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**WA State Department
of Ecology (SWRO)**

ENVIRONMENTAL REMEDIATION WORK COMPLETED TO DATE ON PHOENIX INN SITE LOCATED AT 415 CAPITOL WAY N., OLYMPIA, WASHINGTON.

In March of 2006, our company was contracted by VIPs Hotels, Inc. to perform a bioremediation project on the Phoenix Inn Site located at 415 Capitol Way N., Olympia, WA.

The Scope of Work for the remediation project included the introduction of nutritionally enhanced microbes and oxygen releasing solutions to the adversely impacted soils and groundwater beneath the subject property and the monitoring of the groundwater on a periodic/regular basis.

The Scope of Work was set forth for the treatment of contaminated soils and groundwater within the boundaries of the subject property.

The Scope of Work was based on currently available information, current on-site environmental conditions and the current use/operations on neighboring properties.

Work Performed to Date

1. We have performed 20 bi-monthly injections of microbes. The injections began in March of 2006.

Bi-monthly microbe injections were not performed in September/October and October/November of 2006 to accommodate Ecology required groundwater sampling and expanded laboratory analyses.

Bi-monthly microbe injections were not performed in October/November 2008 because wells were filled with sediments due to pile driving activities on northerly neighboring properties.

2. Four (4) Oxygen injection events have been performed to date.
3. Two (2) perimeter groundwater monitoring events have been performed to date.
4. Five (5) expanded groundwater monitoring events have been performed to date.

Differing Site Conditions and Unforeseen Events

1. The undeveloped northerly neighboring property served as an off-site parking lot for approximately 75 cars and some transient campers on a regular basis. The cars that parked on this property belonged to regional workers and nearby marina/apartment residents. The transient campers consisted of various vehicles that provide homes/shelters for transients. The property sold and the new owner fenced off the property, therefore placing 75 additional cars and the transient vehicles on the public streets surrounding the subject properties and often limiting access to offsite monitoring wells located in the public streets. The request for the campers/transients to move their vehicles from areas over the monitoring wells were unsuccessful, even with the assistance of the Olympia Police Department. The limited access to the off-site monitoring wells often prevented our company sampling the off-site at the proposed intervals. In early 2009, an ordinance was passed that prohibited the long term parking of campers or RVs on the City Streets in downtown Olympia.

2. After the ordinance went into place some of the off-site wells monuments vandalized and the secured monument lids and/or the entire monuments had to be replaced. Monuments replacements were performed by Licensed Well Drillers.

3. Sampling of waters in the on-site monitoring wells was limited at times during the remodeling of the on-site Phoenix Inn Hotel Building material and/or debris containers were often parked over selected wells. The limited access to these wells also required us to adjust the microbe injections into the blocked wells.

4. On a periodic and regular basis selected on-site wells are blocked by a Flight Training Schools trailers and Vehicles. The presence of these vehicles requires us to alter the groundwater sampling/monitoring and microbe injection schedules for the blocked.

None of the above listed events/conditions have had a significant adverse impact on the progress of the remediation project. They did have a noticeable impact on the groundwater sampling/monitoring of the project.

5. Beginning in August of 2008, approximately 200 pilings were driven / installed on the northerly neighboring property. The piling driving methods used predominantly dispersed the derived wastes throughout the subsurface media. Very small quantities of the operations derived wastes migrated to the surface.

6. It should be noted that much of the subsurface media in this area consists of imported fill materials and the dispersion of the derived wastes most likely affected the subsurface media beneath adjacent and /or neighboring properties.

During the piling installation project, several business owners and staff reported vibrations of their respective structures. The Phoenix Inn experienced settling in a portion of one of the meeting room floors. City of Olympia staff and the piling contractors indicated that the pile drivers encountered very dense materials at selected depths at several locations that required many additional blows to advance the pilings. Additionally, refusals were experienced at a few locations.

After the pile driving project, during the pre-sampling purging of monitoring wells associated with the Phoenix Inn Site, we discovered excess amounts of silts in the lower portions of wells.

6. Silts were removed from the wells using an electric powered purging pump. After each purging event the wells were allowed time to stabilize and the process was repeated until the wells contained no significant amount of residual silts/sediments.

7. All groundwater sampling/monitoring and/or microbe/oxygen application events were suspended during the well purging process.

Progress and Current Status of Remediation Project

Laboratory analyses results for early groundwater sampling/monitoring events indicated a reduction in the presence of the known contaminants of concern in the on-site monitoring wells.

Laboratory analyses results for all groundwater sampling/monitoring events performed after the pile driving and well silting events reported the increased presence of known contaminants of concern in the on-site monitoring wells.

After the introduction of additional microbes and oxygen releasing solutions, laboratory analyses results for the most recent groundwater sampling event (2/14/2010) reported much lower levels of the known contaminants of concern in the subsurface waters on the subject property. The majority of the laboratory analyses results for the contaminants of concern met MTCA Method A Clean Up Levels. Selected on-site wells contained selected contaminants of concern at reduced levels but at levels exceeding MTCA Method A Clean Up Levels.

The laboratory analyses results for the for the 2/14/2010 sampling event reported the presence of Lube Oil/Heavy Oil range TPH at levels that exceed MTCA Clean Up Levels. One of the results far exceeded applicable clean up levels. The presence of Lube Oil/Heavy Oil range TPH has not been confirmed by any of the previous on-site environmental investigations performed on the subject property. Lube Oil/Heavy Oil Range TPH was not a known or documented contaminant of concern.

The source of the Lube Oil/Heavy Oil Range TPH is not known. The wells containing oily waters are all located near the southwestern portion of the on-site commercial/hotel building.

It should be noted that laboratory analyses results for other in-situ bioremediation sites using these strains of microbes also have reported the unanticipated and reasonably unexplainable presence of oil range TPH.

Laboratory analyses results for all groundwater sampling/monitoring events indicated no off-site migration of contaminants from the subject property.

Remaining Work to Be Completed

1. Additional quantities of nutrients, oxygen releasing solutions and microbes will be applied to the subsurface soils and groundwater beneath the site. Greater quantities will be introduced to the portions of the site that still contain petroleum range contaminants at levels exceeding applicable MTCA Clean Up Levels. Significant quantities of microbes, and nutrients

will be introduced to the portions of the property where high levels of Lube Oil/Heavy Oil range TPH were found. In an effort to provide additional coverage to all of the on-site soils and groundwater, microbes will be introduced using a Direct Push System and a pressurized pump as well as the on-site injection wells.

2. At an appropriate time, an appropriate quantity of confirmation soil samples will be obtained from the areas where petroleum contaminated materials were present on site.

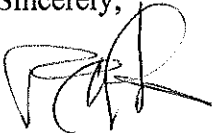
3. Additional ground water sampling/monitoring events will be performed. A minimum of four (4) quarters of groundwater monitoring with laboratory analyses results reporting no presence of petroleum range contaminants at levels exceeding MTCA Method A Clean Up Levels will be required by Ecology.

A Report will be issued containing a summary of all on-site activities and laboratory analyses results.

Ecology may require additional sampling of the subsurface soils and waters.

If you have any questions or need further information please feel free to contact us at the above phone number.

Sincerely,



Paul W. Stemen,
Vice President