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2923 South Tryon Street
Suite 100 Charlotte, NC
28203-5449

704-586-0007 phone
704-586-0373 fax
www.harthickman.com

July 16, 2007

1830 Statesville Ave., LLC
c/o Collett & Associates
1228 E. Morehead St.
Charlotte, NC 28204

Attention: Mr. Bill Mitchener

Re: Phase I ESA
Hercules Industrial Park
1830 Statesville Ave.
Charlotte, North Carolina
H&H Job No. KCL-007

Dear Bill:

Attached please find the Phase I Environmental Site Assessment for the Hercules Industrial Park located at 1830 Statesville Ave. in Charlotte. As discussed in greater detail in the Phase I ESA, there are documented environmental impacts at the site from historical use of the site by the United States government for missile production. The United States Army Corps of Engineers (COE) is the lead agency working on behalf of the United States government to assess and remediate environmental impacts at the Hercules site. A brief description of the conditions at the site related to former use of the property by the United States government is provided below.

- The Hercules Industrial Park and the Eckerd warehouse facility located south of the Hercules Industrial Park were formerly used by the United States government initially as a storage depot from the early 1940s to the mid 1950s and then for the production of Hercules missiles from the mid 1950s to the late 1960s. Activities conducted at the missile facility included metal working, plating, degreasing, painting, assembly, wastewater treatment, and shipping of missiles. The COE refers to the site as the Charlotte Army Missile Plant (CAMP).

- In 1996, the United States government requested access to the Hercules Industrial Park property to investigate and remediate possible contamination related to historical government operations. The original access agreement was signed in 1996 and there have been four subsequent extensions/amendments, the most recent dated January 2004. All of the agreements indicate that:

> "The Government assumes responsibility pursuant to CERCLA or any other relevant federal or state environmental statutes for all response actions with respect to releases of hazardous or toxic substances, wastes or materials (including petroleum) from or onto the property which result from or were otherwise caused by past Department of Defense activities at

> the property or by any actions occurring during the time period the property was owned by, leased to or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense".

The agreements also indicate that this particular provision survives the termination or expiration date of the agreements.

- Extensive environmental investigations were conducted at the Hercules Industrial Park and the adjacent Eckerd site on behalf of the United States government by the COE in 1996 through 2003. Results of these investigations indicate the presence of ground water impact by the chlorinated solvent trichloroethene (TCE) and its degradation products. The COE concluded that the TCE is the result of historical governmental operations conducted at the site.

- The primary source area for ground water impacts at the CAMP site is at the eastern end of Building 1 located on the adjacent Eckerd's site. Ground water impacts at the Hercules site are primarily confined to small areas near the eastern and southeastern portions of Building 2.

- The results of the COE investigations indicate no complete exposure pathways for surface or subsurface soil at the CAMP site (a complete exposure pathway is one in which there is a reasonable potential that human or environmental receptors could be exposed to compounds at levels of concern). As such, the COE determined that no soil remediation is warranted at the CAMP site.

- TCE is present in shallow ground water near a storm sewer on the Hercules site, and TCE has been detected in a sample collected from the storm sewer. However, no surface water impacts above North Carolina surface water quality standards have been detected in surface water samples collected downgradient of the Hercules site. As such, surface water is not considered a complete exposure pathway by the COE.

- The COE also evaluated potential vapor intrusion into buildings from underlying impacted ground water. The results of the evaluation indicate that vapor intrusion is not a concern for site buildings and thus is not a complete exposure pathway.

- No complete exposure pathways were identified for impacted ground water; however, ground water impacts do exceed North Carolina ground water standards. Thus, the COE evaluated ground water remediation alternatives in a Feasibility Study (FS) prepared in 2004.

- As a result of the FS, the COE chose to actively remediate ground water at the CAMP site using a technique called in-situ chemical oxidation. In this process, chemical oxidants are injected into the ground which chemically destroy the compounds to harmless by-products. The COE plans to conduct active remediation near the southeastern and eastern portions of Building 2 on the Hercules site.

- In 2005 and 2006, the COE conducted a pilot test of the planned chemical oxidation to determine the effectiveness of the remediation technique and to select design parameters for full scale implementation. The results of the pilot test indicated that the chemical oxidation was successful and effective in reducing compound concentrations in ground water.

- In April 2007, the COE held a Stakeholder's meeting to discuss the results of the pilot test and the proposed remedy. The COE indicated that they anticipate that the final FS will be completed in early 2008, and that full-scale remediation will begin in approximately 18 months from April 2007 (i.e., October 2008).

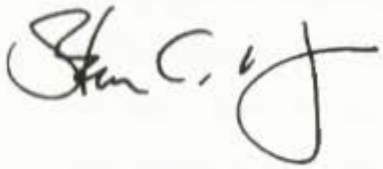
- The COE and the United States government have never asked for monetary contribution from the site property owners for assessment or remediation activities at the Hercules site. Further, the COE has indicated that contamination detected at the property during the previous assessment activities is related to historical government operations.

In summary, impacts are present at the property which are related to former use of the property for missile production by the United States government. The United States government has taken responsibility for assessment and remediation of all contamination related to their former operations at the site. The results of assessment activities indicate that the primary ground water impacts on the Hercules site are confined to small areas near the eastern and southeastern portions of Building 2. Evaluation conducted by the COE indicates that there are no complete exposure pathways for contamination identified at the site. The COE, on behalf of the United States government, is planning on conducting active remediation of impacts near the eastern and southeastern portions of Building 2 on the Hercules site. It is anticipated that active remediation by the COE will commence in 2008.

If you have any questions concerning this submittal, please do not hesitate to contact me.

Very truly yours,

Hart & Hickman, PC



Steven C. Hart, PG
Principal

Phase I Environmental Site Assessment
Hercules Industrial Park
1830 Statesville Ave
Charlotte, North Carolina

H&H Job No. WEP-001

1.0 Findings, Opinions, and Conclusions

Hart & Hickman, PC (H&H) has performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E 1527-05 of the Hercules Industrial Park located at 1830 Statesville Ave. in Charlotte, Mecklenburg County, North Carolina. Any exceptions to, or deletions from, this practice are described in this report.

This assessment has revealed no evidence of recognized environmental conditions (RECs) in connection with the property except for the following:

- The Hercules Industrial Park and the Eckerd warehouse facility located south of the Hercules Industrial Park were formerly used by the United States government initially as a storage depot from the early 1940s to the mid 1950s and then for the production of Hercules missiles from the mid 1950s to the late 1960s. Activities conducted at the missile facility included metal working, plating, degreasing, painting, assembly, wastewater treatment, and shipping of missiles. The ACOE refers to the site as the Charlotte Army Missile Plant (CAMP).

  In 1996, the United States government requested access to the Hercules Industrial Park property to investigate and remediate possible contamination related to historical government operations. The original access agreement was signed in 1996 and there have been four subsequent extensions/amendments, the most recent dated January 2004. All of the agreements indicate that:

  > "The Government assumes responsibility pursuant to CERCLA or any other relevant federal or state environmental statutes for all response

actions with respect to releases of hazardous or toxic substances, wastes or materials (including petroleum) from or onto the property which result from or were otherwise caused by past Department of Defense activities at the property or by any actions occurring during the time period the property was owned by, leased to or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense".

The agreements also indicate that this particular provision survives the termination or expiration date of the agreements.

Extensive environmental investigations were conducted at the Hercules Industrial Park and the adjacent Eckerd site on behalf of the United States government by the COE in 1996 through 2003. Results of these investigations indicate the presence of ground water impact by the chlorinated solvent trichloroethene (TCE) and its degradation products, and the COE concluded that the TCE was the result of historical governmental activities. The primary source area for ground water impacts at the CAMP site is at the eastern end of Building 1 located on the adjacent Eckerd's site. Ground water impacts at the Hercules site are primarily confined to small areas near the eastern and southeastern portions of Building 2.

The results of the COE investigations indicate no complete exposure pathways for surface or subsurface soil at the CAMP site (a complete exposure pathway is one in which there is a reasonable potential that human or environmental receptors could be exposed to compounds at levels of concern). As such, the COE concluded that no soil remediation was warranted at the CAMP site.

TCE is present in shallow ground water near a storm sewer on the Hercules site, and TCE has been detected in a sample collected from the storm sewer. However, no surface water impacts above North Carolina surface water quality standards have been detected in

surface water samples collected downgradient of the Hercules site. As such, the COE concluded that surface water is not a complete exposure pathway.

The COE also evaluated potential vapor intrusion into buildings from underlying impacted ground water. The results of the evaluation indicate that vapor intrusion is not a concern for site buildings and thus is not a complete exposure pathway.

No complete exposure pathways were identified for impacted ground water; however, ground water impacts do exceed North Carolina ground water standards. Thus, the COE evaluated ground water remediation alternatives in a Feasibility Study (FS) prepared in 2004. As a result of the FS, the COE chose to actively remediate ground water at the CAMP site using a technique called in-situ chemical oxidation. In this process, chemical oxidants are injected into the ground which chemically destroy the compounds to harmless by-products. The COE plans to conduct active remediation near the southeastern and eastern portions of Building 2 on the Hercules site.

In 2005 and 2006, the COE conducted a pilot test of the planned chemical oxidation to determine the effectiveness of the remediation technique and to select design parameters for full scale implementation. The results of the pilot test indicated that the chemical oxidation was successful and effective in reducing compound concentrations in ground water.

In April 2007, the COE held a Stakeholder's meeting to discuss the results of the pilot test and the proposed remedy. The COE indicated that they anticipate that the final FS will be completed in early 2008, and that full-scale remediation will begin in approximately 18 months from April 2007 (i.e., October 2008).

Based upon discussions with the site property owners, the COE and United States government have never asked for monetary contribution from the site property owners for assessment or remediation activities at the Hercules site. Further, the COE has indicated

that contamination detected at the property during the previous assessment activities is related to historical government operations.

Although the United States government has taken responsibility for assessment and remediation of impacts associated with their former activities at the site, H&H considers the documented presence of environmental contamination from historical government operations to be a REC.

- There are two closed-in place underground storage tanks (USTs) at the site. The two USTs formerly contained fuel oil which was used for on-site heating purposes. One UST (8,000-gallon) is located on the southern side of the site property in a grass area adjacent to an asphalt paved parking area, and the second UST (10,000-gallon) is located beneath an asphalt parking and loading dock area on the north side of facility. In-place closure of the USTs was conducted on August 24, 2005. The in-place closure was conducted by removing residual liquids from the tanks, filling the tanks with a lightweight non-toxic foam, and removing the vent and fill pipes. There are no documented releases associated with tanks.

Although not RECs, the following potential areas of concern were noted in connection with the property.

- In May 2005, the adjacent property owner Eckerd closed 11 non-regulated commercial underground storage tanks (USTs). Soil and ground water impact have been reported in association with the USTs and the incident remains open. Based upon H&H's knowledge, these tanks were located near the southern site property boundary. Based upon the close proximity of the former USTs, the reported ground water contamination, and their upgradient location, there is a potential for site impact. However, a review of site ground water data collected by the COE does not provide evidence of ground water contamination on the site from these off-site tanks.

- H&H was provided information concerning removal of asbestos containing materials at the site, including pipe insulation and floor tile. Site contact Mr. Neal Hall indicated that to his knowledge most of the asbestos containing material had been removed. Mr. Hall indicated that the exterior of the 3,000 square ft building may contain non-friable asbestos, and H&H concurs with this observation.