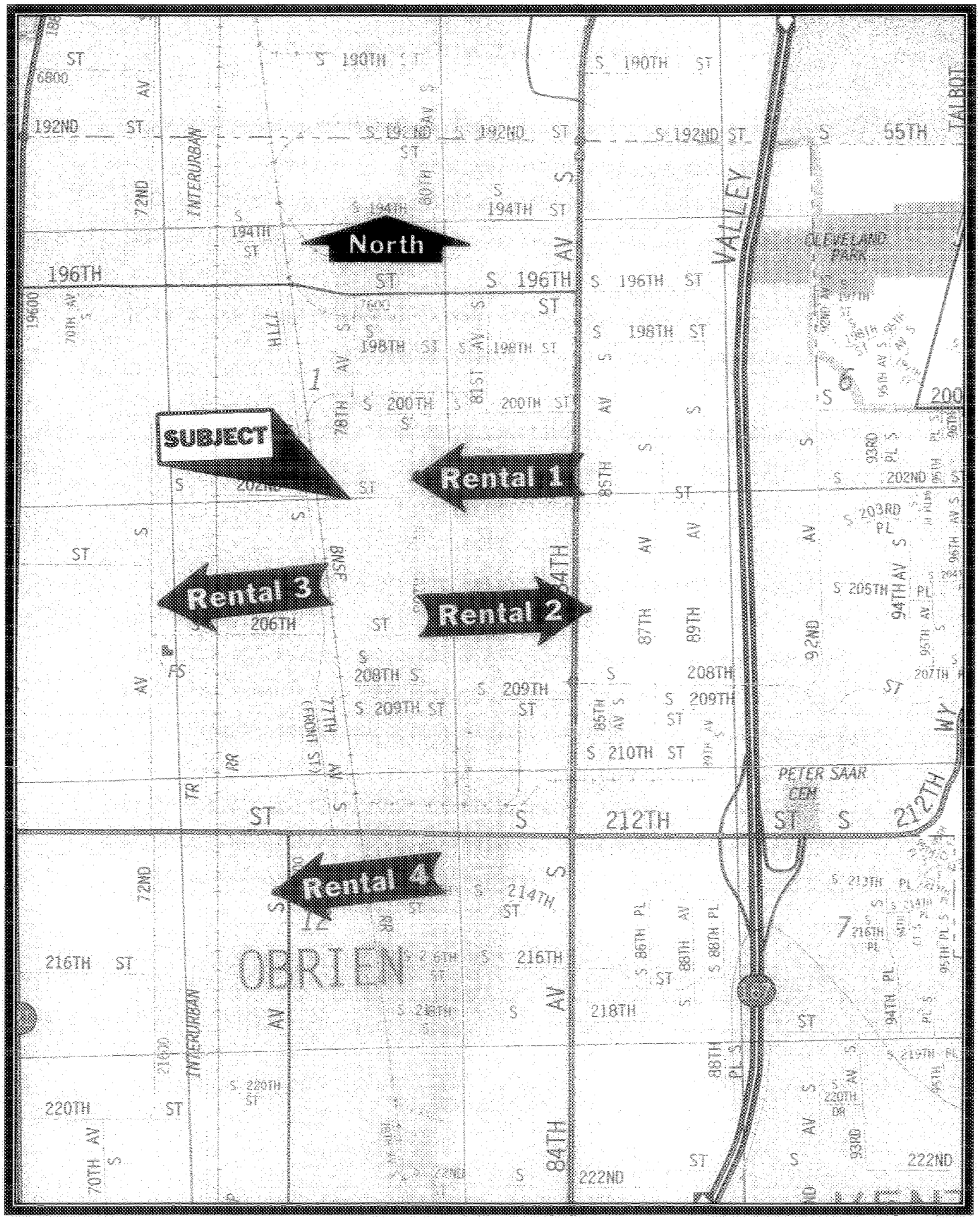


Figure 5

Rental Map

No	Address	SF Area	Annual Rent	Total rent per SF/Yr.	Comments
1	**GE Osmonics** **7848 202nd**	13,300 SF	$55,860	$4.20	500 SF ofc& elevator
2	**Valley Fwy Corp Pk C** **20462 84th**	36,844 SF	$141,481	$3.84	1986 age; tilt-up 2500 SF ofc (7%)
3	**GrRvr Corp Pk A** **20416 72nd**	17,500 SF	$60,900	$3.48	1987 age; ofc BTS M1 zoned
4	**Taylor-Edwards** **21255 76th Ave So.**	63,816 SF	$199,106	$3.12	1974 age; dead storage

Four rental properties are tabulated above that appear to represent the pattern or rental rates that typify the industrial tilt-up warehouses in Kent near the subject property. On an annual basis the range of rates is from a low of $3.12 ($.26 per square foot per month for Rental #4) to a high of $4.20 ($.35 per square foot per month) for Rental #1.

Rental No. 1 is located directly across the street from the subject property and is a two building complex with a minor amount of office space included in the rent. The ceiling height is 24' clear, and the building was built in 1988, thus slightly newer than the subject.

Rental No. 2 is Valley Freeway Corporate Park and the offering is a 1986 age tilt-up building that has 7% office area included in the space to be rented. Ceiling height is 24' clear, and the space is located in an warehouse park-like setting.

Rental No. 3 is located in the Greenriver Corporate Park and is a 1987b age tilt-up structure that offers a build-to-suit office area and is a stand-alone building. The building is sprinklered and has 24' ceiling height and 11 dock-high doors.

Rental No. 4 is the Taylor-Edwards building that includes dead storage space. This lease offers the opportunity to combine with adjoining space at or about the same rental rate. This structure was built in 1974.

In my opinion the subject property is similar to Rental No. 3, with build-to-suit office area only, and Rental No. 4. None of the comparables have the 30' clear height that the subject has, although there is some offset, as subject has minimal if any office buildout. The fair rental estimated for the subject is $.28 per square foot per month ($3.36 per square foot per year).

Vacancy and Credit Loss within the Kent submarket is based upon an analysis of surveys by GVA Kidder Mathews, Colliers, and Grubb and Ellis real estate brokerages. Colliers reported the 2004 year-end vacancy report at 8.4% for the Kent Valley, down 300 basis points from one year earlier. GVA Kidder reported an 8.5% rate, and Grubb stated the vacancy and collection loss at 7.9% for the entire Seattle market. On a stabilized basis we will apply a rate of 8%. The effective gross annual income for the subject property is shown below:

INCOME STATEMENT - 7730 South 202nd Street:
Gross Potential Rental Income:

Tenants	Scheduled Monthly Rents	Annual Rent	Rent Net	Size of Unit
Monthly:	$12,600	$151,200	$3.36	45,000 SF
Less Vacancy & Credit Loss		8%		$12,096
Effective Gross Annual Income				$139,104

Expenses for the subject property include the following items:
Management under a single tenant, net lease, is estimated at 3% of collected revenue, or $63,444 x 3% = $1,903. *Maintenance and Repairs* is $500 annually, *Replacement Reserves* is $5,000. This is a set-aside fund that is designed for replacement of items that wear out in the short term, and is not limited to roof, walls and foundation, but may also include tenant buildout, for instance insulation, carpeting, drywall interior, and the like.

The Income Statement showing all income and expense sources is shown below:

INCOME STATEMENT - 7730 South 202nd Street:

Gross Potential Rental Income:

Tenants	Scheduled Monthly Rents	Annual Rent	Rent Net	Size of Unit
Monthly:	$12,600	$151,200	$3.36	45,000 SF
Less Vacancy & Credit Loss		8%		$12,096
Effective Gross Annual Income				$139,104
Less Annual Expenses:				
Professional Management 4%		collected revenue		$5,564
Maintenance & Repairs			$500	
Replacement Reserves				$5,000
Total Operating Expenses				**$11,064**
Net Operating Income				**$128,040**

Analysis of Overall Rate of Capitalization:

Under normal circumstances the capitalization rate selected for conversion of subject's net income into value would be based upon an analysis of sales of office and warehouse properties in the Green River market. We were able to find sufficient sales of properties suitable for direct comparison and ability to draw a reasonable conclusion of an appropriate overall rate, and the following sales were used for comparative analysis:

Sale No.	Location	Sale Date	Sale Price	NOI	OAR
1	**GES Building** 4060 Lind Ave SW	**12/9/2002** Renton	**$8,375,000**	**$757,100**	**9.04%**
2	**Logistix** 850 - 900 SW 7th	**1/17/2002**	**$4,300,000**	**$329,232**	**7.66%**
3	**AMEX** 7046-7048 So 190th	**12/30/2003**	**$3,065,333**	**$230,945**	**7.53%**
4	**West Vly Corp Park** 6520 So 190th	**5/28/2004**	**$9,455,000**	**$641,995**	**6.79%**

The range of rates is from a low of 6.79% to 9.04%. This is not an atypical range of rates for a small sampling of industrial properties.

Sale #1 and 2 are located in Renton, whereas Sales 3 & 4 are within the city limits of Kent. The properties are all warehouses with varying degrees of office buildout, and Sale No. 1 and Sale #3 are of the same age range as the subject, being 1981 and 1975

respectively. In my opinion a capitalization rate in the range of 7% to 7.5% is reasonable for the economic unit of income attributable to the subject property, and the following range of value is indicated, with excess land summed to the subject.

The entire Income Statement, with a point value conclusion, is presented below for the improved portion of the property. The northerly portion, with month-to-month tenants in a building that cannot support land value, is analyzed separately.

INCOME STATEMENT - 7730 South 202nd Street:					
Gross Potential Rental Income:					
Tenants		Scheduled Monthly Rents	Annual Rent	Rent Net	Size of Unit
Monthly:		$12,600	$151,200	$3.36	45,000 SF
Less Vacancy & Credit Loss			8%		$12,096
Effective Gross Annual Income					$139,104
Less Annual Expenses:					
Professional Management	4%		collected revenue		$5,564
Maintenance & Repairs				$500	
Replacement Reserves					$5,000
Total Operating Expenses					**$11,064**
Net Operating Income					**$128,040**
Value Indication					
Capitalized @ 7.50%					**$1,707,198**
Capitalized @ 7.00%					**$1,829,141**
	Value Indication for the economic unit:				**$1,800,000**
Add: Excess land area	**194,029 useable SF**		**@**	**$6.00 per SF**	**$1,164,174**
	173,369 wetlands		**@**	**$1.00 per SF**	**$173,369**
					$3,137,543

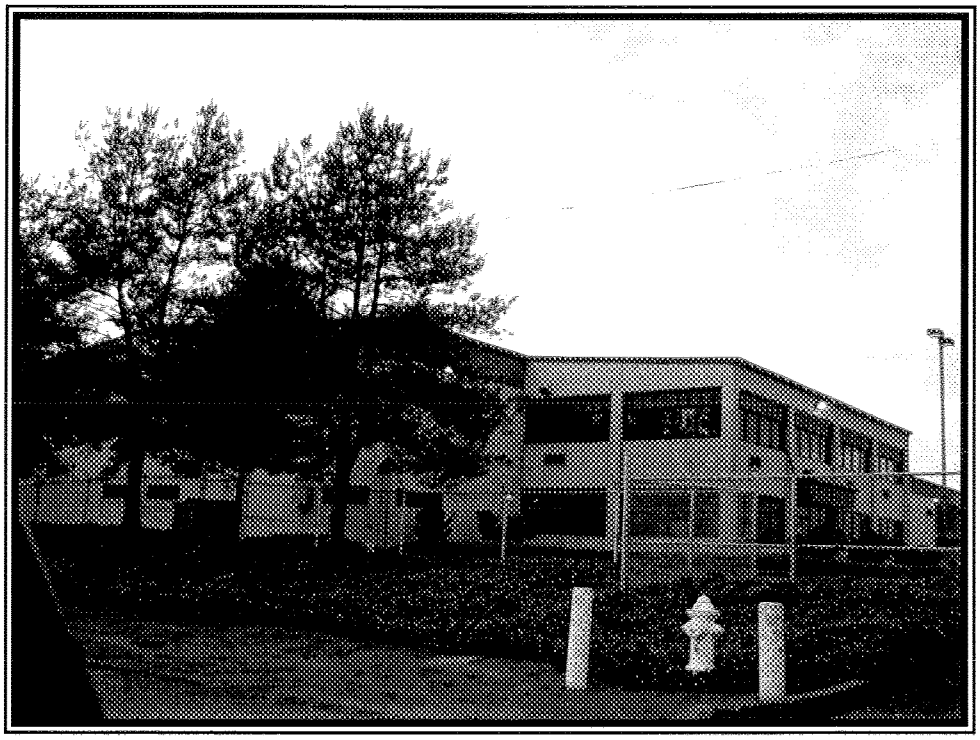


Figure 16 Rental No. 1
GE Osomonics at 7848 South 202nd

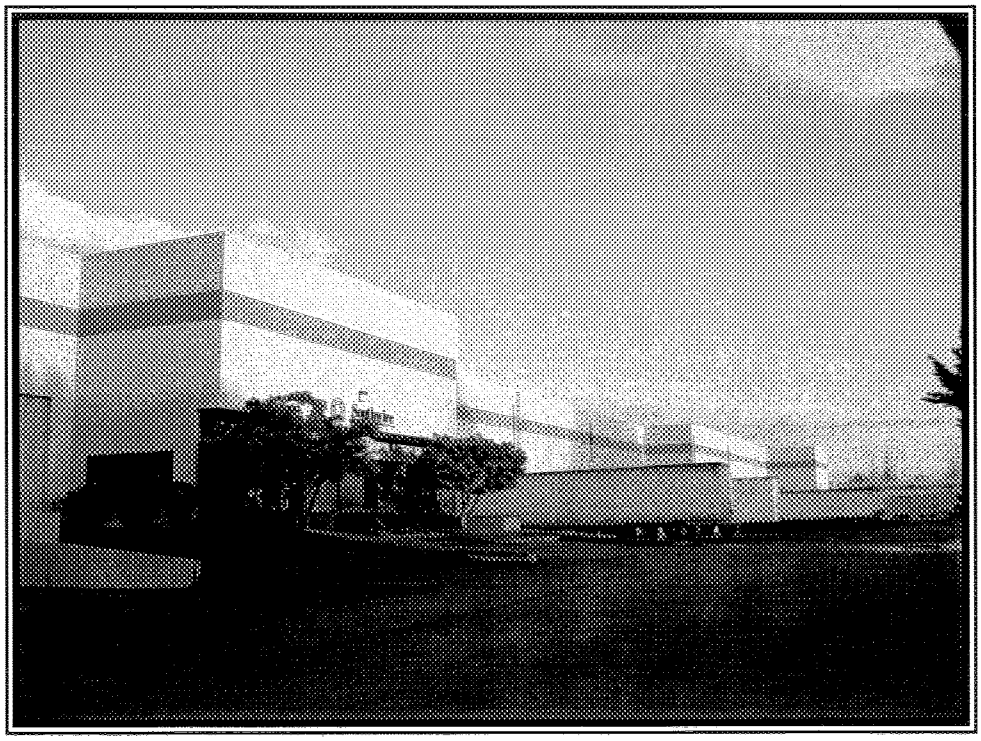


Figure 15 Rental No. 2
Valley Fwy Corp Park Building C at 20462 84th Avenue South

Figure 17 Rental No. 3
Green River Corporate Park Building A 20416 72nd Avenue South

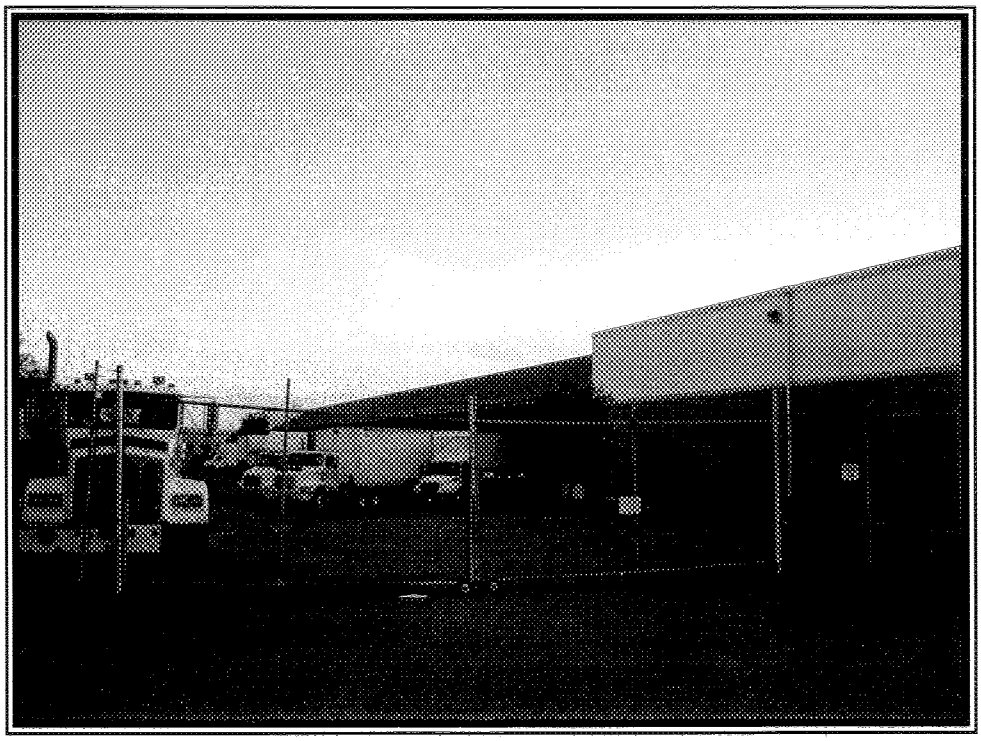


Figure 18 Rental No. 3
Taylor Edwards Building at 21255 76th Avenue South

SALES COMPARISON APPROACH

Value is estimated through the use of the Sales Comparison Approach by comparing the subject property with similar properties that have sold recently in the surrounding area. The validity of this approach is dependent on sales which are as similar to the subject as possible and the following factors are of primary importance.

THEORY

The Sales Comparison Approach is based upon the principle of substitution; that is, when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming no costly delay in making the substitution.

RELATIONSHIP TO APPRAISAL PRINCIPLES

There are four principles of real estate appraisal which are basic to the Sales Comparison Approach: supply and demand, substitution, balance, and externalities.

SUPPLY AND DEMAND is based on the premise that the value of a property is largely determined by the amount of supply and demand; the greater the demand for a particular property, the higher the price; the lower the demand for a property, the lower the price.

SUBSTITUTION holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability.

BALANCE holds that the forces of supply and demand tend toward equilibrium. In addition, this principle presumes that the relationship between land and improvements and the relationship between a property and its environment must be in balance for a property to reflect its actual market value.

EXTERNALITIES recognizes that positive and negative external forces affect all types of property. Therefore, an appraiser analyzes a neighborhood of a subject property to identify all significant external influences which might impact value.

METHODOLOGY

The traditional appraisal technique used to estimate value by the sales comparison approach involves the collection and analysis of sales and listing data on various properties having as many similar characteristics to the property being evaluated under appraisal as possible. The comparable sales selected for analysis must:

1. reflect similar highest and best uses
2. be adjusted in relation to the subject property for all forms of accrued depreciation discussed in the preceding Highest and Best Use section of this report.

Additional adjustments are made to the comparable sales for differences relative to the subject property in order to arrive at a reasonable estimate of the value of the property being appraised. By analyzing sales which qualify as arms-length transactions between willing, knowledgeable buyers and sellers, we can identify acquisitions from which value parameters may be extracted. The comparable properties are evaluated in relation to the subject under appraisal with respect to such factors as property rights conveyed, financing (and its effect on market value), conditions of sale (motivation), date of sale (changes in market conditions over time), locational, physical, and economic characteristics.

PROCEDURE

The basic steps we apply in the application of the Sales Comparison Approach follow:

1. Research the market to obtain information on sales transactions, listings, and offerings to purchase properties similar to the subject.
2. Verify the information by confirming that the data obtained are factually accurate and that the transactions reflect arm's length market considerations.
3. Select relevant units of comparison (e.g., dollars per acre, per square foot, or per income multiplier) and develop a comparative analysis for each unit.
4. Compare the subject property and comparable sale properties using the elements of comparison and adjust the sale price of each comparable appropriately or eliminate the property as a comparable.

5. Reconcile the various value indications produced from the analysis of comparables into a single value indication or a range of values. An imprecise market may indicate a range of values.

APPLICABILITY AND LIMITATIONS

The applicability of the Sales Comparison Approach is diminished when there is insufficient sales data. Additionally, it is important to realize that many other factors affect the sale price on income property that are virtually impossible to adjust. These factors include variations in rental rates, terms, quality of tenants, leasehold interests of tenants, expenses that vary between properties, and the motivation of the grantee and grantors. In the case of the subject property, the sales are largely office warehouse properties leased on a triple net basis, either for single or multi-tenant configurations, and thus rental rate and expense calculations are not a major element of adjustment. Tenant quality, age, condition and quality of buildings, and motivation of parties therefore becomes the key elements of adjustment, sale to subject.

COMPARABLE SALE SELECTION CRITERIA

The following criteria was used in the selection of comparable sales:

TIME

As noted, property values have remained consistently increasing since Year 2003. Emphasis was placed on locating more recent sales. Of the building sales used, all are representative of fairly recent transactions and current market conditions.

PROPERTY RIGHTS APPRAISED

The market value being estimated for the subject property is that of the fee simple estate. Considerable variations in incomes at the time of sale, either below or above market contract rents in comparable sales can significantly affect sale prices. As a result, an attempt was made to locate sales of fee simple estates with market rents in place at sale date that have the effect of minimizing the impact of considerations of variations in relative income streams.

MOTIVATIONS/CONDITIONS OF SALE

Unusual conditions accompanying sales, or strong motivations of purchasers or sellers to acquire or sell, are usually difficult to quantify. Therefore, an effort has been made to determine whether sales were affected by unusual factors which could not be quantified, and eliminated if necessary.

LOCATION

The subject property is located just in the Green River market of south King county. There was a substantial number of sales in the community itself, requiring analysis of sales in other communities.

PROPERTY TYPE, SIZE, AND TENANT MIX

The subject property will assume use as single tenant occupancy. Comparable sales should be similar in property type, size, and tenancy including overall tenant mix.

QUALITY OF CONSTRUCTION

The subject building improvement is concrete and frame, fair to average quality and condition, with concrete and frame siding on a concrete foundation. Based on a review of Marshall & Swift, the improvements are representative of similar quality Class C construction; sales selected for analysis should be comparable in quality of construction.

AGE AND CONDITION

The subject property is effectively 20 to 25 years old physically, and has a substantial depreciation factor from all causes, including obsolescence due to increasing land values over time. Comparable sales should be reasonably similar in age and condition. Another issue is that the property has a high proportion of land value to whole property value. Comparable sales should also reflect this condition, indicating a measure of some obsolescence above and beyond physical depreciation.

OVERALL APPEAL

Investors who would consider purchasing the subject property also should be likely to consider purchasing the comparable sale properties, assuming all were on the market simultaneously.

INTRODUCTION

Based on the preceding criteria, a detailed search was conducted in order to locate recent sale transactions involving comparable single tenant or average quality office or office/warehouse buildings in the defined market area of the subject property. This search produced a total of six sales which were reviewed, with the most relevant sales having been inspected for analysis. Of the sales inspected, all were considered comparable to one degree or another to the subject and have been confirmed. These sales have been summarized in the chart on the page facing the sales map. The location map and detailed summaries of the comparable sales, including photographs, are set forth on pages which follow.

UNIT OF COMPARISON SELECTION

The range of values indicated by the comparable sales is largely due to differences in sizes of the respective properties and their locations. In order to draw a meaningful comparison between the comparable sales and the subject property, an appropriate unit of comparison must be selected. The sales and analysis are presented on the following pages with the tabulation below. The northerly portion of the subject will be added based on a separate analysis as conducted previously.

BUILDING SALES SUMMARY - 7730 South 202nd Street:

Sale No.	Location	Sale Date	Sale Price	Bldg. SF Land Area	Bldg Value Land Value	$/SF Bldg. $/unit	EGI EGIM
1	GES 4060 Lind Avenue SW	12/9/2002 Renton	$8,375,000	134,165 241,577	$6,200,807 $2,174,193	$46.22	$814,000 10.29
2	Logistix 850-900 SW 7th St.	1/17/2002 Renton	$4,300,000	40,313 125,627	$3,043,730 $1,256,270	$75.50	$345,560 12.44
3	AMEX Building 7046-7048 South 190th	12/30/2003 Kent	$3,065,333	63,765 125,758	$2,562,301 $503,032	$40.18	$243,100 12.61
4	West Valley Corp Pk 6520 South 190th	5/28/2004 Kent	$9,455,000	212,950 444,680	$7,676,280 $1,778,720	$36.05	$690,317 13.70

DESCRIPTION AND DISCUSSION

The range of prices per square foot is fairly broad, varying from a low value of $36.05 to a high of $75.50 per square foot.

In order to accurately quantify the adjusted value indication for the subject on the common denominator of price per square foot, we have analyzed the respective sales primarily for buildout, but also for differences based on accrued depreciation. The sales that are most similar to the subject overall are Sale #3 and Sale #4, both tilt-up buildings in Kent. An adjustment chart has been utilized that indicates adjusted prices per square foot for the subject from a low of $20.00 per square foot to a high of $28.00 per square foot wherein a line-item adjustment is made for the lack of cooler space in all but Sale #1. Elements used in the adjustment process include:

Market conditions, financing or sale concessions, location/access, age, condition quality, buildout and functional utility have been considered in the process of analysis. Admittedly, these line items require an element of subjectivity one to another, but are useful in establishing parameters as a corroborative check. The adjustment chart is retained in our files, available on request as this is a summary report format only.

Based on price per square foot analysis, the following value is indicated:

Price per SF. building only: (45,000 SF x $30.00 per SF.)	$1,350,000
Add Land Value:	$2,282,544
Total Indicated Value:	**$3,632,544**

The Effective Gross Income range is from 10.29 to 13.70. The subject is reconciled toward the higher end of the indicated range, although is within the general parameters set by Sale #2 and Sale #3.

In my opinion, the value of the property is most reasonably expressed by using the actual rent and a multiplier of approximately 12.5 is well supported by the sale data presented.

Therefore:

$139,104 Effective Gross Income x 12.5EGIM = $1,738,800

Summing excess land value of **$1,337,543** to the indicated value of the economic unit yields a summation value of **$3,076,343.**

The two means of applying market based units of comparison to the subject by Sales Comparison indicate a basically similar value indication of **$3,100,000.**

Presented on the following several pages are photos of the sales considered in this approach to value.

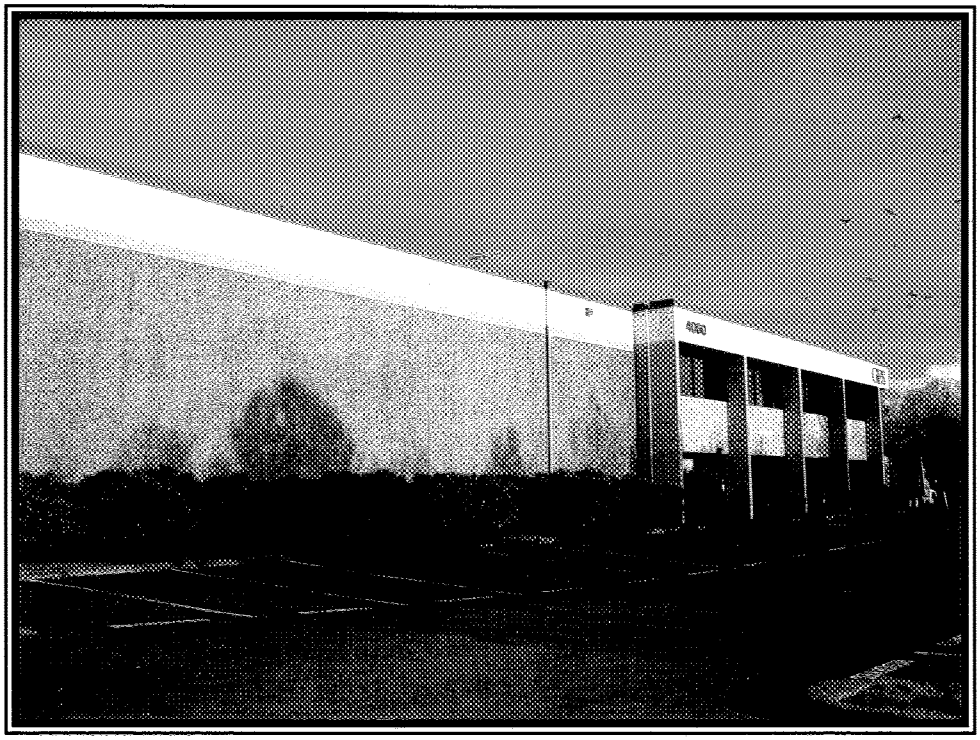


Figure 19 Building Sale No. 1
4060 Lind Avenue SW

Figure 20 Building Sale No. 2
850-900 SW 7th Street

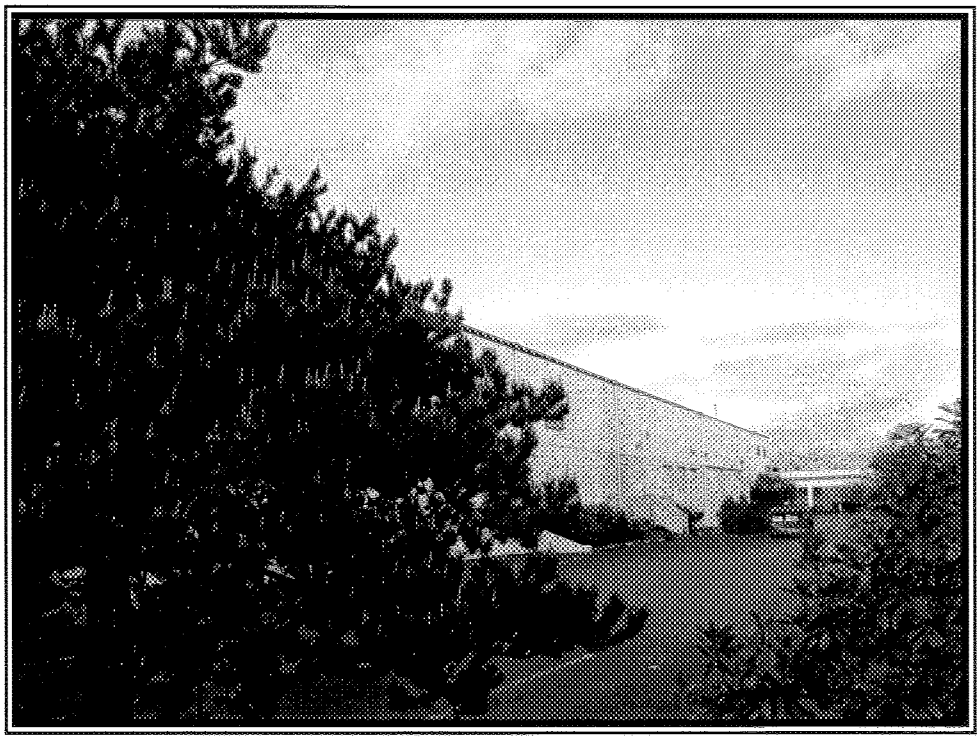


Figure 21 Building Sale No. 3
7046-7048 South 190th Street

Figure 22 Building Sale No. 4
6520 South 190th Street

CORRELATION, CONCLUSION AND FINAL OPINION OF MARKET VALUE:

Value Indicated by Cost Approach	$3,794,000
Land Value as if vacant:	$2,282,544
Value Indicated by Income Capitalization	$3,632,544
Value Indicated by Sales Comparison Approach	$3,100,000

The approaches to value indicated a range for the subject property from $3,100,000 to $3,794,000, or a total of 18% variation. This is considered to be a fairly broad overall range, one approach to another given the age and nature of the use of the respective properties available for comparison and the nuances specific to the subject property itself.

In analyzing and correlating the value indications to a final opinion of value, each approach must be weighed in relation to:

- Its ability to reflect the motives of a prospective buyer or seller;
- The type, quality, and depth of the data upon which the conclusions are based;
- Its sensitivity and ability to reflect economic changes that affect the availability and cost of mortgage financing; and
- Its ability to reflect the unique character of the property being appraised including factors such as location, size, and income potential.

Cost Approach:

The validity of the Cost Approach is dependent on an estimate of market value for the land, and a reasonable basis for both replacement cost new and depreciation that allows for a credible, competent opinion of value. In this case there was sufficient sales data from which to make a reasonable conclusion to value for the subject land. All of the sales are in the area west of the subject, a district highly similar to the subject although categorically inferior to the subject, requiring a line-item upward adjustment based on location. Replacement cost new and depreciation factors are taken from Marshall Valuation manual information.

Income Approach:

Generally, in relation to income producing properties, the Income Approach most effectively meets the requirements discussed above, due in part to the following;

- The Income Approach is sensitive to a variety of market data, and is more precise in its application.
- The Income Approach accurately reflects the interrelationship with the supply, demand, income, locational factors, physical attributes of the improvements, and intangible elements that affect value.
- The methodology of the Income Approach approximates the thought processes of typical purchasers of this type of property, as it is the potential return on an investment that is of major interest.

The validity of the Income Approach is dependent on the accuracy of estimates of gross income, net income, and application of an appropriate capitalization rate. In the case at hand, we had rental data from other properties in the Green River Valley market on which to base a sound, logical conclusion to rental value. There is a sufficient amount of comparable rentals in the region for which to contrast and project economic rent in Kent for which to make a sound opinion of fair rent for the warehouse. We examined the market, determining in our analysis of Highest and Best Use that there exists excess land on the buildable area of the site, and we added this excess land, as well as the contributory value of the wetlands, to the capitalized value of the economic unit in order to derive an opinion of the whole property. Capitalization rates from other properties were utilized in converting the present estimated net income into present value. This approach is considered to be a reliable means of deriving an opinion of value.

The purpose of our appraisal is to value the property based on typical market-related conditions assuming full fee ownership of the land and improvements, and therefore the Income Approach is given a high degree of credibility in the final opinion of value in this appraisal.

Sales Comparison Approach:

The Sales Comparison Approach makes use of information regarding four sales of mixed-use or office and warehouse properties, from which all were capable of accurate and reasonable conclusions on a physical unit basis as well as an income-based criteria using Effective Gross Rent Multipliers, were they actually determined to require individual comparative adjustments. The sales information is adjusted to reflect differences between the sale and the subject. This approach has its best application in an active market where buying and selling is occurring on a regular basis, as is the case with an investor or user property like the subject. Conversely, the approach will be weakened by a lack of good sales data which forces the appraiser to adjust each comparable in order to adequately reflect the variables which create the value of the subject property. This approach is regarded as a reasonably well supported means of expressing an opinion of the Market Value of the subject, again due to the level of quantifiable data available for analysis based on adjusted indicated price per square foot or EGIM's. We tested the reasonableness of the sales available in Kent to the subject propert where the ratio of office buildout, and particularly age of the buildings, resulted in a very consistent range of price per square foot when land value is subtracted.

CONCLUSION

As mentioned, the approaches had an 18% range of value indications. The approaches make use of well verified, comparable data from which to make comparisons and conclusions.

Placing greatest reliance on the Income Capitalization Approach, it is our opinion, that as of April 20, 2005, the Market Value of the property rights appraised, and subject to the enclosed Assumptions, Limiting Conditions and Certification, is summarized as follows:

Market Value of 7730 South 202nd Street:

THREE MILLION SIX HUNDRED THOUSAND DOLLARS

$3,600,000

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.* The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person(s) signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, David E. Hunnicutt, MAI, JD, has completed the continuing education program of the Appraisal Institute.

HUNNICUTT AND ASSOCIATES, INC.

David E. Hunnicutt, MAI, JD
President

LIMITING CONDITIONS

This report is made expressly subject to the conditions and stipulations following:

1. It is assumed that the legal description as obtained from public records or as furnished is correct. No responsibility is assumed for matters which are legal in nature, nor is any opinion on the title rendered herewith. This report assumes good title, responsible ownership and competent management. Any liens or encumbrances which may now exist have been disregarded, and the property has been analyzed as though free of indebtedness unless otherwise stated.

2. Any plot plans, sketches, drawings or other exhibits in this report are included only to assist the reader in visualizing the property. We have made no survey for this report and assume no responsibility for such.

3. Unless otherwise noted herein, it is assumed that there are no encroachments, zoning or other violations of any regulations affecting the subject property.

4. Except as noted, this analysis assumes the land to be free of adverse soil conditions which would prohibit development of the property to its highest and best use.

5. The appraiser assumes no liability for structural conditions not visible through ordinary, careful inspection or a review of the plans and specifications, if the structure is proposed. The appraiser has made no inspection for toxic or carcinogenic materials, nor has he detected any subsurface problems or hazardous waste conditions. The appraiser is not qualified to detect such substances. An expert in this field should be retained if desired.

6. This analysis is of surface rights only, and no analysis has been made of the value of subsurface rights, if any.

7. Any proposed improvements are assumed to have been completed unless stipulated otherwise in this report; and construction is assumed to conform with the building plans and/or improvement descriptions included in the report.

8. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute.

9. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the analyst or the firm with which he/she is connected, or any reference to the Appraisal Institute or to the MAI or SRA designation) shall be disseminated to the public through the advertising media, public relations media, news media, sales media or any other public means of communication without prior written consent and approval of the analyst.

10. This report shall be used only in its entirety and no part shall be used in conjunction with any other study and is invalid if so used.

11. Employment to make this study does not require testimony in court, unless mutually satisfactory arrangements are made in advance.

12. It is an assumption of this report that all toxic hazardous waste materials present in the soil will be mitigated or removed from the site.

13. Neither all, nor any part of the content of this report, or copy thereof (including conclusions as to property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the Appraiser.

14. Information, estimates, and opinions furnished to the analyst, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the analyst can be assumed by the analyst.

15. On all analyses subject to satisfactory completion, repairs, or alterations, the report and conclusions are contingent upon completion of the improvements in a workmanlike manner.

16. In reporting prospective (future) values, the analyst cannot be held responsible for events that alter market conditions prior to the effective date of the opinion.

17. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could, but not necessarily does, have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did no consider possible non-compliance with the requirements of ADA in estimating the value of the property.

ADDENDA

WORK ORDER STATE OF WASHINGTON (AGENCY)	Contract Number	Work Order #
	02100	17105

This Work Order is issued under the provisions of a CUSTOMER contract. The services authorized are within the scope of services set forth in the *Purpose* of the contract. All rights and obligations of the parties shall be subject to and governed by the terms of the contract including any subsequent modifications, which are hereby incorporated by reference.

Purpose: This appraisal is being done to provide Ecology with the property value once all of the contaminated material is removed from the site and it can be used for commercial purposes. The existing property is located at 7730 202nd Street in Kent. It encompasses approximately 13 acres in an industrial-zoned portion of the city. The eastern half of the site is comprised of undeveloped land which is characterized by undergrowth (grass, blackberries, etc.) and is trisected by seasonal drainages. The western half of the site is comprised of an approximately 45,000 square-foot warehouse building where aluminum refining/recycling operations took place. A large pile (50,000 tons) black dross is located on the east and south side of the building. Black Dross is the primary by-product of the refining process. There is rail access to the property.

(Attach additional sheets if necessary)

Statement of Work: Provide the Department of Ecology with an estimated value of the land and existing building on site. The value of the land is to be based upon having all contaminated materials removed from the site. The building is to be appraised as is, without any improvements. All contaminated materials and the existing bag house located inside of the building are to be considered removed from the building.

Deliverables: Provide the Department of Ecology with a self-contained, complete appraisal of land and existing concrete building located on site.

Deliverables are subject to review and approval by AGENCY prior to payment.
(Attach additional sheets if necessary)

Start Date		End Date	

Budget

	Description / Task	Quantity	Unit (Hrs.)	Unit Cost	Total
1.	Appraisal of Maralco Property			$	$ 4,500.00
2.				$	$
Business Objective Supported:		**AGENCY shall pay an amount not to exceed**			$

Cost Codes

Prog Index	Org Code	Fund	Appn Index	Object	Sub-Object	Dollars
J1G40	J410	173	1A0	E	R	4,500

***Both the Agency and the Contractor are responsible for ensuring work performed is within the scope of this Work Order. The Agency must monitor proper compliance with the terms of this Work Order. Any changes or amendments to this Work Order must be in writing and acknowledged by the GA Coordinator. IN WITNESS WHEREOF,* the parties have executed this Work order.**

Contractor
HUNNICUTT & ASSOCIATESS, INC.
P.O. BOX 531
KIRKLAND, WA 98083-0531

_____
(Signature) (Date)

W/O Mngr	*DAVID HUNNICUTT*
Telephone No.	*425-576-1203*
Email:	*davidhunnicutt@msn.com*

Agency Approval

_____
(Signature) AGENCY W/O Manager (Date)

_____
(Acknowledgement) GA - Coordinator (Date)

W/O Mngr	*CHARLES HINDS*
Telephone No.	*360-407-7210*
Email:	*CHIN461@ECY.WA.GOV*

WASHINGTON STATE DEPARTMENT OF GENERAL ADMINISTRATION
OFFICE OF STATE PROCUREMENT, PROFESSIONAL SERVICES SOLUTIONS

Contract #02100 - Appraisal Services Work Request

This Work Request is submitted under your Convenience Contract #02100 with the Department of General Administration, Office of State Procurement.

Work Request Number: *17105* **Date Issued:** *March 3, 2005*

Type of Service: Appraisal of Property Zoned Commercial

Number of business days to respond to this request: 3

Responses are due by Close of Business on: *March 7, 2005*

Late submissions cannot be considered.

Please have your response submitted via email to: *Charles Hinds chin461@ecy.wa.gov*

Expected Work Period. Work period is projected from: *March 15, 2005* - through – *April 15, 2005*

Expected Work Commitment: Provide the Department of Ecology with an estimated value of the land and existing building on site. This appraisal is being done to provide Ecology with an idea of the property value once all of the contaminated material is removed from the site and it can be used for commercial purposes. The value of the land is to be based upon having all contaminated materials removed from the site. The building is to be appraised as is, without any improvements. All contaminated materials and the existing bag house located inside of the building are to be considered removed from the building.

Scope of Work: The existing property is located at 7730 202nd Street in Kent. It encompasses approximately 13 acres in an industrial-zoned portion of the city. The eastern half of the site is comprised of undeveloped land which is characterized by undergrowth (grass, blackberries, etc.) and is trisected by seasonal drainages. The western half of the site is comprised of an approximately 45,000 square-foot warehouse building where aluminum refining/recycling operations took place. A large pile (50,000 tons) black dross is located on the east and south side of the building. Black Dross is the primary by-product of the refining process. There is rail access to the property.

The Appraiser will be required to perform duties including, but not limited to:

-
-

Other factors for this Work Request:

- Ecology personnel will be available be on site with the appraiser to provide additional information and guide them through the property. A lot of information is available and can be provided.
-

Submitted By (Name & Title): Charles Hinds, Contract Officer

Agency (Customer Name): Department of Ecology

Date: 3/1/2005

Phone: 360-407-7210 **Email:** Chin461@ecy.wa.gov **Fax:** 360-407-7154

Submit completed Work Request (email preferred) to James Lunsford, Contract Specialist: jlunsfo@ga.wa.gov or fax, 360.586.9430.

DALE FRANK & ASSOCIATES, INC.
7825 SE 76th Street
Mercer Island, WA 98040

Dale F. Frank, Jr

October 5, 2004

Chuck Hinds
WDOE Southwest Regional Office
PO Box 47775
Olympia, WA 98504-7775

Re: Material Reclamation Company ("Maralco") Site 7730 South 202nd Street, Kent, Washington

Dear Mr. Hinds:

As you know, Brown Dog, LLC has been working on a solution for cleanup of the subject site for over 5 years now. And has spent considerable funds towards accomplishing this task. As a part of our continued effort it appears we are now starting to receive stronger support from both DOE and the City of Kent on a Work Plan and Conceptual Cleanup Action Plan for the project. The cleanup methodology/plan for the site is what I identify as one of two work items associated with receiving formal approval to allow us to accomplish the site cleanup.

In addition to work item 1 above, due to the bankruptcy and existing agreements in place, several agreements need to be coordinated prior to the actual site cleanup. This formal documentation, or work item 2, is the subject of this letter. This documentation requires a comprehensive approach prior to implementing the actual site cleanup. This requires an understanding of the existing legal documents and the necessary modifications to effectuate the site cleanup and Brown Dog's ownership of the property.

For background, the property is in bankruptcy pursuant to Western District of Washington cause nos. 83-01373 and 83-01372. The property is currently managed by a bankruptcy examiner, Quentin Steinberg. A tri-party agreement for the site cleanup between ULLICO, Seatttle-First National Bank and Leasco Washington, Inc. and State of Washington was approved by the United States Bankruptcy Court for the Western District of Washington, at Seattle, cause numbers 83-01372 and 83-01373 on August 9, 1989. (The plan for cleanup pursuant to the tri-party agreement was never executed.)

As of this date Brown Dog, LLC has acquired ULLICO's and Independent Financing Services' perfected secured lien positions in the property (Seatttle-First National Bank position was purchased from Seattle First National Bank, Sea-First Leasing Company and Leasco of Washington by Independent Financing Services in California). The acquisition consisted of the all note and security interests for the property at 7730 202nd Street, Kent, Washington under United States Bankruptcy Court, Western District of Washington cause nos. 83-01373 and 83-01372.

Telephone: (206) 275-4130
Fax: (206) 275-4131
Email: dffjr2@comcast.net

Brown Dog is currently seeking approval of its cleanup plan through it's consultant URS. As a part of Brown Dogs plan for cleanup it will be necessary to document the cleanup plan and modify the existing agreements to conform to the plan. We understand that the action for the plan can either be pursuant to a voluntary cleanup program (VCP) or a prospective purchaser agreement (PPA). A PPA will to our understanding include the negotiation and approval of a Pre-Purchase Agreement, a No Further Action Declaration and a Covenant Not to Sue from the State of Washington Department of Ecology.

Brown Dog wants to discuss the alternatives under each of the plans to determine the best course of action to proceed. The basics of Brown Dog's proposed plan are set forth below.

Brown Dog's proposed plan is for Brown Dog to bear the costs of the site cleanup per an agreed cleanup action plan, Brown Dog would remove the property from Bankruptcy and Brown Dog would become the fee owner of the property. The plan would nullify or modify the current plan/bankruptcy order/tri-party agreement that provides that when the property is cleaned up the property would be sold, with the State being reimbursed its costs and the balance of the funds to be split between the State and the bankruptcy estate. All reimbursement for prior costs would be waived.

The lien claimants in the bankruptcy proceeding should be reviewed and the order also modified. The current lien claimants are:
Class 1 lien claimant. Administrative expenses.
Class 2 lien claimant. King County property taxes have not been paid since 1983. Brown Dog feels the lien for real property taxes is not a lien on the property and it should be so determined.
Class 3 lien claimant. The Washington State Department of Ecology. All claims to be waived.
Class 4 lien claimant. Brown Dog. Takes title subject to its cleanup plan.

DOE will retain oversight over the remedial plan. The plan will provide for removal of the dross. Brown Dog will pay the costs of the cleanup. Brown Dog will receive a No Further Action Declaration and a Covenant Not to Sue from the State of Washington Department of Ecology, under either approach/plan. Brown Dog will be the owner or will file the necessary documents under the bankruptcy proceeding to become the owner under it's secured interest position.

In summary, Brown Dog wishes to reach a full and complete understanding of the legal documents and all rights and obligations pursuant to those documents as part of and at the same time the cleanup action plan is determined. Once an understanding can be reached with DOE it will then be necessary to converse with Quentin Steinberg and deal with the bankruptcy itself.

Sincerely,

Dale F. Frank, Jr.

cc: URS, Jim Flynn

INFORMATION FOR MARALCO SITE APPRASIAL

Our main purpose in having this appraisal performed is to find out what the value of the property will be once the site has been cleaned up and is able to put back into use. In the very near future extensive sampling is going to be done on site to determine the makeup of the dross and what it will cost to remove and dispose of the piles on the inside and outside of the building and associated items.

Things to consider;

- The value of the building is to be based upon its present condition. The only change would be that the all of the black dross, baghouse dust and baghouse would be removed from the building. No other improvements are to be considered in the appraisal process.

- The property does have a railroad spur

- The property has wetlands on it and this needs to be considered when estimating the property value.

- At this time I believe that there is a large amount of King County Real Estate Taxes owed, you can note this in the report, but I don't think it should be considered in the evaluation process.

- One of the drawings included in the material I left with you is from URS, it's labeled as Site Development Concept. Even thought this drawing was if the dross was spread out over the site and capped, I think it shows the amount of usable area due to the wetlands.

- We are working with Brown Dog LLC, a firm that has secured both liens from the original lien holders and are at this time working with Ecology to come up with a plan to clean up this site. They have hired URS, a firm out of Seattle to help with the remediation design and permitting process.

- Describe the scope of work and rationale for a Supplemental Remedial Investigation (RI) at the site that is focused to address data gaps that relate directly to implementation of the selected remedy.
- Describe the approach that will be used to implement the preferred remedial alternative.
- Provide a groundwater monitoring plan to track changes in the metals, salts, and petroleum hydrocarbon distribution after the cleanup action is implemented.

1.2 DOCUMENT ORGANIZATION

Section 2.0 presents the site background and description, including the site conceptual model. Section 3.0 describes regulatory requirements and cleanup levels, describes the three cleanup action alternatives that were considered, and identifies the preferred alternative. The Supplemental RI scope and rationale is described in Section 4.0. Section 5.0 describes approach that will be used to implement the preferred alternative. The groundwater monitoring plan and other administrative controls are described in Section 6.0, and a proposed project schedule is provided in Section 7.0. Project reporting for the cleanup action is described in Section 8.0. References used in this report are included in Section 9.0.

2.0 SITE BACKGROUND

2.1 SITE LOCATION

The site is located in the City of Kent at 7730 South 202nd Street (Figure 1). The Site is bounded by South 202nd Street on the north, 80th Avenue South on the east and Burlington Northern Santa Fe Railway tracks on the west (Figure 2). A vacant property is located on the south. The elevation is approximately 25 feet above mean sea level (msl). The property is in the northeast 1/4 of the southeast 1/4 of Section 1, Township 22 North, Range 4 East.

2.2 SITE DESCRIPTION

The site encompasses approximately 13 acres in an industrial-zoned portion of the city (Figure 2). The eastern half of the site is comprised of undeveloped land. The undeveloped portion of the site is characterized by undergrowth (grass, blackberries, etc.) and is trisected by seasonal drainages. Christopher Ditch enters the property near the northeastern corner and flows southwest to the center of the subject property. Another drainage ditch extends from the southwest and joins Christopher Ditch near the center of the property. At the intersection of these drainages, Christopher Ditch makes a sharp

bend and trends northwest to an off-site ditch that runs west (Figure 2). Approximately 0.75 acres of wetland are adjacent to the ditches (URS, 2004).

A farmhouse and associated buildings were constructed on the site between 1960 and 1968 (EMR, 2003b). The farmhouse is located in the north-central portion of the site, and is currently vacant and surrounded by dense blackberry growths (Figure 2).

The western half of the site is comprised of an approximately 45,000 square-foot warehouse building where aluminum refining/recycling operations took place. The warehouse building is constructed of precast concrete. The north side of the building is surrounded by asphalt pavement. The central and southwestern portions of the site are dominated by the aluminum dross stockpile (Figure 2).

2.3 BACKGROUND AND SITE HISTORY

Maralco operated an aluminum recycling/refinery facility at the site from 1980 to 1986 (EMR, 2003b). The recycling/refinery operations took place in the warehouse building.

The recycling process used at the Maralco Site produced aluminum alloy from recycled aluminum cans, Kawecki-Berylco, Inc. (KBI) dross, and scrap metal (EMR, 2003b). The wastes created from this process include black dross and particulate matter that was collected in baghouses located in the southwest corner of the warehouse. Dross is a by-product if the aluminum refining process and is typically a gray fine-grained granular material. During its early operation beginning in 1980, the waste materials were shipped off-site to a landfill. After 1981, the materials were stored east of the warehouse in two locations. The primary stockpile was adjacent east of the warehouse, and a second, smaller stockpile was located near the center of the site south-southeast of the farmhouse (MKE, 1991). This stockpile has since been combined with the larger stockpile. Maralco filed for bankruptcy in 1983 and ceased their operations in November 1986. In February 1986, Ecology received a complaint from the Metro Industrial Wastewater Section concerning leachate from the dross piles that was potentially entering the drainage systems surrounding the site. Ecology began investigations at the site in March 1986; however, an enforcement action was never carried out at the site due to the bankruptcy agreements on the property.

In September 1991, interim remedial activities were performed at the site by Morrison Knudsen on behalf of Ecology in accordance with a work plan prepared for Ecology (Morrison Knudsen, 1991). The interim actions consisted of five activities: fencing the site, improvement of a stormwater collection pond, rerouting of roof drains, grading the plant area, and tarping the black dross piles. The fence and gates were installed around the perimeter of the site, except the farmhouse on the northern side of the site, to limit access. Warning signs were installed along the fence. The stormwater collection pond was improved northwest of the warehouse building. Approximately 2 feet of sediment

and soils were removed from the pond. The depth of excavation was determined based on visual observation of dross-like materials in the pond bottom and previous surface soil analytical results from samples collected at the site by MKE. Post-excavation confirmation samples were not collected. Materials excavated from the pond were drummed and stored on site until their later removal (EMR, 2003b). The roof drains of the warehouse building were re-routed to prevent drainage from running onto the dross piles. The dross piles were graded to prevent ponding of stormwater on their surface, and the piles were covered with 5-mil plastic tarping.

A 35,000-gallon diesel underground storage tank (UST) was removed from the northwest corner of the parking lot in 1995 (Enviros, 1995). Visible observations and soil and groundwater analytical results indicate a release from the UST system occurred previously (Sections 2.6 and 2.7).

2.4 SITE GEOLOGY

The site is located in the lower Green River Valley. The valley runs north from Auburn to Renton. The valley is located within the Puget Sound Lowland. The physiography of this area has been dominated by the advance and retreat of continental glaciers during the Vashon Glaciation period (Table 1). The site and vicinity are underlain by alluvium deposited by the Green River (Woodward, et al, 1995). The alluvium consists chiefly of sand, silt, and clay and contains curvilinear-channel gravels and thin peat lenses. The upper portion consists predominately of clayey silt and fine sand with local peat deposits. This portion is typically less than 30 feet thick in the site vicinity. The lower portions of alluvium consist of mostly medium and coarse sand are more than 75 feet thick (Woodward, et al, 1995).

Based on previous subsurface investigations at the site, the site is underlain by 1 to 2 feet of brown gravelly sand fill (Enviros, 1995; EMR, 2003b). In the vicinity of the dross pile, the fill may have been laid as a grade preparation or liner material for the dross. Native soils underlying the fill material is dark brown fine silty sand and interbedded silty sand and clay layers to an observed depth of 17 feet below ground surface (bgs), consistent with alluvium and floodplain deposits. From eight feet to sixteen feet bgs (the maximum boring depth), a dark brown fine sand was observed in some borings completed at the site. Observations from one boring completed through the dross pile (DP-4) indicated that dross may extend up to 5 feet below the current property grade, and suggests it may have been placed in low-lying areas (EMR, 2003b). All other borings indicated that dross is above the original ground surface level only.

Hinds, Chuck

From: Dale F. Frank, Jr [dffjr@msn.com]
Sent: Thursday, October 21, 1999 3:45 PM
To: chin461@ECY.WA.GOV
Subject: Maralco

Hi Chuck, Today I spoke to Quinton Steinberg the bankruptcy attorney. He informed me that he has forwarded our offer to purchase to the attorneys for Seafirst and Union Labor Life Insurance Company. ULLICO's attorney forwarded the offer to Dave Hill at Glacier Real Estate. I know Dave and spoke to him about the proposal. I believe he will advise his client to be reasonable. Dave forwarded the offer on to Washington DC. The party in charge at ULLICO is new and probably has no knowledge of the property.

Re: Seafirst. Steinberg's only comment was "How is Seafirst supposed to accept an open ended offer." He was not concerned about other interests. So it appeared. I explained it was a two way street and that we need to know the property will be sold to us, subject to a reasonable remedial plan. I explained that a purchaser needs some assurance that the property will be sold to them if they are willing to invest the time and money. I believe Dave will support this approach and I ask for your help in speaking to Seafirst or Steinberg about the State's commitment to work out a reasonable remedial plan. I further told him that if he is concerned he should propose a stipulation in the purchase agreement that the remedial plan costs will not exceed a reasonable amount. He could then work with you to assess this number based on the State's current position and attitude toward this property. Finally I told him no purchaser is going to move forward without some commitment to sell based on an acceptable and reasonable remedial plan. I believe our discussions have laid the ground work for such a working relationship.

I believe we need to work together to make this transaction work for all parties. Thank you. Any comments on this report or where the State is with respect to the offer?

Have a nice day!
Dale F. Frank, Jr.
Dale Frank & Associates, Inc.
7900 SE 28th Street, Suite 405
Mercer Island, WA 98040
(206) 275-4130
Fax (206) 275-4131
email: dffjr@msn.com

DALE FRANK & ASSOCIATES, INC
7900 SE 28th Street
Suite 405
Mercer Island, WA 98040

Dale F. Frank, Jr

October 12, 1999

Mr. Quentin Steinberg
1210 Joseph Vance Building
Seattle, WA 98101

Dear Mr. Steinberg:

Enclosed is a Purchase and Sale Agreement from Uresco Construction Materials, Inc. to purchase the 12.04 acres at 7730 202nd Street, Kent, Washington. The offer is very simple and straightforward. It is an offer to purchase the property for it's fair market value. We have performed a good deal of due diligence in an effort to submit this offer. The offer requires a remedial action plan be assembled and agreed upon during our due diligence. This will entail a great deal of work and prior to proceeding with any further investigative work on the property we want to enter into an agreement to purchase the property on fair terms and conditions for all parties. First, we are willing to pay fair market value. In exchange we ask that the property be assessed at its fair market value. To do so entails the State of Washington Department of Ecology approving a remedial plan and in conjunction therewith issuing a No Further Action Declaration and a Covenant Not to Sue. After analysis of all these issues during due diligence the costs to bring the property into a usable condition would be adjusted from the purchase price. This would allow the purchaser to receive fair value for the price tendered.

In essence we are asking you to be reasonable in your assessment of the selling price under all the circumstances. We thank you for your consideration and look forward to entering into an executed Purchase and Sale Agreement in the immediate future.

Sincerely yours,

Dale F. Frank, Jr.

cc: Mr. Chuck Hinds
Mr. Chad Moore

Email: dffjr@msn.com
Telephone: (206) 275-4130
Fax: (206) 275-4131

REAL ESTATE PURCHASE
AND
SALE AGREEMENT

This real estate purchase and sale agreement ("Agreement") is made as of **October 12, 1999**, by and between Halpin Lyon Company (the "Seller"), and Uresco Construction Materials, Inc. and/or assigns (the "Buyer"). The Seller and Buyer agree as follows:

1. **Sale of Property**. The Seller agrees to sell to the Buyer, and the Buyer agrees to purchase from the Seller, pursuant to the terms of this Agreement, the following described property (the "Property"): A site of approximately 12.04 acres located in Kent, King County, Washington, and commonly known as the Maralco property. The legal description is attached as exhibit "A".

2. **Purchase Price.** The purchase price for the Property shall be determined by multiplying an agreed upon square footage times an agreed upon price per square foot to determine the purchase price (the "Purchase Price"). The starting square footage shall be the property's gross square footage (524,462 GSF) and the starting price shall be Six Dollars ($6.00) per square foot. This initial fair market Purchase Price of Three Million One Hundred Forty Six Thousand Seven Hundred Seventy Four Dollars ($3,146,774) shall be adjusted as follows:

12.04 Acres

(a) The gross square footage shall be reduced by the square footage of the property classified as wetland area to determine the property's usable square footage.

(b) The purchase price shall be reduced by the cost to dispose of the contaminated material on the property in accordance with a remedial plan approved by the State of Washington Department of Ecology.

(c) The purchase price shall be reduced by the costs to cap the property in accordance with a remedial plan approved by the State of Washington Department of Ecology.

(d) The purchase price shall be reduced by an amount equal to the reduction in value the property will suffer in the future based on potential enviornmental issues creating a perpetual reduction in the fair market value of this property. This amount shall be Two Dollars ($2.00) per gross square foot.

(e) Purchaser agrees as part of it's due diligence to prepare, at Purchser's expense, a remedial action plan(s) and a minimum of two estimates to perform the remdial cleanup for approval by the State of Washington Department of Ecology. The plans and the costs to perform this work shall be finalized and agreed to by Buyer and Seller prior to the expiration of Buyer's due diligence period in section 8.

eliminate any disapproved exceptions from the Policy of Title Insurance to be issued in favor of the Buyer and, if not eliminated by the Date of Closing, this Agreement shall be terminated unless the Buyer then elects to waive its prior disapproval. In the event Buyer elects to terminate this Agreement due to Seller's inability to eliminate any disapproved exceptions, then Buyer shall be entitled to a full refund of any and all Earnest Money previously granted to Seller. Notwithstanding all of the foregoing, if the Buyer wishes to proceed to closing, the Seller shall remain obligated to remove any financial encumbrances prior to or at the time of closing, and Buyer shall have the remedy of specific performance to enforce Seller's obligation in this regard.

5. **Prorations**. Taxes for the current year in which the closing takes place, water and other utilities constituting liens shall be prorated as of the Date of Closing. Local improvement district assessments, if any, shall be paid by Seller prior to closing. King County real estate excise tax, deed stamps, and recording fees shall be paid for by Seller. Other closing costs shall be allocated between parties in the manner normally done in real estate closings in Kig County, Washington.

6. **Possession**. The Buyer shall be entitled to possession of the Property on the Date of Closing.

7. **Seller's Representations and Warranties**. The Seller hereby warrants, represents and covenants with Buyer as of the date of this agreement as follows:

(a) That to the best of its knowledge the Property and its current use do not violate any building or zoning regulations except as set forth in studies that the Seller has or will provide to Buyer.

(b) That the property is contaminated and that as a condition of this Purchase and Sale Agreeement Seller shall provide Buyer with a No Further Action Declaration and with a Covenant Not to Sue prior to the expiration of Buyer's Due Diligence period in Section 8. The form of the No Further Action Declaration and the Covenant Not to Sue shall be finalized on or before 45 days prior to the expiration of Buyer's feasibility period in Section 8.

(c) That Seller shall not hereafter contract for any services or make any commitments or obligations which will bind Buyer as a successor in interest with respect to the Property, unless Seller first obtains the prior written consent of the Buyer.

(d) That Seller is not subject to any commitment, obligation or agreement, including, but not limited to, any rights of first refusal, options to purchase granted to a third party which would or could prevent Seller from completing the sale of the Property under this contract.

(e) Seller shall be solely liable for the payment of all costs and expenses, liabilities, obligations, and claims arising out of Seller's ownership and operation of the Property prior to closing.

agreed that the Buyer shall be entitled to a full refund of all Earnest Money paid, including any sums held by the Escrow Agent and any monies previously paid to the Seller pursuant to this Agreement. Return to the Buyer of any such refund amounts from the Seller shall be paid within three (3) days from Buyer's notification of termination.

11. **Applicable Law, Entire Agreement.** This Agreement is made in the State of Washington, and its validity, construction and all rights under it shall be governed by Washington law. This Agreement supersedes any prior agreement and contains the entire agreement of the parties on the matters described herein. No other agreement, statement or promise made by any party that is not in writing and signed by all parties to this Agreement shall be binding upon the parties hereto. Any amendments to this agreement shall be in writing and signed by both Buyer and Seller.

12. **Attorney Fees and Costs**. If any party to this Agreement brings suit to enforce any of its rights thereunder, the prevailing party in such action, in addition to any other relief, shall be entitled to recover its reasonable attorney's fees and costs, including any on appeal.

13. **FIRPTA**. The Foreign Investment in Real Property Tax Act (FIRPTA), Internal Revenue Code Section 1445, requires that every purchaser of U.S. real estate must, unless an exemption applies, deduct and withhold from the Seller's proceeds ten (10) percent of the gross sales price. The primary exemptions which might be applicable are: (a) Seller provides Buyer with an affidavit under penalty of perjury that Seller is not a "foreign person," as defined in FIRPTA, or (b) Seller provides Buyer with a "qualifying statement," as defined in FIRPTA, issued by the Internal Revenue Service. Seller and Buyer agree to execute and deliver, as appropriate any instrument, affidavit, or statement, and to perform any acts reasonably necessary to carry out the provisions of FIRPTA and the regulations promulgated thereunder.

14. **Time of Essence**. Time is of the essence in this Agreement.

15. **Assignment**. Buyer shall have the right to assign its rights under this Agreement to an entity in which it is a principle without Seller consent.

16. **Commission**. Purchaser and Seller warrant to each other that they have dealt with no real estate broker in connection with this sale.

17. **Notices**. Any demand, request or notice which either party hereto desires or may be required to make or deliver to the other shall be in writing and shall be deemed delivered by private courier service (such as Federal Express), when received by facsimile at the facsimile number shown below, or three (3) days after being deposited in the United States mail, in registered or certified form, return receipt requested, addressed as follows:

To Buyer: Dale F. Frank, Jr.
7900 SE 28th St., Suite 405
Mercer Island, WA. 98040

EXHIBIT A

Legal Description

KENT
WASHINGTON

COMMUNITY DEVELOPMENT
Fred N. Satterstrom, Director
PLANNING SERVICES
Charlene Anderson, AICP, Manager

Phone: 253-856-5454
Fax: 253-856-6454

Address: 220 Fourth Avenue S.
Kent, WA 98032-5895

NOTICE OF APPLICATION

A Project **Permit Application** has been filed with City of Kent Planning Services. Following is a description of the application and the process for review. The application and listed studies may be reviewed at the offices of Kent Planning Services, 400 W. Gowe Street, Kent, WA.

DATE OF NOTICE OF APPLICATION: December 17 2004

APPLICATION NUMBER: #CE-2004-10 (KIVA #2043892)
#ENV-2004-71 (KIVA #2043890)

APPLICATION NAME: MARALCO RESTORATION PROJECT

PROJECT DESCRIPTION: The applicant is proposing to redevelop a 13 acre site in the Kent Valley for the purposes of establishing a building materials storage facility. The materials stored on this site would include wood products, Styrofoam, glue, tar paper, cement, PVC pipe, sheet metal, and asphalt shingles. This facility would supply contractors as well as fill commercial orders for building materials.

The subject property was once the location of an aluminum waste recycling center. During that time, aluminum dross was piled up on the site creating a condition that required action by the Washington State Department of Ecology (DOE). Part of the Maralco Restoration project includes complete removal of the aluminum dross, pursuant to a Cleanup Action Plan that is to be approved by DOE.

ZONING: The property is zoned M-2, Limited Industrial.

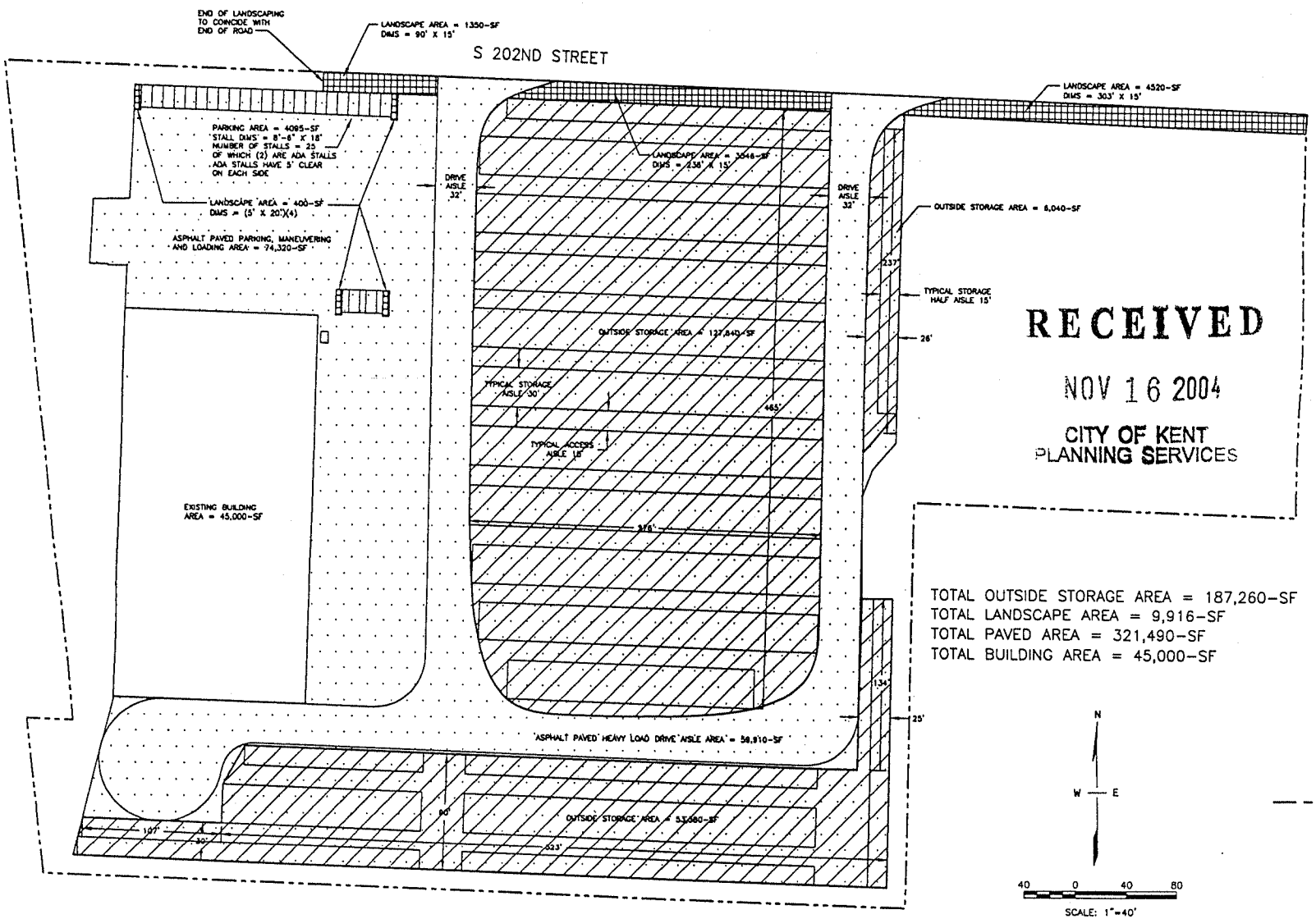
PROJECT LOCATION: The subject property is located at 7730S 202nd Street. The property is in the SE ¼ of Section 1, Township 22 N, Range 4 E, Willamette Meridian, and is identified by King County as Tax Parcel #6315000300.

PERMIT APPLICATION DATE: 16 November 2004

DATE OF DETERMINATION OF COMPLETENESS: 2 December 2004

STUDIES SUBMITTED WITH APPLICATON:
Conceptual Wetland Mitigation Plan dated 10 November 2004, Wetland Delineation Report dated 7 may 2004, Draft Cleanup Plan dated 12 November 2004 all of these studies were prepared by URS.

OTHER PERMITS AND PLANS WHICH MAY BE REQUIRED:
Excavation and Grading Permit, Temporary Erosion and Sediment Control Plan, Detailed Drainage Plan, Civil Construction Plans, Construction Permits.



NO.	DATE	BY	REVISION

JOB NO.: 33757296
SCALE: AS SHOWN
DESIGNED BY: JO
DRAWN BY: AB
CHECKED BY:
PROJECT ENGINEER:
APPROVED BY:
DATE:

URS
1501 Fourth Avenue, Suite 1400
Seattle, Washington 98101-1616
TEL: (206) 438-2700 FAX: (206) 438-2699

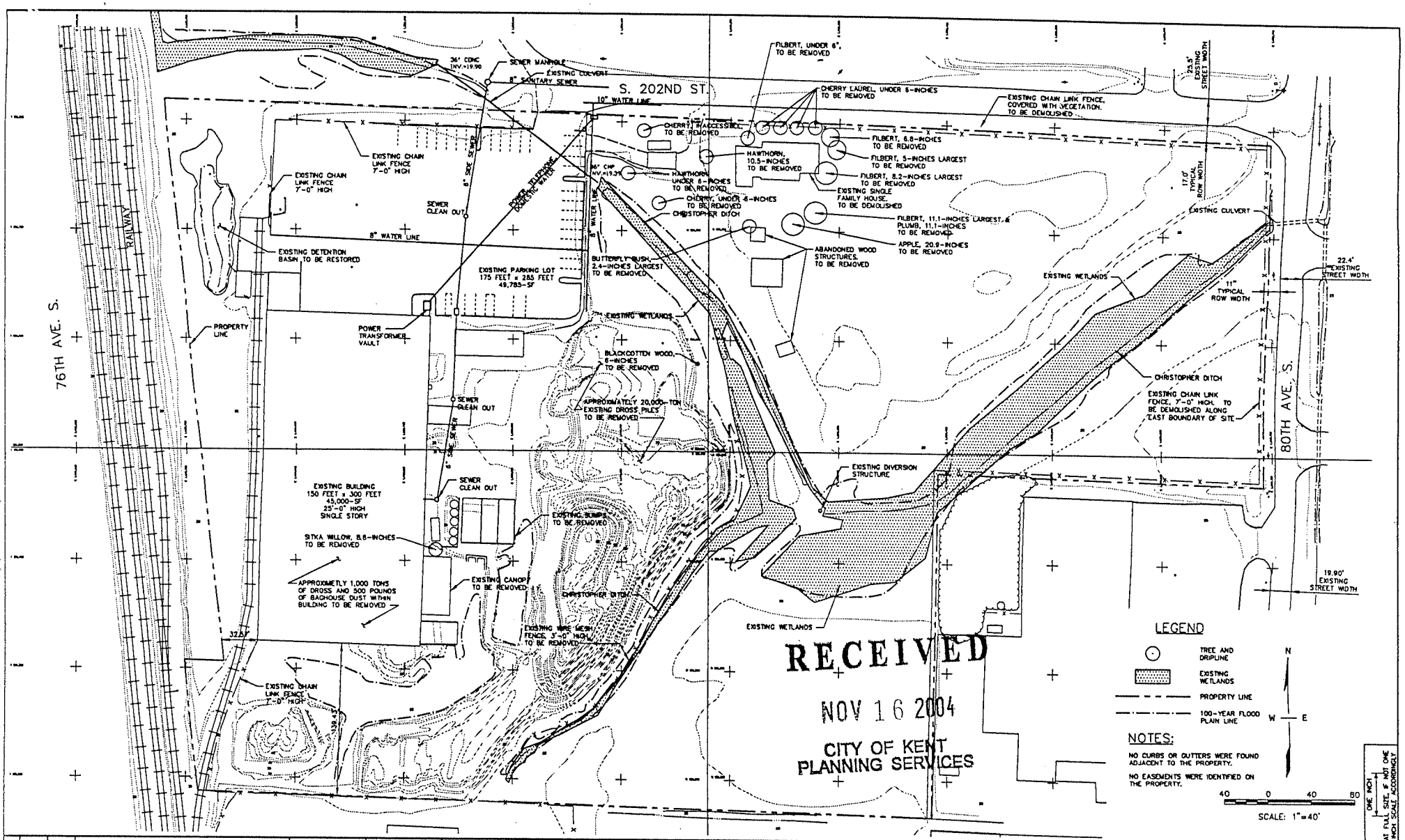
BROWN DOG, LLC

CONDITIONAL USE PERMIT APPLICATION FOR THE MARALCO RESTORATION PROJECT

PROPERTY DEVELOPMENT AND SQUARE FOOTAGE

SHEET: 3
SHT 3 OF 10

K:\005\Maralco -- Brown Dog LLC\Maralco 2004\DRAWINGS\Conditional Use Permit Drawings\Site Plan 3.dwg Nov 13, 2004 - 1:22pm



RECEIVED
NOV 16 2004
CITY OF KENT
PLANNING SERVICES

NO.	DATE	BY	REVISION

JOB NO.:	DESIGNED BY:	PROJECT ENGINEER:
33757296	JO	
SCALE: AS SHOWN	DRAWN BY: AB	APPROVED BY:
	CHECKED BY:	DATE:

URS
1501 Fourth Avenue, Suite 1400
Seattle, Washington 98101-1616
TEL: (206) 438-2700 FAX: (206) 438-2699

BROWN DOG, LLC

CONDITIONAL USE PERMIT APPLICATION FOR THE MARALCO RESTORATION PROJECT

EXISTING SITE CONDITIONS

SHEET: 2

SHT 2 OF 10

K:\005\Maralco - Brown Dog LLC\Maralco 2004\DRAWINGS\Conditional Use Permit Drawings\Site Plan 2.dwg Nov 13, 2004 - 1:09pm

631500-0300-04

KEEP THIS PORTION TR11

Levy ...	7.73	Land Value	1,[illegible]
State School Support	13.07	Improvements	1,[illegible]
County	4.08	Less: Exempt Value	
City	7.35	TAXABLE VALUE	2,[illegible]
Unincorporated/Road		Levy Rate	15.62[illegible]
Port	.58	General Tax	34[illegible]
Fire		* Other Charges	502[illegible]
Sewer &/or Water		TOTAL CURRENT BILLING	537[illegible]
Library	1.10	Omitted Taxes	
* Other	.46	TOTAL CURRENT BILLING INCLUDING OMITS	537[illegible]
Emergency Med Svc		VOTER APPROVED	14[illegible]
Other Charges	502.93		
TOTAL CURRENT BILLING	537.30		

NG ALL PARTS WHEN PAYING IN PERSON

HALPIN LYON CO 131522
C/O QUENTIN STEINBERG ATTY
1210 JOSEPH VANCE BLDG
SEATTLE WA 98101

*OTHER CHARGES:
DRAINAGE 497.93 SOIL CON 5.[illegible]

LOT BLOCK CODE SEC TWP RG

25-26-27 1525
O BRIEN STATION GARDEN TRS # 2
N 1/2 OF 25 ALL 26 & 27 LESS
POR LY WLY OF LN PLW & 35 FT
ELY MEAS AT R/A TO ELY LN
NP RY R/W & NLY OF LN PLW & ETC
PROPERTY ADDRESS 7730 S 202ND ST

First half must be paid or postmarked by April 30, or FULL AMOUNT BECOMES DELINQUENT and accrues interest and penalty as prescribed by law. If first half paid by April 30 second half must be paid by October 31 or it becomes delinquent and accrues interest and penalty.

FULL AMOUNT MAY BE PAID APRIL 30th

DELINQUENCY INFORMATION

YEAR	INTEREST PENALTY 11-98	PRINCIPAL
98	53.73	537.[illegible]
97	149.12	497.[illegible]
OTHER	253451.83	188,371.[illegible]
DELINQUENT TOTAL		443,061.[illegible]
TOTAL CURRENT AND DELINQUENTS		443,061.[illegible]

MAIL WITH 2ND PAYMENT

PROPERTY TAX ACCOUNT NUMBER

631500-0300-04

1998 REAL ESTATE TAX

KING COUNTY STATE OF WASHINGTON
RM 600 - 500 FOURTH AVENUE, SEATTLE 98104-2387

Property Tax Information (206) 296-0923

Make check payable to: **KING COUNTY TREASURY.** Your cancelled check is your receipt.

DELINQUENT PAYMENTS RECEIVED WITHOUT INT[illegible] AND PENALTY WILL BE RETURNED. CANCELL[illegible] CHARGES WILL BE IMPOSED FOR DISHONORED CH[illegible] PAYMENTS SUBJECT TO IMMEDIATE COLLECTIO[illegible] POST DATED CHECKS.

Second half must be paid or postmarked by October 31 or IT BECOMES DELINQUENT AND ACCRUES ANNUAL INTEREST AND PENALTY.

TAX TYPE	TAX YEAR	OMIT YEAR	INTEREST TO: 11-98	PENALTY (SEE REVERSE)	PRINCIPAL AMOUNT	* HALF AM[illegible]
Current						
Omitted						
Delinquent	94		276.61	55.32	502.93	F
	93		225.89	37.09	337.15	F
	92		332.80	46.34	421.26	F
	91		25920.92	3133.30	28484.53	

All payments must [illegible] the PRINCIPAL [illegible] INTEREST + P[illegible] when due.

HALPIN LYON CO 131522
C/O QUENTIN STEINBERG ATTY
1210 JOSEPH VANCE BLDG
SEATTLE WA 98101

PAY THIS AMOUNT 59,774.1[illegible]

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175/430 =

631500-0300-04

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NG ALL PARTS WHEN PAYING IN PERSON

State	7.73
Less School Support	13.07
County	4.08
City	7.35
Unincorporated Road	
Port	.58
Fire	
Sewer &/or Water	
Library	1.10
* Other	.46
Emergency Med Svc	
Other Charges	502.93
TOTAL CURRENT BILLING	537.30

Land Value	1,2
Improvements	1,0
Less: Exempt Value	
TAXABLE VALUE	2,2
Levy Rate	15.622
General Tax	34.
*Other Charges	502.
TOTAL CURRENT BILLING	537.
Omitted Taxes	
TOTAL CURRENT BILLING INCLUDING OMITS	537.
VOTER APPROVED	14.

HALPIN LYON CO 131522
C/O QUENTIN STEINBERG ATTY
1210 JOSEPH VANCE BLDG
SEATTLE WA 98101

*OTHER CHARGES:
DRAINAGE 497.93 SOIL CON 5.0

LOT	BLOCK	CODE	SEC	TWP	RG
25-26-27		1525			

O BRIEN STATION GARDEN TRS # 2
N 1/2 OF 25 ALL 26 & 27 LESS
POR LY WLY OF LN PLW & 35 FT
ELY MEAS AT R/A TO ELY LN
NP RY R/W & NLY OF LN PLW &
PROPERTY ADDRESS 7730 S 202ND ST

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FULL AMOUNT MAY BE PAID APRIL 30th

ETC

DELINQUENCY INFORMATION

YEAR	INTEREST PENALTY 11-98	PRINCIPAL
98	53.73	537.3
97	149.12	497.0
OTHER	253451.83	188,371.9
DELINQUENT TOTAL		443,061.0
TOTAL CURRENT AND DELINQUENTS		443,061.0

MAIL WITH 2ND PAYMENT

PROPERTY TAX ACCOUNT NUMBER

631500-0300-04

1998 REAL ESTATE TAX

KING COUNTY STATE OF WASHINGTON
RM 600 - 500 FOURTH AVENUE, SEATTLE 98104-2387
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Second half must be paid or postmarked by October 31 or IT BECOMES DELINQUENT AND ACCRUES ANNUAL INTEREST AND PENALTY.

TAX TYPE	TAX YEAR	OMIT YEAR	INTEREST TO: 11-98	PENALTY (SEE REVERSE)	PRINCIPAL AMOUNT	* HALF AM
Current						
Omitted						
Delinquent	90		34269.12	3659.81	33270.99	F
	89		36670.88	3507.65	31887.72	
	88		38795.38	3360.23	30547.54	
	87		42222.58	3341.36	30375.96	

All payments must the PRINCIPAL TEREST + PI when due.

HALPIN LYON CO 131522
C/O QUENTIN STEINBERG ATTY
1210 JOSEPH VANCE BLDG
SEATTLE WA 98101

PAY THIS AMOUNT → 291,909.2

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631500-0300-04

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NG ALL PARTS WHEN PAYING IN PERSON

State	7.73
Less: School Support	13.07
County	4.08
City	7.35
Unincorporated Road	
Port	.58
Fire	
Sewer Dist Water	
Library	1.10
* Other	.46
Emergency Med Svc	
Other Charges	502.93
TOTAL CURRENT BILLING	537.30

Land Value	1,1
Improvements	1,1
Less: Exempt Value	
TAXABLE VALUE	2,1
Levy Rate	15.62
General Tax	34
* Other Charges	502
TOTAL CURRENT BILLING	537
Omitted Taxes	
TOTAL CURRENT BILLING INCLUDING OMITS	537
VOTER APPROVED	14

HALPIN LYON CO 131522
C/O QUENTIN STEINBERG ATTY
1210 JOSEPH VANCE BLDG
SEATTLE WA 98101

*OTHER CHARGES:
DRAINAGE 497.93 SOIL CON 5.

LOT	BLOCK	CODE	SEC	TWP	RG

25-26-27 1525
O BRIEN STATION GARDEN TRS # 2
N 1/2 OF 25 ALL 26 & 27 LESS
POR LY WLY OF LN PLW & 35 FT
ELY MEAS AT R/A TO ELY LN
NP RY R/W & NLY OF LN PLW &
PROPERTY ADDRESS 7730 S 202ND ST

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FULL AMOUNT MAY BE PAID APRIL 30th

ETC

DELINQUENCY INFORMATION

YEAR	INTEREST PENALTY 11-98	PRINCIPAL
98	53.73	537.
97	149.12	497.
OTHER	253451.83	188,371.
DELINQUENT TOTAL		443,061.
TOTAL CURRENT AND DELINQUENTS		443,061.

MAIL WITH 2ND PAYMENT

PROPERTY TAX ACCOUNT NUMBER

631500-0300-04

1998 REAL ESTATE TAX

KING COUNTY STATE OF WASHINGTON
RM 600 - 500 FOURTH AVENUE, SEATTLE 98104-2387
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TAX TYPE	TAX YEAR	OMIT YEAR	INTEREST TO: 11-98	PENALTY (SEE REVERSE)	PRINCIPAL AMOUNT	* HALF AM
Current						
Omitted						
Delinquent	86		17345.92	957.02	11962.70	H
	83		36670.77	2157.10	19610.04	

* Payments mus the PRINCIPAL TERESTE + P when due.

HALPIN LYON CO 131522
C/O QUENTIN STEINBERG ATTY
1210 JOSEPH VANCE BLDG
SEATTLE WA 98101

PAY THIS AMOUNT → 88,703.5

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631500-0300-04

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PORTION

	7.73		1,1
	13.07		1,1
	4.08		
	7.35		2,1
Unincorporated Road		Levy Fact	15.622
Fire	.58	General Tax	34
Fire		* Other Charges	502
Sewer Dist Water		TOTAL CURRENT BILLING	537
Library	1.10	Omitted Taxes	
* Othe	.46	TOTAL CURRENT BILLING INCLUDING OMITS	537
Emergency Med Svc		VOTER APPROVED	14
Other Charges	502.93		
TOTAL CURRENT BILLING	537.30		

ING ALL PARTS WHEN PAYING IN PERSON

HALPIN LYON CO 131522
C/O QUENTIN STEINBERG ATTY
1210 JOSEPH VANCE BLDG
SEATTLE WA 98101

*OTHER CHARGES:
DRAINAGE 497.93 SOIL CON 5.0

LOT	BLOCK	CODE	SEC	TWP	RG
		1525	25	26	27

O BRIEN STATION GARDEN TRS # 2
N 1/2 OF 25 ALL 26 & 27 LESS
POR LY WLY OF LN PLW & 35 FT
ELY MEAS AT R/A TO ELY LN
NP RY R/W & NLY OF LN PLW &
PROPERTY ADDRESS 7730 S 202ND ST

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ETC

DELINQUENCY INFORMATION

YEAR	INTEREST PENALTY 11-98	PRINCIPAL
98	53.73	537.3
97	149.12	497.0
OTHER	25345 1.83	188,371.5
DELINQUENT TOTAL		443,061.0
TOTAL CURRENT AND DELINQUENTS		443,061.0

MAIL WITH 2ND PAYMENT

PROPERTY TAX ACCOUNT NUMBER

631500-0300-04

1998 REAL ESTATE TAX

KING COUNTY STATE OF WASHINGTON
RM 600 - 500 FOURTH AVENUE, SEATTLE 98104-2387
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Second half must be paid or postmarked by October 31 or IT BECOMES DELINQUENT AND ACCRUES ANNUAL INTEREST AND PENALTY.

TAX TYPE	TAX YEAR	OMIT YEAR	INTEREST TO: 11-98	PENALTY (SEE REVERSE)	PRINCIPAL AMOUNT	* HALF AM
Current						
Omitted						
Delinquent	98		37.61	16.12	537.30	F
	97		94.44	54.68	497.05	A payments mus
	96		151.61	53.80	489.08	the PRINCIPAL
	95		207.30	53.09	482.09	TEREST + P
	OTHER		32730.87	202 55.22	187400.82	when due.

HALPIN LYON CO 131522
C/O QUENTIN STEINBERG ATTY
1210 JOSEPH VANCE BLDG
SEATTLE WA 98101

PAY THIS AMOUNT 443,061.0

00000000000000001874008200048209000489080000497052536546863150003000400005373011

Brown Dog LLC
Cleanup Action Plan
Former Maralco Aluminum Recycling/Refinery
7730 South 202nd Street, Kent Washington

Existing Conditions

- 13-acre property with former industrial operations, a former residence and about 6 undeveloped acres
- Approximately half the property is developed with buildings, covered by asphalt, concrete or dross
- Site includes less than one acre of waters of the State/United States including wetlands and minor streams
- Aluminum and other wastes are stockpiled onsite and have impacted surface water and groundwater quality
- UST was removed from site in 1995 and soil contamination was confirmed

Waste Materials

- Black Dross – approximately 20,000 cubic yards stockpiled outside
  -Does not appear to be a dangerous/hazardous waste
- Washed Oxides – approximately1,000 cubic yards stockpiled outside
- Baghouse dust - approximately 500 pounds stored inside building
- Chromium–bearing dross approximately 10 tons stored inside building

Media/Contaminants of Concern

- Air, soil, sediment, surface water and groundwater impacted by the black dross
  -Aluminum
  -Chloride
  -Fluoride
  -Nitrate/Nitrite
  -Arsenic
- Soil and possibly groundwater impacted by releases from former UST
  -Diesel

Contaminant Migration

- Windblown dross
- Transport through vadose zone via leaching
- Surface water/sediment transport via Christopher Ditch
- Groundwater transport

Remedial Action Objectives

- Isolate or remove dross and other wastes, and impacted soil and sediment to prevent:
  1)Direct contact by humans
  2)Aerial transport
  3)Contact with water (i.e., precipitation, surface water and groundwater)

- Achieve compliance with applicable groundwater cleanup levels by removing or isolating sources and relying on natural attenuation

Proposed Development/Cleanup Plan

- Remedial Investigation/Feasibility Study completed in 2003
  -Recommends onsite containment of dross
- Develop Cleanup Action Plan for Ecology review and Approval
  -Plan needs to address wetland and mitigation for any filling of wetlands
- Implement Cleanup Action Plan
  1. Place dross onsite in a lined containment cell beneath a layer of asphalt or concrete
  2. Cleanup and then fill approximately 0.2 acres of wetlands and streams
  3. Verify that all dross impacted soil and sediment is within the containment cell through verification sampling of soil/sediment
  4. Remove and dispose of hazardous materials inside building or place in containment cell
  5. Monitor groundwater quality
- Maintain 70 percent of the onsite wetlands and associated 25-foot buffer
- Install stormwater collection and detention facilities that meet the City of Kent requirements
- Use the approximately 9-acre paved area as a building materials storage yard

Existing Data Gaps

- Geotechnical characteristics of the dross
- Chemical characteristics of the dross in the lower portion of the pile
- Dissolved metals concentrations in groundwater
- Extent of soil and groundwater impacts near the former UST

Project Sequence/Milestones

- Brown Dog LLC enters Voluntary Cleanup Program
- Identify data gaps and conduct supplemental RI
- Prepare RI/FS Addendum
- Prepare Cleanup Action Plan
- Submit development application to City of Kent

Project Benefits

- Cleanup of a contaminated site with ongoing impacts to the environment
- Improved air quality
- Improved onsite and downstream water quality
- Improved groundwater quality over time
- Provide employment and economic development
- Provide new source of tax revenues for City of Kent
- Clear up old real property taxes with King County and pay property taxes going forward
- Cleanup enhances properties in surrounding area

City of Kent
Engineering Department

220 4th Avenue South
Kent, WA 98032
Telephone: (253) 856-5500
Facsimile: (253) 856-6500

FAX TRANSMISSION COVER SHEET

DATE: July 22, 2004 10:50 AM

TO: David South

FAX: (425) 649-7098

RE: Maralco Site

SENDER: B. Wolinski K. Peterson for Wolinski

YOU SHOULD RECEIVE 7 *PAGE(S), INCLUDING THIS COVER SHEET. IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL (253) 856-5500.*

Project Number

KENT
WASHINGTON

PUBLIC WORKS
Don Wickstrom, P.E.
Director of Public Works

Phone: 253-856-5500
Fax: 253-856-6500

220 Fourth Ave. S.
Kent, WA 98032-5895

July 21, 2004

Mr. Ching-Pi Wang
Washington State Department of Ecology
Toxic Clean-up Program
3190 160th Avenue SE
Bellevue, WA 98008-5452

RE: Maralco Site in Kent

Dear Mr. Wang,

The City of Kent has been contacted by the URS Corporation regarding the Maralco site in Kent, located at 7730 South 202nd St., for potential redevelopment. The Maralco site was used as a secondary aluminum processing facility in the early 1980s. The abandoned site contains a large pile of black dross, washed oxides and baghouse dust that has been classified as hazardous waste by the Department of Ecology. In addition, the site contained a 35,000-gallon diesel underground storage tank that has been removed.

The URS corporation contacted the City of Kent requesting discussions to approve mitigation concepts for impacts to critical areas on-site, wetlands and streams, as a result of proposed clean-up efforts. The City of Kent began some preliminary discussions, however informed the applicant that any mitigation plan approvals would first require an approved clean-up action plan from the Washington State Department of Ecology. URS provided the city with some documentation which has been reviewed. Due to the nature of the materials on-site and the close proximity to water resources the City contracted outside resources to assist us with the review of the documents provided by URS.

The City's objective is to work with all appropriate agencies involved to get the site cleaned up and ensure a long-term solution is developed that will protect the ecology of natural resources, including water quality in the stream. Please provide the documentation listed in the attached correspondence from the City's consultant, Anne Udaloy, L.H.G.

Please feel free to contact me at (253) 856-5547 if there is any additional information I might be able to provide.

Sincerely,

William S. Wolinski, P.E.
Environmental Engineering Manager

Enclosure

c: Mr. Kelly Peterson, Environmental Engineer
Mr. Mike Mactutis, P.E., Environmental Engineer
Mr. Damien Hooper, Planner
Mr. Jim Flynn, URS Coroporation
Wetland File No. 03-06

UES Udaloy Environmental Services

July 21, 2004

Mr. Bill Wolinski, P.E.
Environmental Engineering Manager
City of Kent
220 Fourth Avenue South
Kent, Washington 98032-5895

Re: Issues Related to the Current MTCA Status of the Maralco Site, Kent, Washington

Dear Mr. Wolinski:

The City of Kent has been asked to review a remedial action proposed for the Maralco Site, a 13-acre property located at 7730 South 202nd Street, Kent, Washington. The letter provides an overview of the current site condition and regulatory status. Existing conditions at the Maralco Site were inspected during a site walk on June 10, 2003. The following reports were provided to the City of Kent and reviewed:

- MK-Environmental Services (MKE). March 1991. *Draft Report, Phase I Feasibility Study Report, Maralco Site, Kent Washington* (Draft Phase I FS Report).
- Environmental Management Resources, Inc. (EMR). February 1996. *Draft Remedial Investigation and Feasibility Study for the Maralco Site Kent, Washington* (Draft RI/FS Report).
- EMR. March 2003. *Water Well Survey, Maralco Site Kent, Washington* (Water Well Survey).

Current Site Condition

The Maralco Site was operated as a secondary aluminum processing facility from 1980 through 1983. Manufacturing wastes were retained on site after 1981. Maralco Site wastes include furnace slag, black dross, washed oxides, and baghouse dust, plus approximately 10 tons of dross ("KBI dross") from Kawecki-Berylco, Inc. in Wenatchee, Washington. In addition, a 35,000-gallon diesel underground storage tank was removed from the northwest corner of the parking lot during 1995 (EMR, 2003). EMR (2003) noted that "the tank area is currently being addressed under WDOE's [Ecology's] VCP [Voluntary Cleanup Program] program for groundwater contamination". As it is reasonable to assume that the tank area would be addressed under the Voluntary Cleanup program only if the tank had leaked or was leaking at the time of the investigation, it is also reasonable to assume that some volume of soils and/or groundwater were impacted by petroleum products released from the tank.

19730 - 64th Avenue West, Suite 314, Lynnwood, WA 98036
(425) 775-5995 ♦ Fax: (425) 775-5996 ♦ E-mail: udaloy@aol.com

Mr. Bill Wolinski, P.E.
Issues Related to the Current MTCA Status of the Maralco Site, Kent, Washington Kent, Washington
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Estimated volumes of waste products currently remaining on site include:

- 17,725 cubic yards of black dross, including KWI dross and baghouse dust mixed into the black dross piles
- 1,074 cubic yards of washed oxide derived from original plant operations
- 1,214 tons of washed oxide produced during pilot plant operation
- 484 tons of "other waste material" produced during pilot plant operation
- An unknown volume of baghouse dust reportedly contained within partially filled bags inside the concrete building
- An unknown volume of petroleum contaminated soils and/or groundwater

The Maralco Site dross was classified by Ecology as dangerous waste, and the baghouse dust was classified by Ecology as extremely hazardous waste (MKE, March 1991). MKE (March 1991) reported that site wastes contain detectable concentrations of priority pollutant metals (antimony, arsenic, beryllium, cadmium, chromium, copper, lead, mercury, nickel, and lead), as well as elevated concentrations of cyanide, sodium, potassium, chloride, and nitrogen (Table 1). Based on the known manufacturing process, it is also likely that site wastes contain elevated concentrations of fluoride. It is reasonable to expect that the pH of leachate from the waste would be unusually high (wash water from a pilot waste washing experiment had a pH of 8.9, and the elevated aluminum concentrations reported for groundwater are suggestive of elevated groundwater pH). It is also possible that volatile organic compounds, such as acetone, occur. The nature and extent of impacts related to the 35,000-gallon diesel UST were not described in the reviewed reports.

During late 1991, a "5-mil, 3-ply plastic material guaranteed to have a 2-year life" was placed over the dross piles as a temporary cover (EMR, 2003). During the June 10, 2004 site walk, it was apparent that the temporary cover has degraded and does not prevent infiltration of incident precipitation, dust transport from the piles, or erosion of the piles by surface water. Inspection of the east side of the dross pile adjacent to the former warehouse indicates that the stream adjacent to this dross pile flows periodically, and that dross has discharged to this stream through slump failure of the dross pile (apparently in response to the stream eroding and undercutting of the dross pile). Rill erosion of the dross pile was also observed. In addition, during the site visit, the active discharge of significant volumes of dust from the site warehouse was observed; this dust was apparently being stirred by equipment operation within the warehouse and was being blown across and off of the site.

The dross was apparently originally placed into and adjacent to an existing wetland. EMR (2003) noted that dross was placed below the water table of the uppermost aquifer beneath the site. Although the uppermost aquifer beneath the Maralco Site has not been fully characterized, it has been impacted by site wastes (MKE, March 1991 and EMR, 2003). Stream sediments have been impacted by site wastes (MKE, 1991). Based on the observed discharge of dross directly into the adjacent stream channel, it is reasonable to expect that surface water quality is also impacted by site wastes.

Mr. Bill Wolinski, P.E.
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July 21, 2004

The Maralco Site, as it now exists, apparently continues to pose significant risk to human health and the environment because:

- More than 27,000 tons of dangerous waste and an unknown volume of extremely hazardous waste remain on site.
- Dangerous wastes were wastes reportedly placed directly into the uppermost aquifer.
- Contaminants derived from the dangerous wastes are apparently discharging directly to surface water, leaching to groundwater, and being transported off site by wind.
- The temporary cover over these wastes has degraded and does not function as designed.

Current Site Regulatory Status

The Maralco site is currently regulated by the Washington State Department of Ecology (Ecology) under the Model Toxics Control Act (MTCA; Chapter 173-140 WAC). The Maralco site is identified in the Hazardous Sites List site register and in the Confirmed and Suspected Contaminated Sites Report (CSCL) as site number 2067. Per Ecology's definitions, the Maralco site has a Washington Ranking Model (WARM) ranking of 2 (the second highest priority group for human health and environment). The ranking (which was developed before the release from the UST was identified) was based on the confirmed metals contamination of sediments and soils, suspected metal contamination of groundwater, and suspected contamination of surface water and air by metals and conventional inorganic compounds. The Ecology unit responsible for the site is identified as the Headquarters Site Cleanup Section.

The current status of regulatory review and compliance at this site is unclear. Ecology reports the site status as "remedial action in progress", a status that has apparently not changed since 1991. It appears that remedial actions performed subsequent to 1991 apparently focus on characterization of an on-site underground storage tank. The limited additional investigation of the dross and baghouse waste was apparently performed as an independent action, (EMR 2003). Interim remedial controls installed during 1991 have apparently not been maintained (for example, it appears that surface water flows through the channel adjacent to the dross piles, and the cover over the dross piles has degraded and no longer functions as designed).

The status of the UST investigations and cleanup is also unclear. Although EMR (2003) noted that "the tank area is currently being addressed under WDOE's [Ecology's] VCP [Voluntary Cleanup Program] program for groundwater contamination", the Maralco site could not be found under either the Leaking Underground Storage Tank (LUST) list (as of April 7, 2004), and was not identified as having petroleum contamination under either the site register or the CSCL.

It would be reasonable to request that Ecology:

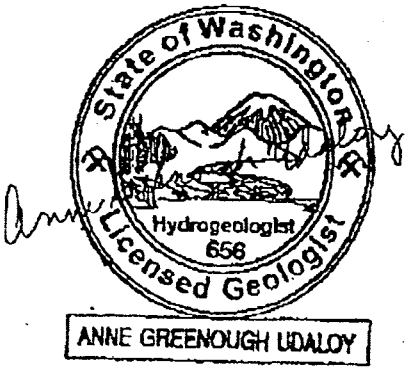
1. Identify the current Ecology site manager responsible for the evaluations of the impacts of dross and baghouse waste at the Maralco site under the MTCA
2. Identify the current Ecology site manager responsible for the evaluations of the apparent petroleum release from an on-site underground storage tank.
3. Provide copies of Washington State Department of Ecology (Ecology) project files and memoranda related to evaluation and regulation of the Maralco industrial waste and the petroleum hydrocarbon release from the on-site UST, including all current proposed or approved work plans, investigation reports, and negotiated agreements including but not limited to:
    a. MKE. February 1991. *Phase I Remedial Investigation Report*. Prepared on behalf of Ecology.
    b. MKE. June 1991. *Work Plan for Ongoing RI/FS Activities*. Submitted to Ecology.
    c. MKE. December 3, 1991. Letter to Ecology describing completion of activities recommend in the June 1991 *Work Plan for Ongoing RI/FS Activities*.
    d. Ecology and Environment (E&E). June 1987 and/or October 1987. Site assessment report(s) performed on behalf of EPA and/or Ecology.
    e. U.S. Environmental Protection Agency (EPA) project files provided to Ecology
    f. A listing of potentially liable parties for the Maralco site
4. Provide a report summarizing the status of the Maralco site, including a discussion of planned and ongoing remedial actions.
5. Provide a report summarizing the status of the effects of the Maralco site releases on Mill Creek, including a discussion of planned and ongoing remedial actions.

Sincerely,

Anne Udaloy

Anne Udaloy, L.H.G.
Udaloy Environmental Services

cc: Mr. Kelly Peterson, City of Kent



Mr. Bill Wolinski, P.E.
Issues Related to the Current MTCA Status of the Maralco Site, Kent, Washington Kent, Washington
July 21, 2004

Table 1
Summary of Contaminants Detected in Black Dross and Baghouse Dust
Maralco Site, Kent, Washington

Constituent	Maximum Concentrations Detected in Site Waste (milligrams per kilogram)[a]	
	Black Dross[b]	Baghouse Dust[c]
Aluminum	211,000	172,000
Antimony	4.65	Not detected
Arsenic	8.61	Not detected
Barium	289	81.2
Beryllium	8.377	1.26
Cadmium	7.8	2.05
Chromium	1,860	189
Cobalt	11	4.1
Copper	5,400	1,420
Iron	7,200	3,630
Lead	214	110
Manganese	1,960	1,510
Mercury	0.351	0.26
Nickel	116	31.5
Selenium	Not detected	Not detected
Silver	Not detected	Not detected
Thallium	Not detected	Not detected
Vanadium	280	84.7
Zinc	6,100	871
Ammonia	686	292
Total Kjeldahl nitrogen	4,089	884
Chloride	131,988	150,755
Cyanide	1.53	0.67
Fluoride	Not tested	Not tested
Sulfate/sulfide	Not tested	Not tested
VOCs	Not tested	Not tested

Notes: See accompanying letter for discussion. Every effort was made to correctly transcribe reported concentrations; however, the legibility of MKE (March 1991) report tables was limited.
Not tested = No test results reported in reviewed documents.
[a] Milligrams per kilogram equals parts per million.
[b] Black dross results were reported for thirteen samples; seven of the thirteen samples were tested for a subset of the listed analytes.
[c] Baghouse dust results were reported for two samples; one of the two samples was tested for a subset of the listed analytes (MKE, March 1991).

EXHIBIT A
QUALIFICATIONS OF DAVID E. HUNNICUTT, MAI, JD

QUALIFICATIONS OF DAVID E. HUNNICUTT, MAI, JD

President
Hunnicutt and Associates, Inc.
P.O. Box 531
Kirkland, Washington 98083-0531
Phone: (425) 576-1203
Fax:(425) 576-8904

EDUCATION

Pacific Lutheran University, Parkland, Washington
University of Washington, Bachelor of Arts Degree, Economics

Appraisal Institute Courses:

Real Estate Appraisal I-A:	Basic Appraisal Principles & Techniques
Real Estate Appraisal I-B:	Capitalization Theory and Techniques
Real Estate Appraisal II-1:	Case Studies in Valuation
Real Estate Appraisal II-2:	Valuation Analysis & Report Writing
Real Estate Appraisal IV:	Litigation Valuation
Real Estate Appraisal X:	Standards of Professional Practice
Course 520:	Highest & Best Use and Market Analysis
Course 530:	Advanced Cost and Sales Comparison Approaches
Course 600:	Appraisal of Small Mixed use income properties
Course 800:	Separating Real & Personal Property from Intangible Business Assets

Other Real Estate Courses and Seminars Completed:

Appraiser as Expert Witness	Commercial Real Estate Leases
Subdivision Analysis	Investment Analysis
Highest and Best Use Analysis	Valuation of Nursing Homes
Appraising for Pension Fund Portfolios	Real Estate Remedies
Standards of Professional Practice Updates	Recent Devs in Land Use Law

Doing the Deal: Handling Complex Sale Transactions

University of Washington Law School:

Mediation Skills Training — Completed January 2000
Expert Witness participant - Trial Advocacy Program

Seattle University School of Law:

Academic curriculum for Juris Doctore program:

Contracts	Civil Procedure	Personal Income Tax
Property	Legal Writing	Corporations & Public Policy
Torts	Basic Real Estate	Family Law
Business Entities	Community Property	Evidence
UCC Transactions	Land Use & Planning	Dispute Resolution
Administrative Law	NEPA/SEPA/ESA	Negotiation/Mediation

Remedies	Advanced Real Estate	Professional Responsibility
Criminal Law	Corporate Finance	Advising Private Companies
Trusts & Estates		

EMPLOYMENT HISTORY:

1991-Present	Hunnicutt and Associates, Inc.
1989-1991	Coldwell Banker Commercial Appraisal & Consultation
1984-1989	Hugh A. Thompson and Associates
1982-1984	Bruce C. Allen and Associates
1979-1982	Eastman and Allen Company
1977-1979	Western Appraisal Company

PROFESSIONAL

Member: Appraisal Institute since 1986

I am currently enrolled at Seattle University as a candidate for Juris Doctore, with a December, 2004 graduation date. I anticipate passing the bar exam in February of 2005 at which time I will be capable of offering Washington State a unique set of services as both a real estate appraiser (MAI) and an attorney.

EXPERIENCE

Experience includes:

Market value appraisals, feasibility and land use studies, market and marketability studies, highest and best use studies on commercial, industrial, residential and unimproved land.

Typical assignment background:

Single and multi-tenant office buildings, office and warehouse combination properties, medical and dental office buildings, neighborhood, community and regional scale shopping centers, hospitals, nursing homes and congregate care facilities, apartments, mixed use office and retail/multi-family projects, motels, business parks, industrial and special use properties, service stations, marine terminals, bulk oil plants, fuel tank farms, tire and auto service stores, restaurants, vacant land, golf courses.

Specialized Appraisal assignments and eminent domain experience:

I have performed the following types of eminent domain valuation assignments:

Air rights easements, rights-of-way, partial taking in condemnation, utility corridors, scenic easements, partial interest acquisitions, leased fee/leasehold analyses, annual asset base reporting, etc. I have appeared before Superior Court in King and Snohomish counties, and testified as an expert witness on a number of occasions.

Appraisal Applications:

Proposed construction financing, permanent financing, refinancing, annual financial reporting, estate tax filing, contemplated sale or purchase, acquisition in eminent domain, partnership dissolutions, asset base management, proposed lease or lease negotiations

Representative Clients:

Asia, Europe, Americas Bank
City Bank
Conoco/Phillips Petroleum
DuBrin Capital Corporation
Eastside Commercial Bank
First Heritage Bank
First Mutual Bank
Frontier Bank
Golf Savings Bank
Goodale and Barbieri Companies
Homestreet Bank
Housing Preservation Associates
Issaquah Bank
LeSourd and Patten
Mills, Meyer & Swartling
NCB Funding Group
North County Bank
Northstar Bank
North Coast Mortgage
Prime Pacific Bank
Source Financial Group
Southeast Effective Development Corp
United States Postal Service
University of Washington
Unocal
U.S. Bancorp Real Estate
Viking Community Bank
Wash. St. Dept. of Gen'l Admin.
Washington Capital Management
Washington First International Bank
Washington Mutual Bank
Washington State Parks and Recreation
Washington State Dept. of Transportation
Wells Fargo Bank
Western Marine Electronics
Wolfstone, Panchot and Block