

Waterway Properties, Inc.

5114 Pt. Fosdick Drive, Suite E-303
Gig Harbor, Washington 98335
206.356.4936 FAX 206.242.5775

Marv Coleman
Department of Ecology
Southwest Regional Office
P.O. Box 47775
Olympia, Washington 98504-7775

Re: Standard Chemical Site
Waterway Properties, Inc.
Your letter dated January 28, 2004

Dear Marv:

This letter will confirm our telecon that Waterway Properties, Inc. is in receipt of your letter dated January 28, 2004. As we discussed, your letter is based on some erroneous information. The property is still under the ownership of Waterway Properties, Inc., as it has been for the past 14+ years. Last year, as you also know, a group referred to as 'Nearon' submitted the winning RFP/Q for the City of Tacoma's Sites 4 and 5 to construct a hotel/condo/apartment project. Among others, my Dad, Everett Foster, and Russell Yee, are part of that group. I am not part of the Nearon group. As part of their proposal and to execute the preferred plan that you and I have discussed for years, they intend to transfer the subject piece to the Foss PDA as part of the consideration for sites 4 and 5. That would put the PDA in control of all property south of the 509 Bridge to then create the large park and natural environment that Don Meyer envisions.

In order to legitimately effectuate the trade to the PDA, Russell Yee purchased the stock of the corporation. That gave him the legitimate authority to transfer the property to the PDA. Mr. Yee is fully aware of all of the agreements that are in place with both DOE and EPA and, in fact, infused the capital into the corporation to pay the corporation's portion of the EPA settlement. Attached are relevant portions of the agreement wherein, as purchaser of the corporations stock, he acknowledges and affirms all of the agreements and the status of the property as 'contaminated. As you and I discussed, Russell Yee also fully understands the importance of maintaining the ongoing contact that you and I have had over the years and has agreed that I will remain as the Registered Agent for the corporation and as principal contact for all of communications.

Regarding the 'trade' or 'transfer' of the property to the PDA – that is still the preferred course. As I have described, a 'win-win' for everyone. But if the PDA, for whatever reason, fails to accept the property in a timely manner or for the offset price proposed, then Waterway Properties, Inc. will propose some type of project for the site – small condo project with 5-6 boat slips as we have discussed over the years. Based on the discussions you and I have had regarding the status of the property, we would institute some institutional controls prior to or as part of any

development. Any help you could provide in fostering the trade to the PDA would be most appreciated.

Finally, you and I discussed the situation of the property after the removal of the Pick's Cove Dock and most recently the Sound Transit excavation that have all but removed the surface gravel leaving a muddy surface. Can you contact Sound Transit and have them replace the compacted crushed rock surface as it was. Thanks, Marv. I hope this clarifies everything to your satisfaction. Waterway Properties, Inc. remains committed to the project as we have demonstrated for more than a decade.

Sincerely yours,

Kim Foster
Corporate Counsel