

PHASE I ENVIRONMENTAL SITE ASSESSMENT

City Heights Development, Cle Elum, Washington

Prepared for: Northland Resources, LLC

Project No. 090081-001-05 • August 18, 2009



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Aspect Consulting, LLC

Hydrageologist 795

Joe Morrice

Joseph Morrice, LHG Senior Hydrogeologist

jmorrice@aspectconsulting.com

Timothy J. Flynn, LHG
Principal Hydrogeologist
tflynn@aspectconsulting.com

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1 Executive Summary

Aspect Consulting, LLC (Aspect) performed a Phase I Environmental Site Assessment (ESA) on behalf of Northland Resources, LLC (Northland) for the City Heights Subject Property in Cle Elum, Washington. The site location is shown on Figure 1. The Phase I ESA was performed in general accordance with the American Society for Testing and Materials (ASTM) E-1527-05 guidelines.

Currently, the Subject Property is largely undeveloped, with the exception of a series of gravel and asphalt-paved roads and two high-tension electrical transmission lines that cross the property. Historical use of the property was for coal mining. The property is underlain by former mine workings, and areas of mine wasterock are present on the land surface.

For this Phase I ESA, we identified the following potential environmental issues, based on historical research and site observations.

- Two significant areas of mine wasterock were observed on the Subject Property. The first area is a historical tailings pond located at the western edge of the property (Area 1 on Figure 1, within proposed development areas A1 and A2 on conceptual land use plans for the City Heights project) that appears to contain fine-grained coal and non-coal mineral material. The second area is located near the southern property boundary, east of Stafford Street, in the "Red Rock" area of the site (Area 6 on Figure 1, north of proposed development area D2 on conceptual land use plans) and consists primarily of non-coal bearing sandstone and shale overburden, with smaller quantities of apparent coal and coal slag (mineral residue from coal burning). Based on information from the US Department of the Interior, Office of Surface Mining, the overburden and the waste coal appear to present a low risk of containing hazardous substances. Review of available information on coal slag indicates that this material is typically not a source of significant concentrations of organic constituents. Additional environmental and geotechnical investigations, including characterization of soil physical and chemical properties, would be required to more fully address the implications of the two wasterock areas for future site development.
- Historical mine workings underlie the area and present a potential risk of environmental impacts due to exposure of groundwater to former coal mine workings. Water was observed discharging from a pipe that likely drains abandoned mine workings. Discharge was visually estimated to be about 10 gallons per minute. No odor or staining was noted associated with this discharge. Based on available information inferred from other coal mine workings in the area (e.g., U.S. Geological Survey 1981), the risk of leaching metals from soil or rock to water is anticipated to be fairly low.

- Potential environmental impacts related to abandoned coal mines also include methane, carbon dioxide, or hydrogen sulfide gas emissions. Based on information from the U.S. Department of the Interior, Office of Surface Mining gas emissions are not a major hazard from underground sources or wasterock piles in Washington State, and are not considered likely in the Subject Property vicinity.
- An area at the western edge of the property was apparently used as a pond for mine tailings storage between 1945 and 1958. No impacts related to those ponds were identified and site observations showed that the area has likely been backfilled with mine wasterock.
- West of the former tailings pond are the former Roslyn Wastewater Lagoons.
 These facilities operated under a National Pollutant Discharge Elimination
 System (NPDES) permit, have been properly decommissioned, and are not likely to represent a recognized environmental condition.
- Several former coal processing facilities are located south of the subject property.
 Based on their locations downgradient and downhill, and the current developments near these former facilities, they do not appear to represent recognized environmental conditions for the Subject Property.
- Six small areas containing normal household refuse, appliances, and/or old vehicles were identified on the Subject Property during the Phase I site reconnaissance. Visual inspection did not reveal conditions indicative of significant environmental impact. The potential for a release from these materials, such as petroleum products from the automobiles, was considered a *de minimus* environmental condition, generally not presenting a threat to human health or the environment. Subsequent to the site visit, these materials were removed and properly disposed at the direction of Northland Resources (current property owner and client), eliminating the potential for any future release. During the removal process, no apparent hazardous materials were noted by the parties removing the material. Locked gates have now been installed at all site access points, limiting the potential for any additional waste disposal to occur.

2 Introduction

2.1 Purpose of Studies

The purpose of the Phase I ESA is to identify, to the extent practicable using standard methods, the presence or likely presence of hazardous substances or petroleum products under conditions that indicate an existing release, a past release, or a material threat of a release into structures on the Subject Property and immediately adjacent properties or into the ground, groundwater, or surface water of the properties.

2.2 Scope of Work

The purpose of the Phase I ESA is to provide information concerning the past land use and history of the Subject Property and immediately adjacent properties, and assess current site conditions for the potential presence of hazardous materials. This Phase I ESA was performed in general accordance with the processes prescribed in the American Society for Testing and Materials (ASTM) E-1527-05 guidelines. It is our understanding that results of the Phase I ESA will be incorporated into an Environmental Impact Statement (EIS) currently being prepared to evaluate potential impacts of planned development of the property.

In order to evaluate the condition and the previous uses of the property relative to good and customary commercial practices and in general accordance with the processes prescribed in the American Society for Testing and Materials (ASTM)-1527-05, our Phase I ESA scope of work included the following tasks:

- Conducting a site visit to the subject property (June 9, 2009) to observe existing site conditions, and to observe activities at neighboring properties.
- Interviewing current owners and other persons known to have knowledge of the property and property history.
- Reviewing reasonably ascertainable and standard environmental record sources in an
 effort to identify recognized environmental conditions in connection with the Subject
 Property and adjacent properties. Assess site history by utilizing a combination of
 local aerial photographs, historical topographic maps, and Sanborn maps and
 municipal directories, as available.
- Contacting government agencies such as the Washington Department of Ecology (Ecology) and the US Department of the Interior, Office of Surface Mining, to inquire about any information in their records regarding the subject property and adjacent parcels.

This report summarizes the results of data research, site observations, interviews, and the file review. It includes an evaluation regarding the potential for on-site and off-site recognized environmental conditions to impact the Subject Property.

The Phase I ESA does not include a chain of title review. Additionally, our work scope does not include an evaluation of potentially hazardous building materials (e.g., asbestos, lead-based paint), wetlands, cultural and historical resources, ecological resources, or endangered species.

2.3 Significant Assumptions

The conclusions of this Phase I ESA are based on research of readily available current and historical information sources, interviews, and a site visit. When possible, we researched multiple sources to corroborate information. We have assumed that our information sources are correct unless another source indicates otherwise.

3 Site Description

3.1 Location and Description

The Subject Property, which consists of approximately 358 acres, is located just north of the Cle Elum, Washington city limits in Kittitas County. The Subject Property lies in the southwest quarter of Section 25, northwest quarter of Section 25, north half of Section 26, and north half of Section 27, all within Township 20 North, Range 15 East Willamette Meridian (see Figure 1). Tax Parcel numbers for parcels comprising the Subject Property are: 593835, 083835, 17671, 17670, 19165, 952818, 952819, 952820, 952183, 952184, 952904, 952906, 952905, and 952903.

The Subject Property is approximately 2.4 miles long by about 0.2 to 0.5 miles wide. It spans a mostly undeveloped area on the north side of Cle Elum. A small portion of the Subject Property (23.57 acres) lies within the City limits. The Subject Property is accessed by several roads. These include: Stafford Street/Summit View, Oakes Avenue, Deer Creek, Montgomery Avenue, and Columbia Avenue/Creekside. The property is generally bound to the south by The Mine Heritage Trail (locally known as the Coal Mines Trail), W 6th Street, 7th Avenue, E Russ Street, and W Cemetery Road.

The site parcels are designated open space by the Kittitas County Assessor, with Kittitas County Comprehensive Plan designations of Forest and Range, Rural 3 (one dwelling unit per 3 acres), and Rural 5 (one dwelling unit per 5 acres). Existing site development is limited to a series of gravel and asphalt-paved roads and high-tension electrical lines that cross the property in Puget Sound Energy (PSE) and Bonneville Power Administration (BPA) easements. No buildings were identified on the property during the site visit, in public records, aerial photos, or topographic maps. Buildings adjacent to the property include a cell tower facility and water tower to the south, as well as several single-family residences located along the north perimeter of Cle Elum.

3.2 Physical Setting

Physical setting sources reviewed during this site assessment included the following: United States Geological Survey (USGS) 7.5-minute Cle Elum, Washington topographic quadrangle map, last revised in 1984; Kittitas County Assessors records; and the Environmental Data Resources, Inc. (EDR) Report Physical Setting Addendum (Appendix B).

The property is located in the Yakima River drainage basin, in the highlands on the northern flank of the river valley basin, about 0.7 miles north of the river. Three intermittent drainages transect the property. Ground surface elevations at the property generally range from about 2,000 to 2,280 feet, with elevations as low as 1,920 feet at the base of the drainages. Elevations rise to the north and drop to the south of the Subject Property. South of the property is the relatively flat Yakima basin at an elevation of about 1,900 ft.

3.2.1 Geology and Hydrogeology

This interpretation of the geologic setting is based on review of the USGS Geologic Map of the Cle Elum Quadrangle (1:24,000 scale; Washington Department of Natural Resources), and the EDR Physical Setting Source Summary (Appendix B). Published data indicate that the majority of the property is underlain by Eocene-age sedimentary deposits composed of primarily sandstones with interbedded siltstone, shale, claystone, and coal. Lower elevation areas of the property, near the drainages, are underlain by Quaternary-age alluvium sediments composed of silt, sand and gravels deposited in streambeds.

Groundwater flow directions are inferred to follow the topographic gradient, and are expected to generally flow to the south. It is likely that shallow groundwater, if present, drains towards one of the three intermittent drainage canyons before discharging to the Yakima River. Because the Subject Property is primarily underlain by sandstone bedrock, groundwater likely occurs in fractured zones or higher permeability seams. Coal mine workings within the bedrock, where present, could also contain and transmit water.

We searched the Ecology's Well Log database for wells on the Subject Property. In the Northeast Quadrant of Section 26 (Township 20N, Range 15E), we identified one domestic water supply well on the Subject Property (Tax Parcel No. 19165, Parcel "C"). The well owner of record is Andrew Kurtz. The well log shows the well is 105 ft deep with a static water level at 65 ft below ground surface (bgs). Based on township, range, and section (TRS) data, six other well logs were identified that may be on the Subject Property, but without sufficient information to accurately identify their locations. Washington State Department of Health records indicate that there are three Group B groundwater distribution systems and one Group A system in the vicinity of the Subject Property (based on TRS). The only reported drinking water quality exceedances were for color and iron in a water supply well owned by the Town of South Cle Elum. This well is located about 1 mile south of the Subject Property, on the south side of the Yakima River.

4 User Provided Information

Under the American Society for Testing and Materials (ASTM) Standard, the User is defined as "the party seeking to use Practice E 1527 to complete an environmental site assessment of the property", and may include, among others, an owner of the property. In this instance, Northland Resources, LLC is considered the User of this ESA. The ASTM Standard requires the User to provide certain information, as available. Aspect provided a User Questionnaire requesting the required information to Sean Northrop of Northland Resources, LLC. Mr. Northrop returned the completed questionnaire on June 10, 2009.

4.1 Title Records

No title records were reviewed during this assessment.

4.2 Specialized Knowledge

Mr. Northrop has no specialized knowledge or experience related to the Subject Property, other than noting the historical coal mining uses and that the previous property owner was a forestry company.

4.3 Previous Environmental Reports and Liens

Mr. Northrop was not aware of any previous environmental reports having been prepared for the Subject Property, nor did he know of any environmental liens associated with the property.

5 Site Reconnaissance

Bill Sullivan and Dave McCormack of Aspect performed a visual reconnaissance of the Subject Property on June 9, 2009. They observed about 70 percent of the site, focusing primarily on areas accessible by road. During the site visit, we traversed these roads observing the area for signs of previous developments, mine works, wasterock, refuse, pits, ponds, lagoons, surface water features, distressed vegetation, and general environmental condition. Section 5.1 contains details regarding conditions of potential environmental significance observed during the site reconnaissance. Table 1 summarizes conditions observed during the site reconnaissance. Photographs of the site taken during the site walk are provided in Appendix A.

5.1 Observations and Discussion

The City Heights property is a mostly undeveloped assemblage of parcels that was historically used for coal mining. Observed current developed conditions included several roads, abandoned mine workings, refuse piles, high voltage electrical transmission lines, and buried telecommunication and electrical utilities. Summary findings are presented in Table 1. Figure 1 is a Site Reconnaissance Map, with map details listed in Table 2. Photographs taken during the site reconnaissance are included in Appendix A.

The following sections summarize the field reconnaissance findings, and provide discussions of potential recognized environmental conditions associated with each.

5.1.1 Solid Waste Disposal

Six small areas containing normal household refuse, appliances, tires, and/or old vehicles were identified during the site reconnaissance on June 9, 2009. These areas are described in Table 2 and mapped on Figure 1. Photographs of the refuse are provided in Appendix A. No drums, soil staining, or other apparent signs of hazardous waste disposal or releases were observed.

Subsequent to the site visit, solid waste from these areas was removed and properly disposed at the direction of Northland. During the removal process, no hazardous materials were noted by the parties removing material. Locked gates have now been

installed at all site access points, limiting the potential for any additional uncontrolled waste disposal to occur.

An uncontrolled dumping site may represent an unknown or unassessed risk of a recognized environmental condition. With the exception of the automobiles, which may result in petroleum impacts to soil, the observed composition of the former solid waste refuse on the site did not suggest the presence of a recognized environmental condition. The automobiles, because of the relatively minor impacts they could have, likely represented *de minimus* environmental conditions, defined in the ASTM standard as a condition that, "… generally does not present a threat to human health or the environment and that generally would not be the subject of an enforcement action".

5.1.2 Abandoned Mine Works

We observed two wasterock areas associated with the abandoned coal mines (Areas 1 and 6 on Table 2 and Figure 1, corresponding to proposed development areas A1, A2, and north of D2 on conceptual land use plans for the City Heights project). We also observed a pipe that drains water from a likely abandoned mine issuing from a hillside near Deer Creek (Area 9 on Table 2 and Figure 1, north of proposed development area F2 on conceptual land use plans). Potential environmental impacts related to abandoned mines are discussed below.

Wasterock

Historical coal mining activities produced large quantities of wasterock (e.g. overburden, waste coal, slag) throughout the Subject Property area. Areas identified as containing wasterock based on the site visits and review of historical documents are identified on Figure 1 and Table 2. Although the majority of the Subject Property was observed during the site visit, additional unidentified areas of wasterock may be present.

We conducted a preliminary review of environmental data concerning coal-mining derived waste rock to evaluate whether there is a potential threat to human health and the environment posed by wasterock. We contacted Ms. Ginger Kaldenbach, Western Region Abandoned Mine Lands (AML) Project Manager, Office of Surface Mining, US Department of the Interior, Denver, Colorado, who has specialized information about historical coal mines in the site vicinity. Ms. Kaldenbach has conducted numerous mine hazard mitigation projects (sealing shafts, adits, etc.) in the Roslyn Coal Field, which includes the Ronald, Roslyn, and Cle Elum areas.

Wasterock deposits on the City Heights site are generally divided into three categories: overburden, waste coal, and coal slag. Overburden consists of non-coal bearing material that was removed during mine construction to access the coal deposits. Waste coal consists of a mix of low-grade coal and non-coal rock, and may also include fines from coal washing operations. Slag consists primarily of residual mineral impurities in coal remaining after coal is burned. Potential environmental impacts of each wasterock category are described in more detail below.

The majority of the wasterock present on the site is apparently overburden. In general, this type of coal mine waste is fairly common in developed parts of this region, and it has been used as fill during construction activities. Ms. Kaldenbach was not aware of any

guidance for structural foundations on uncontrolled fill spoils piles, but knows that construction on these materials was common in the Roslyn Coal Field prior to the 1980s.

Waste coal and slag were identified during the June 9, 2009 site visit in Area 1 and Area 6. These areas are shown on Figure 1. The largest identified waste coal area (Area 1) covers most of the western terminus of the Subject Property and has an approximate thickness of 1 foot to greater than 12 feet. During a test pit exploration performed in support of a geotechnical evaluation of the Subject Property, the waste coal was identified as black, clay to silt-sized material at a depth of approximately 8 feet below ground surface (bgs). Approximately 1,500 to 2,500 cubic yards (cu yds) of waste coal and wasterock were observed in Area 6, with a smaller component of slag. This area also contained other apparent mining-related debris including railroad ties and metal scrap.

The waste coal consists of a mixture of coal and non-coal rock. Harmful gas emissions and spontaneous combustion may occur with large accumulations of pure coal, but typically wasterock piles from mines are a mining by-product and are not composed of pure coal.

The following excerpt about coal combustion residue (slag) was taken from a Publication by the National Research Council of The National Academies (2006). "Coal combustion residue may contain a variety of organic chemicals, although many of the organic compounds in coal are volatilized or destroyed by high combustion temperatures." The US Environmental Protection Agency (EPA) reported that "based on available information, total and leachable organics are generally reported to be at or below analytical detection limits. Research on the concentrations of organic chemicals in coal combustion residues is fairly limited and focused primarily on organic constituents in fly ash" (USEPA 1999a).

Mine Water Quality

Significant water quality problems have been associated with many historical mining areas. Typically the problems result from acidification of water infiltrating through tailings or contacting underground mine workings. Due to oxidation and dissolution of sulfide minerals, the water becomes acidic and leaches high concentrations of metals from the host rock, potentially resulting in down-gradient impacts to water quality. These problems are most commonly associated with metal sulfide mines due to the reactive composition of the host minerals. Coal deposits, however, are more commonly found in association with sedimentary (e.g. sandstone, siltstone) deposits which are not frequently sources of acid problems in Washington State.

According to Ms. Kaldenbach, Office of Surface Mining, coal mine spoils piles in Washington do not generally present an acid leachate concern. She was aware of only one location of coal mine acid leachate near Chehalis, Washington.

The US Geological Survey evaluated the potential use of water stored in abandoned mine workings in the Cle Elum area for drought-year augmentation of flows in the Yakima River (USGS 1981). As part of this evaluation, water quality draining from one mine shaft was assessed. At the point of effluence, the water had a strong hydrogen-sulfide smell, low dissolved oxygen, and alkaline (high) pH, indicative of anaerobic microbial activity and not acid leaching. No acid problems were indicated in association with the

mine water. The concentrations of dissolved metals, which typically increase with more acidic conditions, were lower than the standards for protection of fish set by EPA at that time, and lower than concentrations found in the Cle Elum and Yakima Rivers. Based on these results, potential water quality impacts related to the coal mines and wasterock in the area are inferred to be minimal.

Gas Emissions

Gasses associated with abandoned mines predominantly include methane, hydrogen sulfide, and carbon dioxide. Methane may be potentially explosive at high enough concentrations, and hydrogen sulfide can be toxic. All three gases may cause suffocation by displacing air. Methane is most concentrated in fresh mines and where air cannot escape. Given that these mines have not been operating for more than 60 years, it is likely that mine gasses have had time to diffuse and are not likely to be present at hazardous levels. Ms. Kaldenbach, Office of Surface Mining, indicated that gas emissions (methane and hydrogen sulfide) are not a major issue from underground sources or spoils piles in Washington, except in the Newcastle area of Washington.

5.1.3 Findings

We observed about 70 percent of the nearly 358-acre, mostly undeveloped property. We looked for site developments, signs of past and present land use, and other indications of recognized environmental conditions. We identified several refuse areas that appeared to be predominantly household waste and old automobiles. We also observed mounds of wasterock consisting of overburden material, coal, and apparent coal slag. One such pile also contained wood and metal construction debris, likely from historical mining developments.

5.2 Adjacent Property and Vicinity Observations

North. Undeveloped to low-density residential development on forested land is immediately north of the Subject Property.

East. Low-density residential development, on sparsely forested land is immediately east of the Subject Property. That client indicated that the sparsely forested area is regrowth following a forest fire.

South. The incorporated area of the City of Cle Elum forms the south boundary of the Subject Property. The properties immediately south of the Subject Property are mostly residential. The historical Independent Mine, just south of the subject property, is currently developed with a small park and ballfield (Centennial Park). Mounds of wasterock west of the park are still apparent in this area.

West. The former Roslyn Wastewater Lagoon No. 1 lies immediately to the west of the Subject Property. Conditions related to this facility are described in Section 6.2. Review of regulatory records indicated no history of violations or non-compliance notices associated with the wastewater lagoons. Impacts to environmental conditions at the Subject Property are not considered likely. A public works storage area for an unknown entity and miscellaneous electrical equipment were observed in this area, located about 0.25 miles northwest of the Subject Property.

5.2.1 Findings

No significant environmental issues were identified at adjoining properties based on observations made during the June 9, 2009 site visit. We did note that a wastewater treatment lagoon is to the west of the Subject Property and a former mine (now a City park) is located immediately south of the property.

6 Environmental Records Review

6.1 Database Search

A detailed review of regulatory agency databases for the Subject Property and vicinity was compiled by EDR to identify potential impacts to the recognized environmental condition of the Subject Property and adjacent properties. The standard ASTM database search encompasses a maximum radius of 1 mile from the Subject Property. We identified the approximate Subject Property boundary and searched a buffer area equivalent to the standard ASTM database search radii. A copy of this information and list of data sets utilized by EDR are presented in Appendix B. We contacted Dave Campbell, Fire Chief of the Cle Elum Fire Department, who directed us to Ray Risdon, Administrative Chief of Kittitas County Fire and Rescue No. 7 to identify any records of fires, spills or releases. We also contacted Ms. Ginger Kaldenbach, Office of Surface Mining, US Department of Interior, Denver, Colorado for information about environmental impacts related to mines and mine spoils/wasterock.

6.1.1 Orphan Sites Summary

The EDR orphan site summary contained 26 sites with inadequate or incomplete address information. We conducted a review of these sites, and two appeared to be located within the prescribed ASTM search radii. These sites include an underground storage tank (UST) listing about 0.5 miles south of the Subject Property, and an auto station about 0.4 miles south of the Subject Property with an Independent Clean-up Report (ICR) listing. Based on the downgradient location and distance of these listings from the Subject Property, it is unlikely that conditions at these properties would impact the site.

6.2 Results of Agency List and File Review

Based on our review of the information in the report by EDR, the Subject Property does not appear in any standard environmental records databases. No adjacent properties to the Subject Property appear in the databases. Table 3 provides a summary of the database listings within the prescribed search radii. We reviewed these properties and evaluated the potential, based on the information provided in the databases, to have impacted the Subject Property. Appendix B contains the details of these listings.

6.2.1 Subject Property

The Subject Property was not listed in any of the environmental databases searched by EDR. No environmental releases to soil, groundwater, surface water or air have been

reported. No violations have been reported. We contacted Mr. Roger Johnson with the Washington Department of Ecology Central Region Office to identify any agency records for the Subject Property. A search of these public agency records resulted in no findings for the Subject Property.

Two facilities are mapped on Ecology's Facility/Site Identification System as within the Subject Property boundary. Addresses for these sites do not correspond with mapped locations and the mapped locations are apparently incorrect. The two sites include Hyak AT&T and Northern Energy Ellensburg 2, both listed as storing 10,000 pounds or more of hazardous substances. The Hyak AT&T is listed with an address at Exit 56 from Interstate Highway 90, several miles west of the Subject Property. The Northern Energy site address is at Railroad Street and Billings Avenue, about 0.45 miles south of the Subject Property. Neither site poses a material threat of release to the Subject Property since they are much further from the property than the location mapped by Ecology would suggest.

Fires, spills, and other releases

We contacted Ray Risdon, Administrative Chief of Kittitas County Fire and Rescue No. 7. He reviewed Kittitas County Fire District #7 records and found reports of only two smoldering fires on the site in the last two years, cause undetermined; and one illegal campfire. No records indicating any type of spills or environmental releases were found.

6.2.2 Surrounding Properties

Database search results indicate that there are a number of listings located within the prescribed search radii. These include Confirmed and Suspect Contaminated Sites listings (CSCSL), Leaking Underground Storage Tanks (LUSTs), Underground Storage Tanks (USTs), Voluntary Clean-up Sites (VCP), and Independent Cleanup Report listings (VCPs). The majority of the findings are located in Cle Elum, south of the Subject Property. Due to the lower relative elevations of the sites in Cle Elum, it is very unlikely that contamination in groundwater originating from these off-site sources would affect environmental conditions at the Subject Property. No listings were located at equal or higher elevations to the Subject Property. Two sites with confirmed or suspect groundwater or soil impacts are located within 1,000 ft of the southern Subject Property boundary.

Jerry's Steel Supply, 232 N 6th Street. This listing is an Interim Cleanup Report (ICR) site located about 500 ft south of the subject property. Ecology received an interim cleanup report in 1992 for petroleum contaminated soil and groundwater related to a tank at the Jerry's Steel Supply site. Based on the relative elevation and inferred groundwater flow direction (south towards the Yakima River); there is a very low probability of contamination in groundwater originating from this off-site source to affect Subject Property environmental conditions.

Petroleum Fuel Spill, 112 W 6th Street. A petroleum fuel spill of 100 gallons was reported at this address in 2006, about 600 ft south of the Subject Property. Due to the small volume of the spill, the inferred groundwater flow direction, and the relative distance to the Subject Property, it is very unlikely that contamination in groundwater

originating from this off-site spill would affect environmental conditions at the Subject Property.

Ecology's records indicate an adjacent property, west of the Subject Property, is listed as a dam facility. This facility is described below.

Roslyn Wastewater Lagoon. This listing is a site located adjacent to the west end of the Subject Property. It was historically comprised of three lagoons that served as the wastewater stabilization and treatment facilities for the City of Roslyn. Two of the lagoons were clay lined and were decommissioned since 2006. The third lagoon is PVC lined, which the City of Roslyn uses to dilute domestic waste and stormwater detention/overflow. Ecology lists the site as a dam that captures or stores 10 acre-feet or more of water or watery material such as mine tailing, sewage, and manure waste. We contacted Roger Johnson, Public Disclosure Coordinator for Ecology's Central Region, about the facility. He indicated on July 6, 2009 that the permit for the City of Roslyn is cancelled (NPDES Permit No. WA-002233-1), and that their wastewater now goes to the City of Cle Elum wastewater treatment plant. Roslyn still uses the lagoon for overflow. Mr. Johnson did not have records of any problems associated with the facility. No violations or non-compliance notices were retrieved in a search of public records. Impacts to environmental conditions at the Subject Property are not considered likely.

7 Site History

The history of the Subject Property was compiled from a combination of tax assessor records, aerial photographs, historical USGS topographic maps, and State mine location records. Copies of historical data are contained in Appendix C.

The historical topographic maps included the 1902, 1958, and 1984 USGS 7.5-minute Cle Elum, Washington quadrangle. Aerial photographs from 1945, 1956, 1983, 1990 and 2006 were reviewed. The historical aerial photographs made available for review did not always encompass the entire subject property. Sanborn maps were available for areas within the Cle Elum city limits, not including the Subject Property, for 1925. Historical Polk City reverse directories were not provided for the area.

Additional attempts were made to obtain historical documents from public sources. We contacted Shelley McClellan, Data Processor of the Kittitas County Assessor's Office for historical property ownership documents. We contacted Gerard Hogan with the Central Washington University Library for historical maps or archives. We reviewed publicly available on-line holdings of the University of Washington, Seattle Public Library, and Washington State Archives for site-relevant information. We contacted the Ellensburg Public Library to inquire about their historical document holdings. We contacted the Cle Elum Chamber of Commerce for any information regarding historical site developments. We contacted Scooter Jordan with SubTerra Consultants to obtain 1945 and 2006 historical aerial maps and a historical map of the No. 5 Mine (Appendix C). We contacted Ms. Ginger Kaldenbach, Office of Surface Mining, US Department of the

Interior, Denver, Colorado, about historical mines. The significant findings of these interviews and historical document reviews are summarized below.

7.1 Historical Site Ownership and Use Summary

Prior to the current property owners, the most recent property owner was a forestry company, Forestry and Development. Historical property uses were related to coal mining operations and are summarized below.

The Subject Property developments were reviewed in aerial photographs and topographic maps. We also reviewed topographic maps and other historical sources that indicate coal was being extracted from the Subject Property land from the 1880s until the 1960s. These coal mining operations are mapped on Figure 1 and Appendix C. We do not know of any other historical land uses for this property, other than those noted below.

Several dirt roads are apparent in the historical aerial photos in the same general locations of the current site access roads. A cleared lineament in the approximate location of the current power-line lineament appears in the 1945 aerial photo and all later aerials and topographic maps we reviewed.

Coal was discovered in the area around Cle Elum in the 1880s, resulting in a boom of coal mining. Mining continued throughout the area until 1963, when the last coal mine closed. We obtained records of historical coal mines in the Subject Property vicinity from historical topographic maps and Washington State Department of Natural Resources documents (DNR OF-80-1; DNR OFR 94-7). Three historical mines were identified in our historical document review. Known historical mine areas in the Subject Property vicinity are identified on Figure 1.

The 1945 aerial photograph of the Subject Property shows some ponds on the western edge of the property. The topographic map from 1958 identifies these as tailings ponds. About 1,000 ft east of the ponds, a cleared area and a larger mound near the center of the property are both visible in the 1945 and 1956 aerials. These areas are indicated as tailings in the 1958 topographic map.

Historical developments associated with the mining operations include The Roslyn Fuel Co. coal bunker, The Independent Coal and Coke Co. facility, The Cle Elum Brickyard, and a number of wasterock and mine tailings areas. The locations of these structures were identified in the 1925 Sanborn Fire Map included in Appendix C. The historical facilities were located to the south of the Subject Property (Figure 1). They appear to be generally hydraulically downgradient from the Subject Property and at lower elevations. There are no known or suspected releases associated with these facilities. Mine-related wasterock areas on the Subject Property are discussed in Section 5.1.

A historical map of the No. 5 Mine is included in Appendix C. Comprehensive mapping the abandoned mines and surface expressions are not covered in the scope of the Phase I report and are included in a separate report addressing the geologic risks associated with these features (SubTerra 2009).

7.2 Adjacent Properties

The same records reviewed for the Subject Property were reviewed for adjoining properties. In general the adjacent properties to the north and east have been sparsely developed. The town of Cle Elum is to the south and a historical mine tailings pond is to the west. A further summary of our findings is provided below.

- North. Historical topographic maps show that coal mining operations occurred north of the Subject Property. Historical aerial photos show this region to be mostly undeveloped forest, with sparse residential developments along the existing roads. Historical topographic maps and aerial photos are included in Appendix C.
- East. The wooded canyon slope that is immediately west of the Subject Property was
 primarily undeveloped in all historical maps reviewed. The 1958 topographic map
 suggests that logging and partial clearing occurred east of the Subject Property. A
 recent historical aerial photograph from 2006 shows this area to be a low density
 development timberland.
- South. Southern properties were developed with primarily residential structures in 1925. Low density development in this area is also apparent in the 1902 topographic map. Non-residential developments identified in this Phase I are summarized in Table 2 and illustrated on Figure 1. These include historical structures near the Independent Mine: The Roslyn Fuel Co. coal bunker, The Independent Coal and Coke Co. facility, The Cle Elum Brickyard, and two wasterock areas; and two historical water tanks located near the current water tank.
- West. The former Roslyn Wastewater Lagoons are just west of the Subject Property.
 Prior to the lagoons, this area was identified as a tailing pond in the 1958 topographic
 map. The lagoons are no longer in use except for overflow, and wastewater is
 currently sent to the City of Cle Elum sequencing batch reactor (SBR) plant for
 treatment.

8 Limitations and Exceptions

Phase I ESAs cannot eliminate all uncertainty regarding the potential for recognized environmental conditions. This assessment was performed in general accordance with ASTM E-1527-05, Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process. This method is intended to reduce the uncertainty about the environmental condition of the property.

Judgments leading to the enclosed general conclusions are based on available information, including information provided by the client, interviews with knowledgeable personnel of agencies known to maintain records of past property use, and site conditions as they existed at the time of our investigation. While striving to present the most accurate scenario of the condition of the property, this assessment may reflect inaccurate or incomplete information provided by others. Other information on the Subject Property or adjacent surrounding properties may exist, and more extensive studies may reduce the

uncertainties associated with this investigation. The assessment is subjective, qualitative, and based mainly on the professional judgment and experience of the Aspect project team after review and consideration of reasonably available information. No surface or subsurface samples of environmental media were collected at the Subject Property as part of this site assessment.

This report was prepared for the exclusive use of Northland Resources, LLC and their agents. Aspect personnel performed this assessment in accordance with generally accepted standards of care that existed in the state of Washington at the time of this study. Our findings and conclusions have been prepared in accordance with generally accepted professional practice in the area at this time. We make no other warranty, either expressed or implied.

9 Special Terms and Conditions

Some property conditions are normally considered outside of the scope of the Phase I ESA process. These "out-of-scope" conditions include the presence of potentially hazardous building materials (e.g., asbestos, lead-based paint), radon, wetlands, cultural and historical resources, ecological resources, or endangered species.

10 References

- Johnson, Roger. Public Disclosure Coordinator, Washington Department of Ecology, Central Region Office, Yakima, Washington. July 6, 2009. Personal communication by telephone conversation with Jeff Landrum, Aspect, re: agency records pertaining potential sources of contamination on the City Heights property and/or adjacent properties.
- Kaldenbach, Ginger. Western Region AML Project Manager, US Department of the Interior, Office of Surface Mining, Denver, Colorado. June 16, 2009. Personal communication by telephone conversation with Jeff Landrum, Aspect, re: specialized information about historical coal mines in the vicinity of the City Heights site.
- National Research Council of the National Academies. 2006. Managing Coal Combustion Residues in Mines, The National Academies Press, Washington D.C.
- Risdon, Ray. Administrative Chief, Kittitas County Fire Protection District #7, Cle Elum, Washington. June 12, 2009. Personal communication by telephone conversation with Jeff Landrum, Aspect, re: records of fires on the City Heights property.
- SubTerra, Inc. 2009. City Heights, Cle Elum, WA: Abandoned Mine Lands (AML) Report. Prepared for Sapphire Skies, LLC, Cle Elum, WA.

ASPECT CONSULTING

- USEPA. 1999a. Issuance of Final Guidance: Ecological Risk Assessment and Risk Management Principles for Superfund Sites, Washington D.C., U.S. Environmental Protection Agency, Office of Superfund Remediation Technology Innovations.
- U.S. Geological Survey. 1981. Reconnaissance of Water Availability and Quality in Abandoned Coal Mines Near Roslyn, Kittitas County, Washington, Water-Resources Investigations Open-File Report 80-955, Tacoma, Washington.

Table 1- Site Reconnaissance Summary

City Heights Development - 090081

Feature		erved	Comments	
	Yes	No		
General				
Potable Water Supply		Χ	No potable water on site.	
Sewage Disposal System		Χ	No sewage disposal on site.	
On-site Septic		Χ	No septic on site.	
Water wells		Х	Two wells east side of Montgomery Avenue (Deer Creek Road); 1 each at/near north and south	
			property line.	
Unusual Odors		Χ		
Solid Waste Disposal	Χ		Refuse, coal mine tailings, slag (see Table 2)	
Catch basins, sumps, and stormwater drainage		Χ		
Pits/Ponds/Lagoons		Χ		
Evidence of USTs		Χ		
Pipes of unknown origin	Х		Pipe from buried mine adit east side Montgomery Avenue, 50 yards north of powerline ROW.	
Discolored Soils or Pavement		Χ		
Distressed Vegetation		Χ		
Floor drains		Х		
Chemical storage		Χ		
HVAC		Χ		

Table 2 - Site Reconnaissance and Historical Review Findings

City Heights Development - 090081

Map ID	Feature	Estimated Quantity	Sources ¹	Description
1	Waste coal/ wasterock; Historical tailing ponds	unknown	Site Recon; 1958 Topo; 1945 Aerial	Black, clay to silt size, overlies glaciofluvial sand and gravel, thickness ranges from 1 to
				> 12 feet; test pits indicate turns to black wet clay where saturated, approximately 8
				feet bgs; collected sample
2	Vehicles, refuse	4, 10 cu yds	Site Recon	1 travel trailer, 2 car bodies, 1 truck bed; 10-20 tires, 10 yards refuse
3	Refuse	10 cu yds	Site Recon	Refuse, appliances, electronics including TV sets
4	Vehicles	2	Site Recon	
5	Appliances	4-8 cu yds	Site Recon	Washer/dryer etc
6	Waste coal, slag, refuse	1,500-2,500 cu yds	Site Recon; 1945 Aerial	Waste coal, waste rock, slag, RR ties, metal; majority is waste coal and waste rock;
				collected sample
7	Refuse	10-12 cu yds	Site Recon	Refuse, bicycles, snowmobile
8	Refuse	4 cu yds	Site Recon	
				Pipe emerging from buried mine adit E side Montgomery, 50 yards north of powerline
9	Mine water	1	Site Recon	ROW
10	Water supply well	1	Site Recon	East side Montgomery Avenue (Deer Crk Rd); northern property boundary
11	Water supply well	1	Site Recon	East side Montgomery Avenue (Deer Creek Rd); southern property boundary
12	Water supply well	1	Site Recon	Southeast corner of property
13	Historical Independent Mine		1984 Topo; 1925 Sanborn	Sanborn Map shows wasterock areas
14	Historical open pit mine		1984 Topo	
15	Historical Cle Elum No. 1 Mine		Mine Workings Map No. 3	
16	Tailings area	unknown	1958 Topo	
17	Roslyn Fuel Co. coal bunker		1925 Sanborn	
18	Cle Elum Brick Yard		1925 Sanborn	Shut down Feb 1925
19	Historical rock dump areas	unknown	1925 Sanborn	
20	Historical Independent Coal and Coke Co.		1925 Sanborn	
21	Historical Reservoir - concrete emergency water supply structu	500,000 gallons	1925 Sanborn	Approximate location of current water tower and cell tower
22	Former site of Roslyn Wastewater Lagoons		2006 Aerial; 1985 Topo	Lagoons are no longer used, Roslyn wastewater is now processed at Cle Elum
				treatment facility
23	Historical Reservoir - concrete emergency water supply structu	500,000 gallons	1925 Sanborn; 1945 Aerial	

Notes:

Site Recon - Field reconnaissance conducted by Bill Sullivan and Dave McCormack on June 9, 2009.

Cu yds - cubic yards

¹ See Figure 1 for approximate locations of features

² Historical sources include USGS Topographic Maps, Aerial Photographs, and Sanborn Fire Maps. Source maps are included in Appendix C

Table 3- Site Summary from EDR Database Search

City Heights Development - 090081

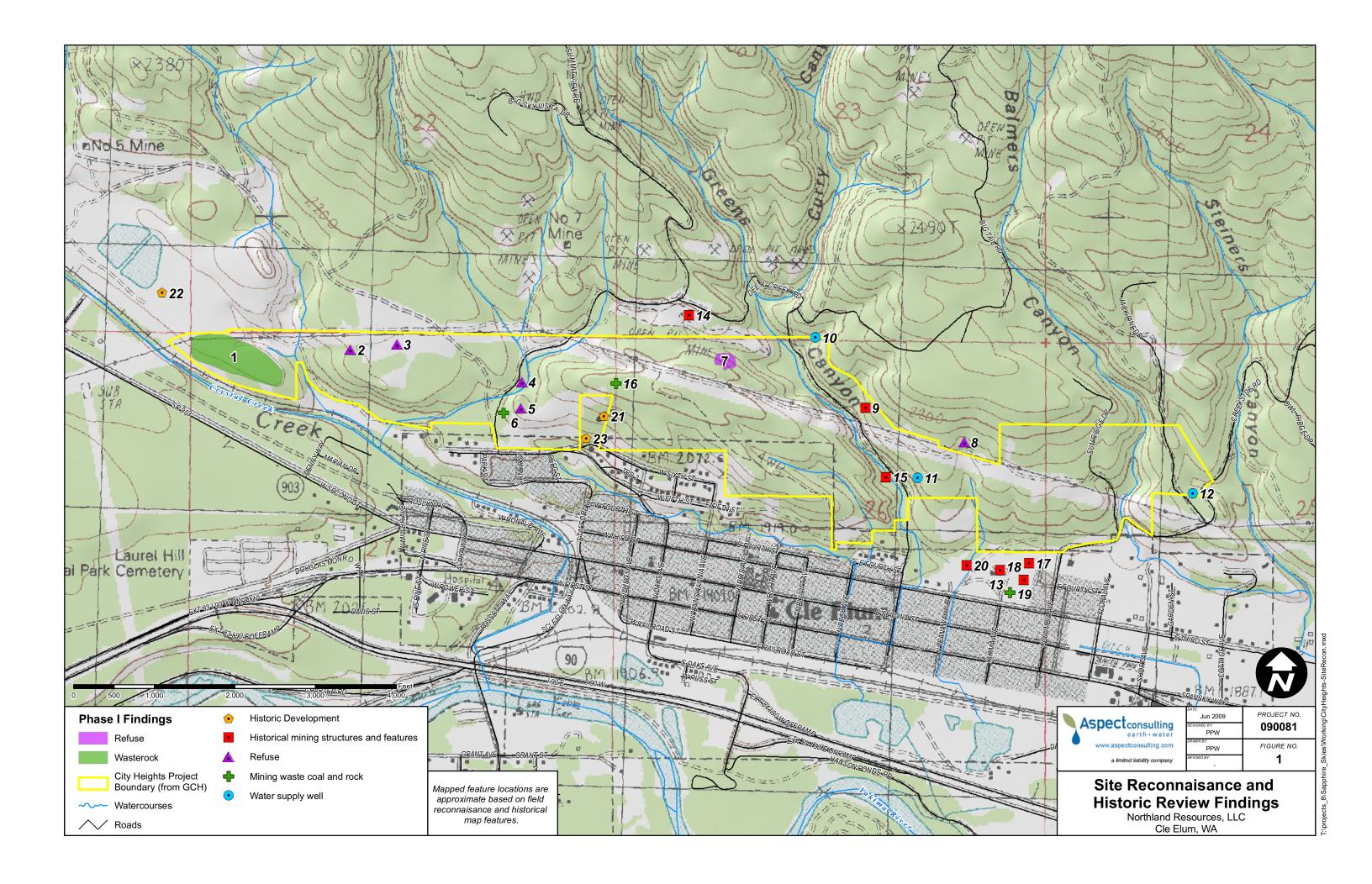
Databases With Listed Sites within the Prescribed Search Radius	Search Buffer	Number of Sites	Subject
	in Miles*	(including SP)	Property
Federal			
National Priority List	1	0	
Comprehensive Environmental Response, Compensation, and Liability Information System - Archived (CERCLIS-NFRAP)	0.5	0	
Resource Conservation and Recovery Act (RCRA) Treat, Store, Dispose of Waste	0.5	0	
RCRA Large Quantity Generator (LQG) (Generates more than 2,200 lbs of hazardous waste)	0.25	0	
RCRA Small Quantity Generator (SQG) (Generates between 220 and 2,200 lbs of hazardous waste)	0.25	0	
RCRA Conditional Exempt Small Quantity Generator (CESQG) (Generates less than 220 lbs of hazardous waste)	0.25	0	
Engineering Controls Sites Lis	SP	0	
Toxic Substances Control Act (manufacturers and importers of substances on TSCA list)	SP	0	
Emergency Response Notification System (ERNS)	SP	0	
State			
Confirmed and Suspected Contaminated Sites List (CSCSL)	1	8	
CSCSL - No Further Action	0.5	1	
Leaking Underground Storage Site List (LUST)	0.5	6	
Underground Storage Tanks Site List (UST)	0.25	3	
Institutional Control Site List	0.5	0	
Voluntary Cleanup Program (VCP)	0.5	2	
Independent Cleanup Reports (ICR)	0.5	7	

SP Subject Property

See EDR Report pages GR1 through GR18 for detailed definitions of databases.

AP Adjoining Properties

[√] Indicates Subject Property is listed in given database.



APPENDIX A

Site Photographs



Photograph: Power lines



Photograph: Former Tailings Pond - Wasterock

Aspect Consulting 7/15/2009

Appendix A Site Photographs



Photograph: Refuse



Photograph: Refuse



Photograph: Refuse



Photograph: Refuse



Photograph: Wasterock area



Photograph: Wasterock area



Photograph: Refuse



Photograph: Refuse



Photograph: Refuse

APPENDIX B

EDR Report

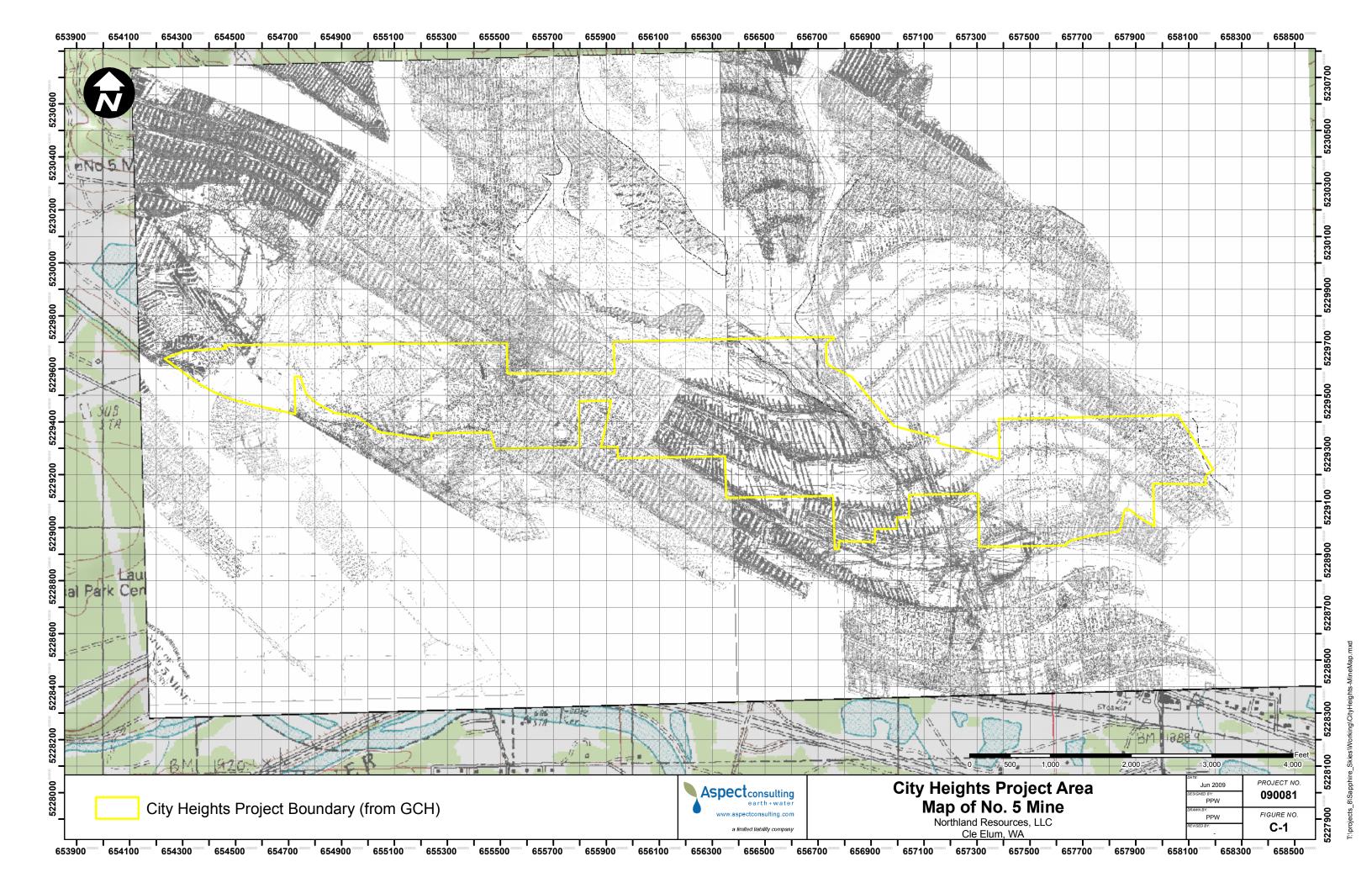
PHYSICAL SETTING SOURCE RECORDS SEARCHED

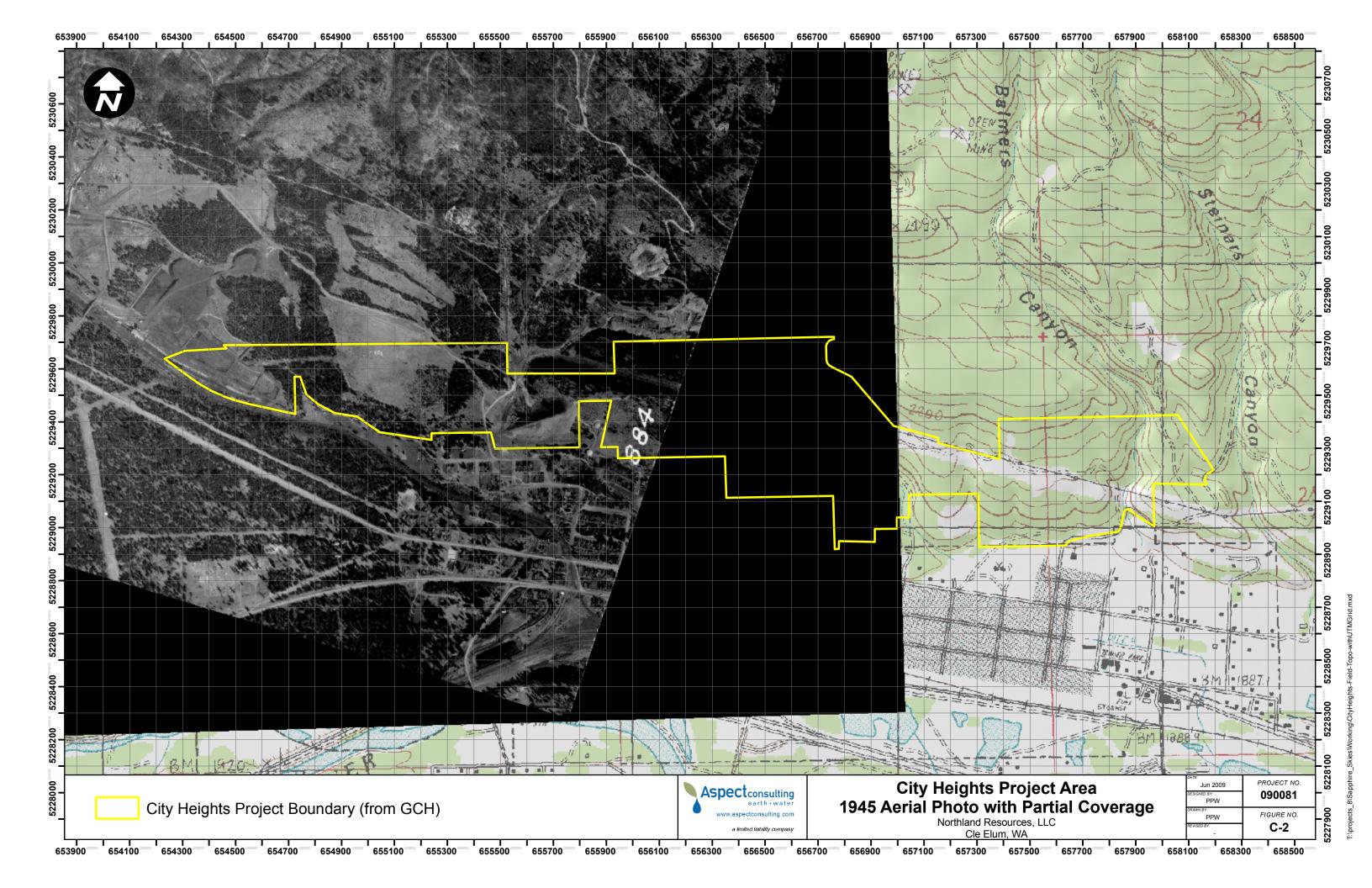
STREET AND ADDRESS INFORMATION

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APPENDIX C

Historical Records Documents – Aerial Photographs, Topographic Maps, EDR Polk Directory Search





City Heights Development

7th Ave N/N Oakes Ave Cle Elum, WA 98922

Inquiry Number: 2511552.4

June 09, 2009

The EDR Historical Topographic Map Report



EDR Historical Topographic Map Report

Environmental Data Resources, Inc.s (EDR) Historical Topographic Map Report is designed to assist professionals in evaluating potential liability on a target property resulting from past activities. EDRs Historical Topographic Map Report includes a search of a collection of public and private color historical topographic maps, dating back to the early 1900s.

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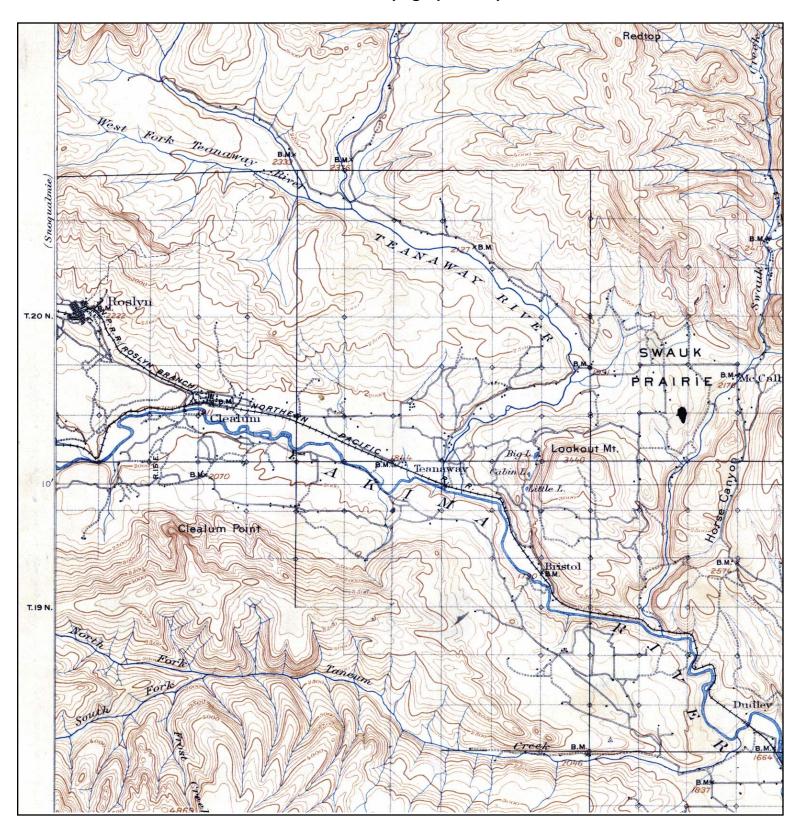
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Historical Topographic Map





TARGET QUAD

NAME: Mount Stuart, WA

MAP YEAR: 1902

SERIES: 30

SCALE: 1:125,000

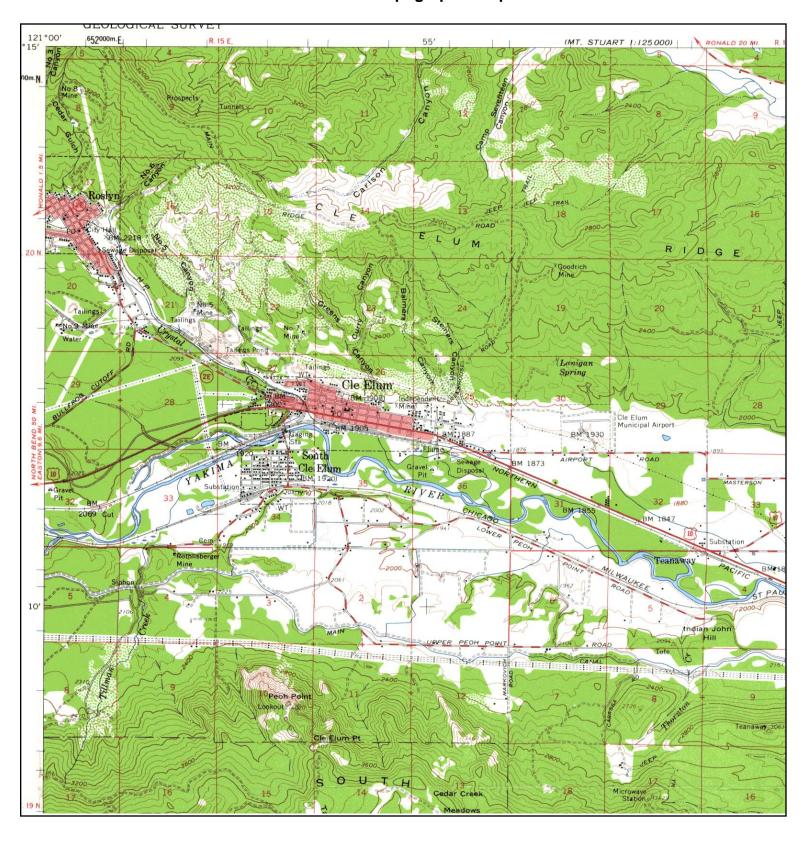
SITE NAME: City Heights Development

ADDRESS: 7th Ave N/N Oakes Ave

Cle Elum, WA 98922 LAT/LONG: 47.2021 / 120.938 CLIENT: Aspect Consulting LLC.

CONTACT: Jeff Landrum
INQUIRY#: 2511552.4
RESEARCH DATE: 06/09/2009

Historical Topographic Map





TARGET QUAD

NAME: Cle Elum, WA

MAP YEAR: 1958

SERIES: 15 SCALE: 1:62,500 SITE NAME: ADDRESS: City Heights Development 7th Ave N/N Oakes Ave

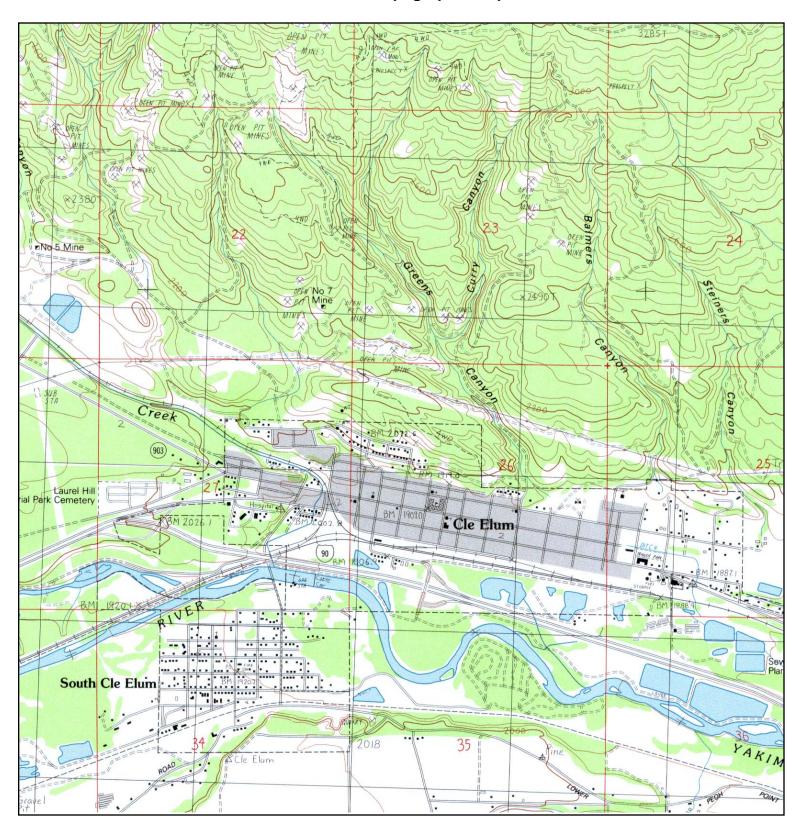
Cle Elum, WA 98922

LAT/LONG: 47.2021 / 120.938

CLIENT: Aspect Consulting LLC.

CONTACT: Jeff Landrum
INQUIRY#: 2511552.4
RESEARCH DATE: 06/09/2009

Historical Topographic Map





TARGET QUAD

NAME: Cle Elum, WA

MAP YEAR: 1984

SERIES: 7.5 SCALE: 1:24,000 SITE NAME: City Heights Development

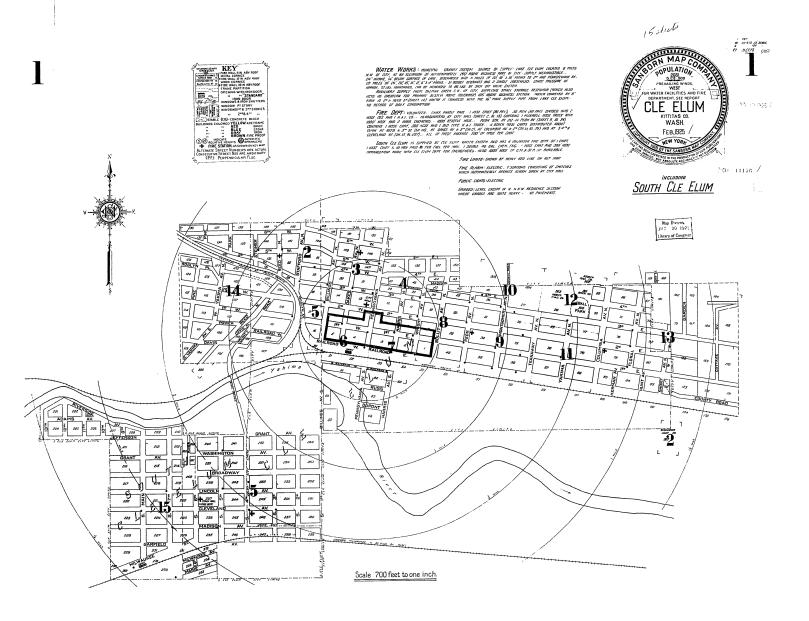
ADDRESS: 7th Ave N/N Oakes Ave

Cle Elum, WA 98922

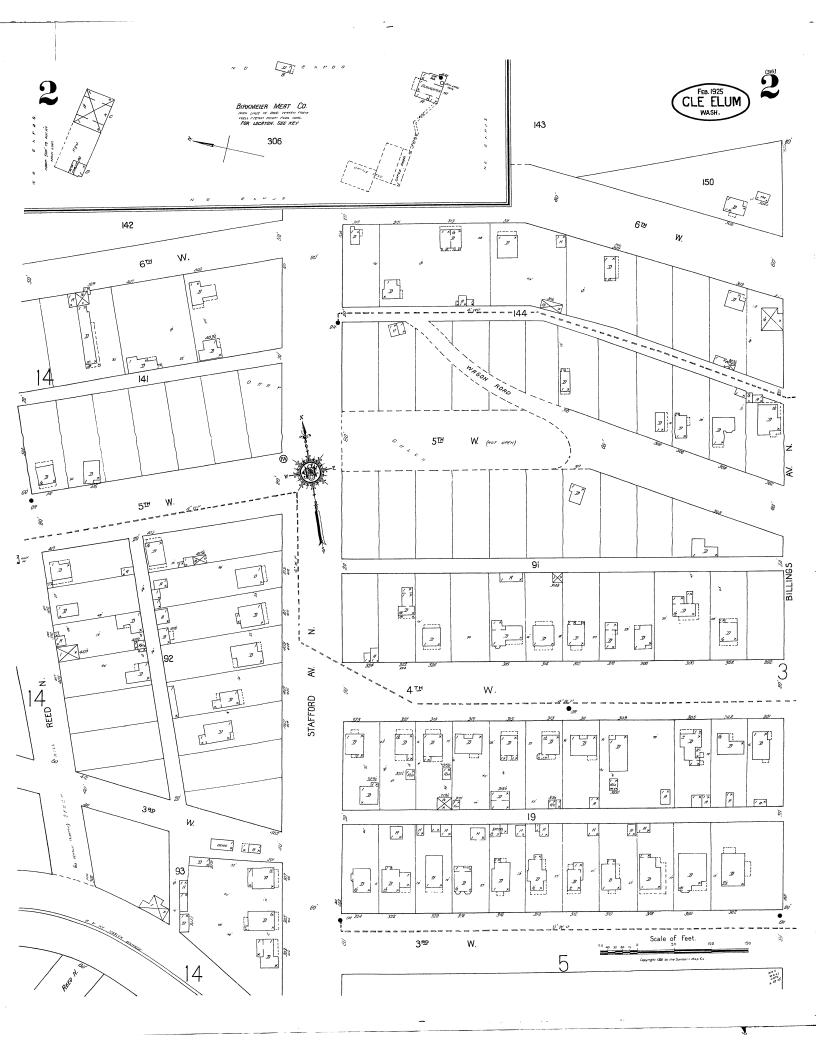
LAT/LONG: 47.2021 / 120.938

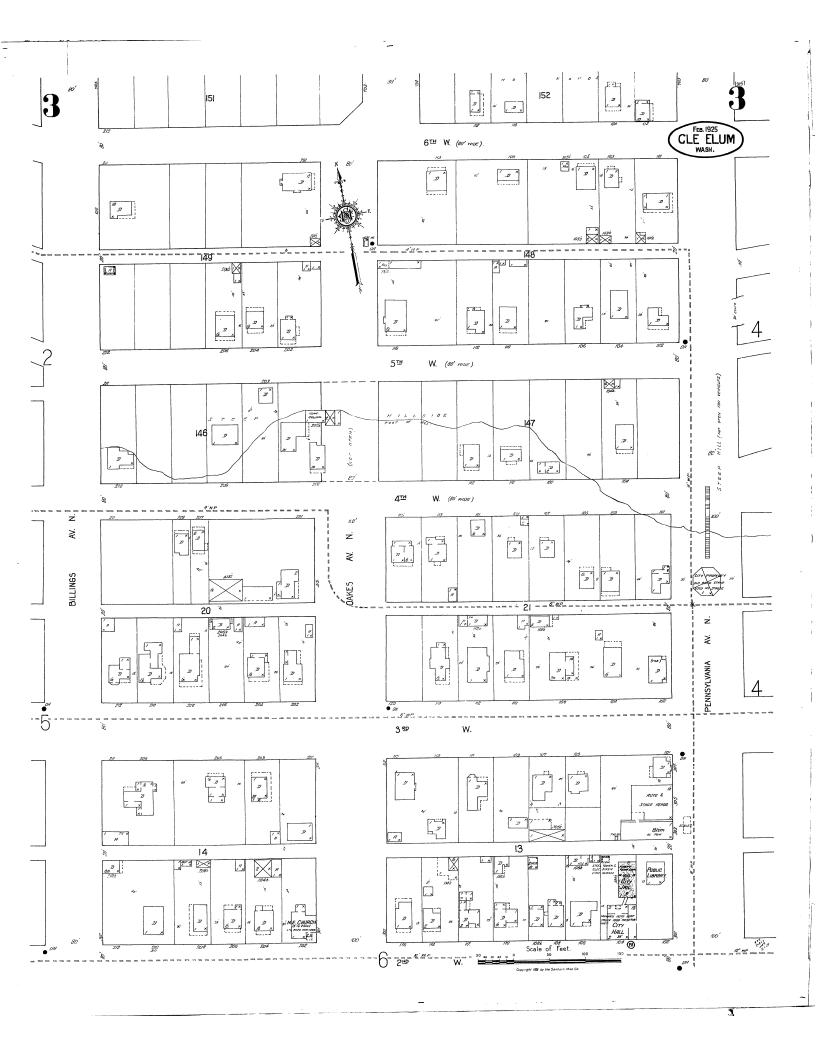
CLIENT: Aspect Consulting LLC.

CONTACT: Jeff Landrum
INQUIRY#: 2511552.4
RESEARCH DATE: 06/09/2009

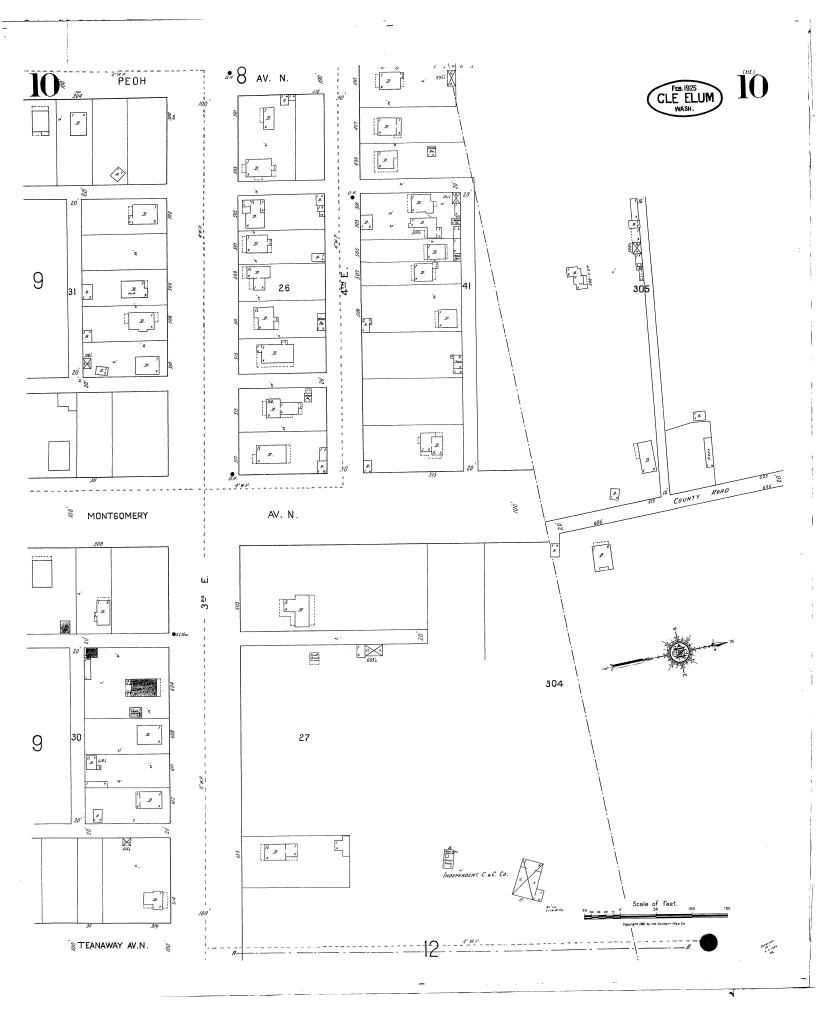


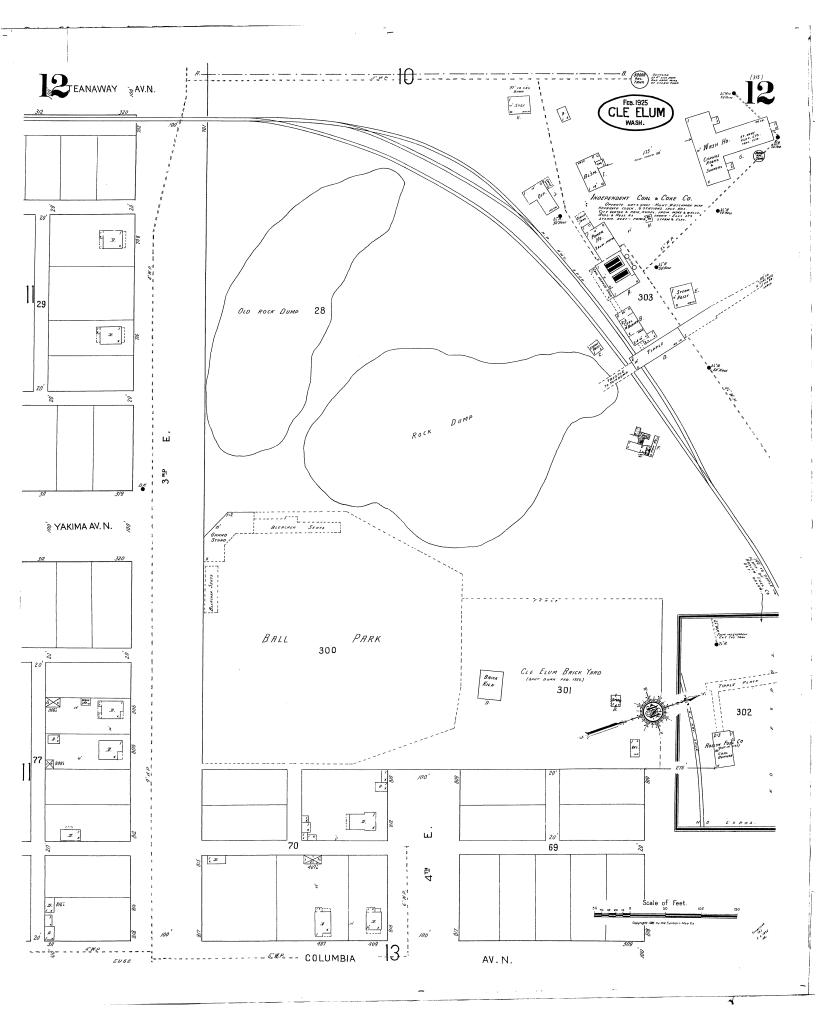
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*Indicates only one side of street shown.									

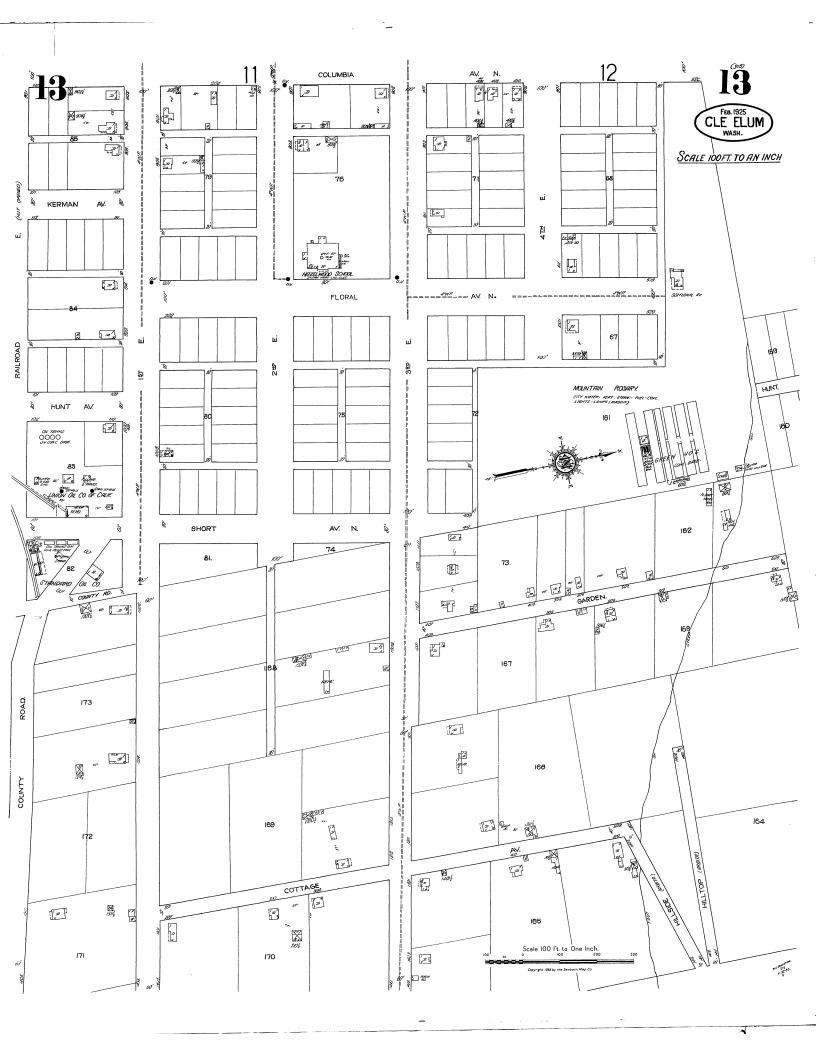


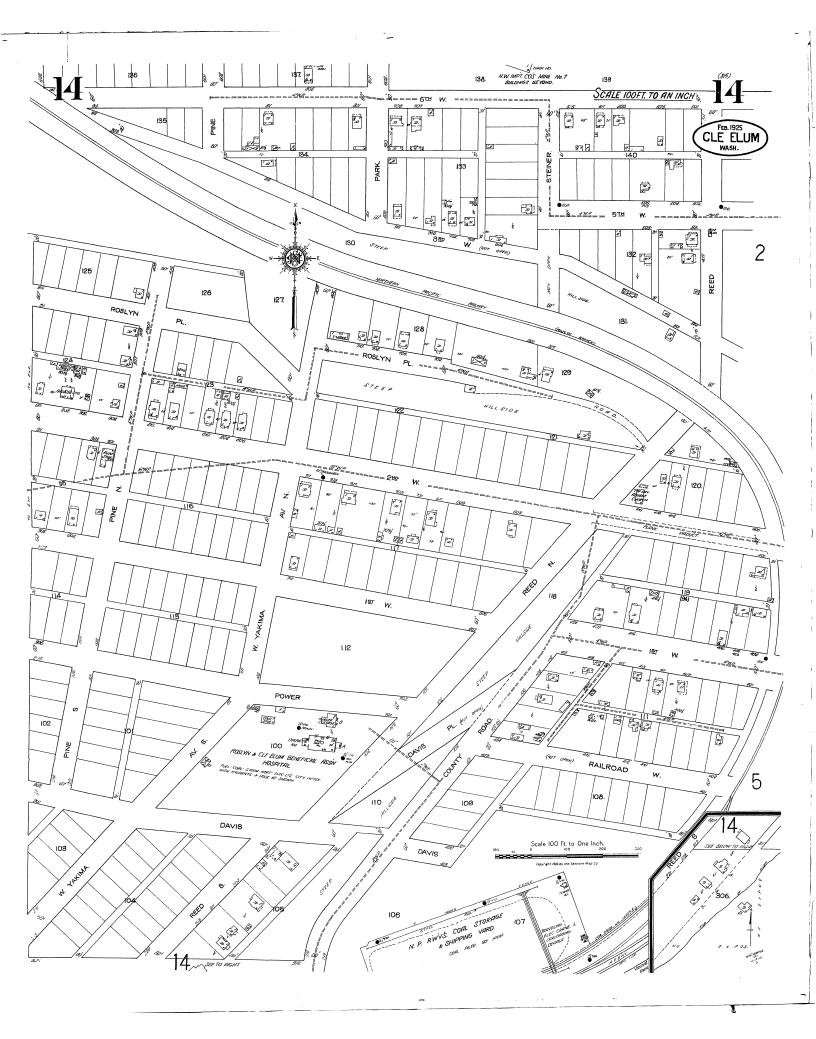


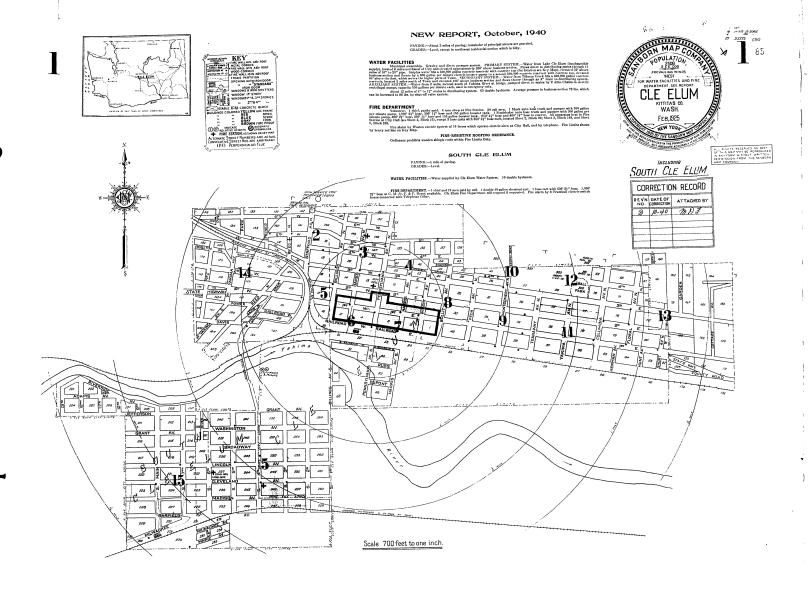












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" 40,599 14" " 398-629 10 Roslyn Pl. " Indicates only one side of street shown.								

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7.4

City Heights Development

7th Ave N/N Oakes Ave Cle Elum, WA 98922

Inquiry Number: 2511552.3

June 05, 2009

Certified Sanborn® Map Report



Certified Sanborn® Map Report

6/05/09

Site Name: Client Name:

City Heights Development Aspect Consulting LLC. 7th Ave N/N Oakes Ave 401 2nd Ave. S
Cle Elum, WA 98922 Seattle, WA 98104

EDR Inquiry # 2511552.3 Contact: Jeff Landrum



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Certified Sanborn Results:

Site Name: City Heights Development Address: 7th Ave N/N Oakes Ave City, State, Zip: Cle Elum, WA 98922

Cross Street:

P.O. # 090081

Project: City Heights Ph
Certification # D10A-4C07-9278



Sanborn® Library search results Certification # D10A-4C07-9278

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City Heights Development

7th Ave N/N Oakes Ave Cle Elum, WA 98922

Inquiry Number: 2511552.5

June 11, 2009

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Date EDR Searched Historical Sources:

Aerial Photography June 11, 2009

Target Property:

7th Ave N/N Oakes Ave Cle Elum, WA 98922

<u>Year</u>	<u>Scale</u>	<u>Details</u>	<u>Source</u>
1956	Aerial Photograph. Scale: 1"=1000'	Panel #: 2447120-B8/Flight Date: July 27, 1956	EDR
1983	Aerial Photograph. Scale: 1"=1000'	Panel #: 2447120-B8/Flight Date: August 18, 1983	EDR
1990	Aerial Photograph. Scale: 1"=750'	Panel #: 2447120-B8/Flight Date: June 21, 1990	EDR
2006	Aerial Photograph. Scale: 1"=544'	Flight Year: 2006	EDR



