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CON 12-15
Doc #17267

August 1, 2002

Jack Friedman
Swiss Valley Farms Co.
19157 Amber Road X-44
Monticello, IA 52310

Re: Cenex-Swiss Valley Bulk Refined Fuels Plant, 600 E. Maple, Maquoketa, Iowa

Jack:

On or about July 25, 2002 you requested that I visit the bulk refined fuels plant currently owned and operated by Cenex-Swiss Valley LC located at or near 600 E. Maple Street, Maquoketa, Iowa. In particular you had expressed interest in a modified Phase I Site Assessment of the site in anticipation of a pending offer to purchase the facility from Swiss Valley Farms Co. You indicated in our telephone conversation regarding this project that you are in possession of the modified Phase I Site Assessment previously prepared for Cenex-Swiss Valley LC by Heritage Trails Associates, Inc. Therefore there is no need to reiterate my findings at the time of original purchase.

I will reiterate, however, the Preface accompanying the original modified Phase I Site Assessment the initial report emphasizes the parameters of my investigations into this property. In particular the Preface of the original reports states, as follows:

PREFACE

The Comprehensive Environmental Response and Cleanup Liability Act (CERCLA) was promulgated in 1980. As a consequence this Act, parties in real estate transactions have become increasingly concerned about potential liability associated with hazardous material releases. To a large extent these concerns have been well founded. In some instances, however, such concerns have become significant roadblocks to the successful negotiation of land transactions and otherwise financially sound, reasonable, and prudent business transactions have fallen victim to these concerns.

The proper performance of an environmental site assessment requires what has become known, in recent years, as ***due diligence*** studies. The environmental site assessment process which has evolved since the implementation of CERCLA legislation now includes evaluations of environmental issues such as degradation of property by petroleum product releases, the presence of asbestos, lead-based paints, fuel or chemical storage tanks, and

contaminated soil or water on the property. All directly affect the collateral value to the property but may not necessarily represent a liability under the Superfund provisions of CERCLA.

While no standard exists presently for performing real estate transaction environmental site assessments, certain issues or facts related to potential environmental liabilities have evolved. Most typically, environmental professionals will define the scope of the work that is necessary to adequately define potential environmental liability as including:

A. Phase I Environmental (site) Assessment inquiries to *establish the likelihood of environmental degradation to the property.*

B. Phase II Intrusive Site Investigation in which specific areas of the property, which are or have been *impacted by environmental degradation*, are identified. This phase may include immediate removal actions to prevent further release or spread of contamination.

C. Phase III Remediation (Corrective Action/Cleanup) Investigation where the full site is characterized and cleanup outlined and/or initiated.

As each successive phase is performed, more site-specific data is collected and analyzed. Therefore, the conclusions which are drawn have fewer inherent limitations and uncertainties associated with conclusions drawn from insufficient scientific data.

Phase I begins with a screening-level evaluation in an attempt to determine if a full-fledged environmental assessment (including Phase II and III) should be initiated. Based upon the combination of knowledge of the site's use (past and current) and that of neighboring properties, an environmental assessment is usually deemed unnecessary if there is a low likelihood of contamination of the site(s). If there appears to be a significant likelihood of negative environmental impact to the site(s) from chemicals or hazardous wastes, the process advances to Phase II.

In Phase II, samples are taken from the site and analyzed. If the test results indicate the presence of hazardous substances above applicable federal, state or local action levels or in concentrations which could adversely affect human health or the environment, Phase III study is initiated. This final phase is known as remediation of the site, or corrective action.

The contents of this report constitutes only those actions which were deemed prudent to adequately conduct a Phase I (pre-acquisition) assessment. The author ***does not certify or warrant that all appropriate inquiry*** has been made. Without the benefit of an all-intrusive Phase II study, no conclusions should be drawn other than recognition of the observations made by the author. The observations contained herein should provide the reader with a basis upon which to determine the advisability of initiating additional intrusive studies. While

the author may have an opinion (expressed or implied) concerning the likelihood of negative environmental impact of the site, it remains the responsibility of the reader to make a final determination to conduct or to not conduct further investigations.

Subsequent to our telephone conversation of July 25 I visited the bulk plant site on July 26, 2002. This document contains my most recent observations of the site. The need to expedite my findings and direct them to your attention at the earliest possible time precluded an investigation of public records to ascertain what, if any, matters of record exist that would negatively impact the potential sale of this property. I can state that Heritage Trails Associates, Inc. has had a consultative management agreement with Cenex-Swiss Valley LC since its inception. Heritage Trails Associates, Inc. has not been asked by Cenex-Swiss Valley LC to respond to nor to report any release or spill at the site referenced herein. Therefore, it can be assumed that nothing of consequence occurred necessitating notification to the Iowa DNR Spill Response Section in Des Moines, Iowa. This assumption is based solely on the premise that Cenex-Swiss Valley LC personnel would have notified Heritage Trails Associates, Inc. personnel of any release or spill at the site.

In particular, I offer the following additional observations for the Cenex-Swiss Valley LC bulk refined fuels plant located at 600 E. Maple, Maquoketa, Iowa:

1. You are encouraged to review the comments in the original Site Assessment for this company location pertaining to the Clinton Engine Works immediately south of Maple Street and south of the Cenex-Swiss Valley LC facility. In particular, there are matters of record which indicate the potential of off-site migration of certain environmental contaminates arising from the improper disposal of heavy metals by the now defunct Clinton Engine Works.
2. The Cenex-Swiss Valley LC plant referenced herein is the exception rather than the rule for similar types of facilities throughout Iowa:

    a. There is a concrete containment pad situated immediately west and adjacent to the loading rack. I have no way of verifying the retention capacity of the containment. Regulations state that the containment must have the capacity to retain 110% of a spill from the single largest compartment in the transportation vehicle. This includes compartments of the in-coming transport. In addition to that requirement the containment must also take into account the displacement associated with the transportation vehicle.
    b. There is no evidence of discoloration embedded in the cement vehicle containment at the loading rack that petroleum-based products have been spilled on to the containment's surface. There is no evidence that any petroleum-based products have been spilled or released to the area immediately adjacent to and surrounding the vehicle containment pad.
    c. All portions of the intake lines into the bulk plant are located inside a secondary containment structure with the exception of the red intake line into the storage tank in

the secondary containment labeled #2 (product line color-coded but not identified for the specific product that are transferred through the line). The red intake line has the coupler outside of the secondary containment and there is evidence of soil discoloration and staining immediately beneath and adjacent to this intake line. This condition represents the potential of adverse environmental impact at that point. The extent of soil and/or ground water contamination at this point can only be accurately determined via soil and ground water analysis.

d. Since the completion of the original Site Assessment for this facility the secondary containment has been modified and an entirely new section has been added to the west of the original secondary containment facility (side walls of containment painted red). Most, if not all, of the cement floor in the new addition to the secondary containment was in place at the time the original Site Assessment was completed. The side walls are new since the original was completed. I have no way to know how the side walls were joined to the floor surface and/or the side west wall of the original secondary containment. While visually it appears that the new secondary containment has been adequately "joined" to the floor and older secondary containment unit, I can not attest to the retention capacity in the event of a massive release in that area. If the joints were not properly sealed with a compound not subject to deterioration from exposure to weather elements or from contact with petroleum-based products, the retention capacity may be diminished.
e. There are numerous fractures in the stem wall of the older secondary containment. In particular the following fractures are noteworthy:

    1. On the north side of the old secondary containment approximately mid-way along its length.
    2. A similar condition is evident at the cement joint approximately 8 feet east of the fracture listed in item #1 herein.
    3. A fracture exists approximately mid-way and near the cement joint on the east wall.
    4. There is a second fracture in the east wall approximately 8 feet south of the fracture outlined in item #3 herein.
    5. There is a crack at the cement joint mid-way on the south wall.

    The fact that these fractures exist suggests that the retention capacity of the secondary containment has been compromised. The fractures should be repaired or sealed with a sealant that is not subject to deterioration by weather or from coming in contact with petroleum based products.

3. I contacted officials of the City of Maquoketa and from Jackson County regarding the existence of any known drinking or non-drinking water wells within 1000 feet of the plant. In particular I was informed that:

a. No city water well exists within 1000 feet of the plant. The closest city water well is City Well #6 located approximately 6 city blocks southwest of the plant. This information was provide by a City of Maquoketa Wastewater Department supervisor (Ron) on 7/30/2002. The Wastewater Department also is responsible for the city water department activities. This individual also indicated that there is a 6-inch water main located next to the curb of E Maple Street along the north side. The water main is constructed of cast iron.
b. Maquoketa City Hall indicates that "There can not be any working wells (private) in the city limits". However, they could not attest to the fact that there were no abandoned wells that had not been properly plugged. This information was obtained on July 31, 2002.
c. Don Olson, Jackson County sanitarian, returned my telephone call requesting information on abandoned water wells (private) within 1000 feet of the plant. He returned my call on July 31, 2002 and indicated that, in fact, there are no water wells within 1000 feet of the plant.

Respectfully submitted,

Keith Weimer

Keith Weimer

Copy faxed to: Scott Behrens, Geo Source Services, Monticello, Iowa (465-2030; fax 465-2030)