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September 27, 2004

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VIA HAND DELIVERY
Mr. M. Gary Miller, Remedial Project Manager
U.S. Environmental Protection Agency, Region 6
Superfund Division (6SF-AP)
1445 Ross Avenue, Suite 1200
Dallas, Texas 75202-2733

Re: Gulfco Marine Maintenance Superfund Site in Freeport Texas (the "Site")

Dear Mr. Miller:

As you know, we represent The Dow Chemical Company ("Dow"). This letter responds to the United States Environmental Protection Agency's ("EPA") July 14th letter requesting a "good faith" offer to conduct or finance a Remedial Investigation and Feasibility Study ("RI/FS") at the Site. EPA clarified in our meeting on September 2, 2004 that a written response to EPA's July 14th letter was due by September 27, 2004. By submitting this response, Dow does not admit any liability with regard to the Site nor does it waive any legal arguments or applicable legal defenses to any alleged liability regarding this matter.

First of all, Dow thanks EPA for meeting with it and a Chromalloy/Sequa Corporation ("Sequa") representative on September 2, 2004. As you know, only five parties were sent letters by EPA requesting a "good faith" offer for the RI/FS, and of this number only three parties, Sequa, Dow and LDL Coastal Limited, L.P. ("LDL Coastal"), have indicated a willingness to pursue this matter. There are, however, other past owners and operators of the Site and other parties who may have arranged for the cleaning of barges at the Site. As we expressed in our meeting, the small number of parties identified to date by EPA is of particular concern to Dow, Sequa and LDL Coastal.

Despite the number of potentially responsible parties ("PRPs") identified to date, Dow is committed to continuing discussions with EPA concerning an RI/FS at the Site. In our meeting you asked us to provide you with the status of our activities to date, and what activities we are prepared to undertake.

Parties' Progress To Date

Dow, Sequa and LDL Coastal have met to discuss the Site and are in the process of forming a Group to negotiate with EPA, plan and conduct removal activities and investigations at the Site, and identify additional PRPs. We have taken initial steps to investigate the corporate background, relationships and corporate status of the other past Site owners and operators, and plan to do a more extensive review of these corporate issues. We have also been trying to identify other PRPs. We are engaging a private investigator in an effort to obtain current addresses for many of the officers and employees of the past owners and operators who may have knowledge of Site operations and additional PRPs. In our meeting, EPA committed to send information request letters to these parties if we provided names and addresses. Dow is also waiting to receive the response to its Freedom of Information Act request from EPA regarding BASF and possibly others who did business at the Site. LDL Coastal's representatives are also trying to obtain the names of parties who sent barges to the Site for cleaning.

Ongoing Efforts and Proposed Schedule

A number of tasks need to be completed before Dow can make a formal commitment to conduct the RI/FS. Several of these tasks are underway, and Dow is prepared to begin others. Before Dow can formally agree to participate in funding or conducting the RI/FS, additional time is needed to undertake the following tasks:

- Finalize a formal group agreement between Dow, Sequa, and LDL Coastal.—This task should be completed by October 30, 2004.

- Identify and notify other PRPs about the Site—This task has commenced and will continue.

- Select and engage a consultant to assist in developing a scope of work for any necessary removal action to address the contents of the tanks and a scope of work for a focused RI/FS. During our meeting, EPA agreed to negotiate the scope of a focused RI/FS and to incorporate the agreed scope as an attachment to the Agreed Order. Selecting and engaging a consultant is an essential element to this process. – This task should be completed by mid-January, 2005.

- Begin negotiations with EPA concerning a scope of work for a removal action, if necessary, and a focused RI/FS. –We should be ready to begin these negotiations by March 2005.

- Begin negotiations with EPA concerning an Agreed Order—We should be ready to begin these negotiations by March 2005.

Response to Draft Agreed Order and Statement of Work

In our meeting, EPA explained that the draft Agreed Order attached to its July 14th letter was EPA's standard order. As previously noted, EPA agreed to work with the parties to develop a scope of work for a focused RI/FS, and thus move away from the typical boilerplate of the standard order. Of course as you know, negotiating a focused RI/FS will substantially streamline the technical requirements and provisions of the Agreed Order, and consequently the content of the standard order will change. For this reason, we have not provided a mark-up of the draft Agreed Order and EPA's Statement of Work.

EPA Past Costs and Future Oversight Costs

Because the current owners of Lot 56, other past owners and operators and others who did business with the Site are not participating in discussions with EPA, and may not be in existence or viable, Dow would like to discuss a cost settlement with EPA under EPA' Orphan Share policy. We ask EPA to defer action to collect its costs until other PRPs can be identified and settlement discussions held.

Other Potentially Responsible Parties

It is also important that any other PRPs be identified and notified before an Agreed Order for the RI/FS is executed by the limited number of parties. Based on what is known about the Site, the RI/FS costs may be the major response costs associated with the Site. Including additional parties at the outset accomplishes a fairer allocation of responsibility and helps to limit future transaction costs. In the absence of a compelling need to take immediate action, both should be goals of EPA. Dow will continue to work with Sequa and LDL Coastal to identify additional PRPs.

Technical and Financial Ability to Conduct the RI/FS

Dow, Sequa and LDL Coastal are structuring an approach in which Dow and Sequa would perform the RI/FS and be reimbursed from the proceeds of any sale of LDL Coastal's Site property. As you know, the Site's location on the Intracoastal Waterway makes it an exceptional candidate for Brownfield redevelopment. All concerned will benefit from seeing this property move from an environmental liability to a marketable and productive asset. EPA's recognizes in its recently announced Environmentally Responsible Redevelopment and Reuse (ER3) Initiative that redevelopment and reuse of contaminated properties can not only help accomplish the goal of protecting human health and the environment but can also have positive economic and social effects on the community. EPA, thus, has a unique opportunity to foster economic development with environmental benefits at the Site. This project should become an example of how the Superfund Program can rehabilitate valuable property for productive use. Dow and Sequa plan to work with LDL Coastal to attempt to identify potential buyers for LDL Coastal's portion of the Site. All parties will benefit from this approach because any necessary future remedy can be tailored to the Site's future use and the investigation and remediation can be funded from the appreciation in the value of the property.

Under this approach, Dow and Sequa would take the technical and financial lead in performing the RI/FS. Both Sequa and Dow have the technical expertise and the financial ability to manage an RI/FS. Both parties are experienced in Superfund investigations, and have the resources to manage the work.

Dow, however, needs more time to work with the other parties to accomplish the tasks and Brownfield objectives discussed above. EPA should allow the parties the flexibility to pursue these objectives because it will benefit all involved. In addition, the Site is not abandoned, remains under the management of LDL Coastal, and is secure. There is no indication that it poses an immediate threat to human health or the environment. We ask that EPA consider this request for additional time for the parties to organize, prepare and begin negotiations with EPA. Please direct further communications to Dow regarding the Site to the following persons:

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Thank you for your attention to this letter. We look forward to your response concerning these matters. If you have any questions concerning this letter, please call.

Very truly yours

for James Morriss

James C. Morriss III

cc: Sandi Van Wormer
Scott Magelssen