

**VIA REGISTERED MAIL
RETURN RECEIPT REQUESTED**

August 24, 2007

Robert Manne, President and CEO
Frank Shaw Bacik, Vice President and General Counsel
The Pacific Lumber Company
125 Main Street
Scotia, CA 95565

**Re: Notice of Violations and Intent to File Suit under the
Resource Conservation and Recovery Act**

Dear Sirs:

On behalf of Northern California River Watch (“River Watch”), I am providing statutory notification to you and to the Pacific Lumber Company (“PALCO”) of continuing and ongoing violations of the Federal Resource Conservation and Recovery Act (“RCRA”), 42 U.S.C. § 6901 et seq.) in conjunction with the continuing remediation operations at a Northern California garage and service station site as identified in this NOTICE.

River Watch hereby notifies PALCO that at the expiration of the appropriate notice periods under RCRA, River Watch intends to commence a civil action against PALCO on the following grounds:

1. PALCO’s use and storage of petroleum products at its Carlotta Mill and former gasoline station site as identified in this NOTICE has and continues to violate permits, standards, regulations, conditions, requirements and/or prohibitions effective pursuant to RCRA regarding storage of petroleum in underground storage tanks. [42 U.S.C. § 6972(a)(1)(A)];
2. PALCO’s operations at the Carlotta Mill and former gasoline station site as identified in this NOTICE has caused petroleum contamination of soil and groundwater which presents an imminent and substantial endangerment to human

health and the environment. [42 U.S.C. § 6972(a)(1)(B)].

CARLOTTA MILL SITE - CARLOTTA, CALIFORNIA

This former service station site is located at 511 Highway 36, at the Carlotta Sawmill. It contained at least one 1,000 gallon underground storage tank (“UST”) which had been removed from the site in 1985, following the discovery of a leakage in the tank wall in 1984.

On the basis of investigations conducted later in 1985, it appears as though petroleum hydrocarbon contamination had migrated at least 75 feet from the UST, near a drainage ditch on the PALCO property. PALCO had no idea at that time how long the tank had been leaking prior to 1985.

For over 15 years following the initial discovery of an unauthorized release at this site, nothing was done either by way of monitoring the extent of contamination or attempting to remediate the site. Finally in July of 2005, an engineering geologist connected with the Regional Water Quality Control Board, North Coast Region, (“RWQCB”) required PALCO to submit a workplan to assess the horizontal and vertical extent of contamination.

By June of 2006, consulting engineers for PALCO proposed to install monitoring wells. Based upon documentation at the RWQCB, there is evidence that the Carlotta Mill site also contains pentachlorophenol (PCP) and Dioxin-contaminated soils which are also slated for remediation at some point in the indefinite future, chiefly by means of over-excavation. The PCP/Dioxin-contaminated soils are located at various locations on the property, including near drainage channels and sedimentation ponds which lead to Yager Creek, which lies to the south and east of the site. Groundwater flow is generally to the southwest.

Current engineering consultant reports indicate the extent of the contaminant plume is still being evaluated to determine the lateral and vertical extent of contamination.

At this late date, over 23 years following the initial discovery of contamination in soil and groundwater, PALCO engineers have failed to do more than attempt to monitor the extent of plume migration and pollution levels. No remediation has ever commenced.

Records available at RWQCB do not indicate whether a current sensitive receptor survey has been completed. Preferential pathways have apparently never been identified. Because site monitoring has been deficient over the last 20+ years, no one knows how far petroleum constituents may have traveled from the site.

Existing records also do not determine whether any aquifer contamination is

present or threatened by the plume. No studies of aquifer dimensions seem to have been done. The site lies above a drinking water aquifer for the town of Carlotta. RWQCB reports indicate that the municipal water supply is currently threatened, inasmuch as the aquifer is a source of water supply for the surrounding community.

River Watch is also concerned that the proximity of Yager Creek, approximately 500 feet to the southeast (which wraps around the site to the south), may mean that the Creek has already been compromised by contaminants.

River Watch takes the position that adequate monitoring should be conducted along the Creek itself to insure that contaminants from the site have not reached its banks. In general River Watch believes that remediation must be conducted much more proactively to remove existing threats to the environment and to individuals who use and enjoy the local groundwater and surface waters.

REGULATORY STANDARDS

Water Quality Objectives exist to ensure protection of the beneficial uses of water. Several beneficial uses of water exist, and the most stringent water quality objectives for protection of all beneficial uses are selected as the protective water quality criteria. Alternative cleanup and abatement actions need to be considered which evaluate the feasibility of, at a minimum: (1) cleanup to background levels, (2) cleanup to levels attainable through application of best practicable technology, and (3) cleanup to protective water quality criteria levels. Existing and potential beneficial uses of area groundwater include domestic, agricultural, industrial and municipal water supply.

The RWQCB has adopted a Water Quality Control Plan (“Basin Plan”) which designates all surface and groundwater within the North Coast and San Francisco Bay regions as capable of supporting domestic water supply. The RWQCB has adopted Maximum Contaminant Levels (“MCLs”) and/or Water Quality Objectives (“WQOs”) for petroleum constituents in surface and groundwater within the region of 50 ug/l for TPHg, 1 ug/l for benzene, 150 ug/l for toluene and 5 ug/l for MTBE.

Petroleum and petroleum constituents have been characterized as “hazardous waste” and “solid waste” within the meaning of RCRA provisions. PCP and Dioxin-contaminated soils also qualify as hazardous waste within RCRA provisions. Accordingly, all regulatory mandates applicable to hazardous or solid waste apply to the use, storage and disposal of petroleum and petroleum constituents and products.

VIOLATIONS OF PERMITS, STANDARDS AND REGULATIONS

[42 U.S.C. § 6972(a)(1)(A)]

Between approximately January of 1985 and the date of this NOTICE, as well as during its operations in the 1980's, PALCO has caused or permitted, causes or permits, or threatens to cause or permit, petroleum contaminants, petroleum constituents and other hazardous waste to be discharged or deposited where it is, or probably will be, discharged into waters of the State and now creates, or threatens to create, a condition of pollution or nuisance. The discharge and threatened discharge of such petroleum waste is deleterious to the beneficial uses of water, and is creating and threatens to create a condition of pollution and nuisance which will continue unless the discharge and threatened discharge is permanently abated.

Provisions of RCRA govern the use and operation of USTs used for storage of petroleum products (subchapter IX, 42 U.S.C. § 6991 et seq.). The RCRA UST regulatory program is adopted and implemented in California under the State Underground Storage of Hazardous Substance Account Act (California Health & Safety Code § 25280 et seq.).

Past or current violations of RCRA authorize the assessment of civil penalties. The enforcement provisions of 42 U.S.C. §§ 6928(a) and 6928(g) provide for penalties when conditions of hazardous waste disposal have been alleged – as River Watch has alleged herein with respect to the PALCO site. Accordingly, under these provisions, persons or entities violating RCRA are subject to substantial liability to the United States on a per-day basis.

Between approximately January of 1985 and the date of this Notice, as well as during its operations in the 1980's, PALCO's use and storage of petroleum at the Carlotta Mill site has allowed significant quantities of hazardous petroleum constituents to be released or discharged into soil and groundwater in violation of provisions of the RCRA and California UST regulatory programs including, but not limited to, provisions governing general operating requirements for USTs, release detection and prevention requirements, release reporting and investigation requirements, and release response and corrective action requirements.

Specifically, PALCO is responsible for the following statutory violations:

1. Failure to prevent a release, in violation of 40 CFR §§ 280.30, 280.31 and California Health & Safety Code §§ 25292.1(a) - (c), 25292.3(a) and (b).
2. Failure to properly detect and monitor releases, in violation of 40 CFR §§ 280.40 - 280.44 and California Health & Safety Code § 25292.

3. Failure to properly report and keep records of the release, in violation of 40 CFR §§ 280.34, 280.50, 280.52, 280.53, 280.63(b) and California Health & Safety Code §§ 25289, 25293 and 25295(a)(1).
4. Failure to take proper corrective action, in violation of 40 CFR §§ 280.53, 280.60 - 280.66 and California Health & Safety Code § 25295(a).

IMMINENT AND SUBSTANTIAL ENDANGERMENT
[42 U.S.C. § 6972(a)(1)(B)]

between approximately January of 1985 and the date of this NOTICE, as well as earlier in the 1980's, PALCO used and stored, and may continue to use and store, petroleum products at its Carlotta Mill site in a manner which has allowed significant quantities of hazardous petroleum constituents to be discharged to soil and groundwater beneath the site and beneath adjacent properties.

Contaminant levels of TPHg, benzene, toluene, and other petroleum constituents in groundwater at the site are significantly greater than the allowable MCL and/or WQO for said constituents. Benzene, MTBE, TAME, and TBA are known or suspected carcinogens. Toluene is a reproductive toxin. Ethylbenzene, methanol and xylene are live toxins. All are known to harm both plants and animals. In their concentration at this site these pollutants are creating an imminent and substantial endangerment to public health and the environment.

The violations alleged in this NOTICE are knowing and intentional in that PALCO in the past has used, stored and may have sold petroleum products at the site which are known to contain hazardous substances, and in that it has intended that such products be sold to and used by employees or by the public. PALCO has known of the contamination at the site since at least January of 1985, and has also known that failing to promptly remediate the pollution allows the contamination to migrate through soil and groundwater at and adjacent to the site, and to continually contaminate and re-contaminate actual and potential sources of drinking water in addition to surface waters.

Violations of RCRA of the type alleged herein are a major cause of the continuing decline in water quality and pose a continuing threat to existing and future drinking water supplies of Northern California. With every discharge, groundwater supplies are contaminated. These discharges can and must be controlled in order for the groundwater supply to be returned to a safe source of drinking water.

In addition to the violations set forth above, this NOTICE is intended to cover all

violations of RCRA evidenced by information, and seeks all penalties and other enforcement provisions related to such violations, which become available to River Watch after the date of this NOTICE.

NOTICE

RCRA requires that any notice regarding an alleged violation of an effluent standard or limitation, or of an order with respect thereto, shall include sufficient information to permit the recipient to identify:

1. The specific standard, limitation, or order alleged to have been violated.

RCRA, enacted in 1976, is a Federal law of the United States contained in 42 U.S.C. §§ 6901-6992. RCRA's goals are to protect the public from harm caused by waste disposal; to encourage reuse, reduction, and recycling; and, to clean up spilled or improperly stored wastes.

To comply with this requirement River Watch has noticed PALCO of the fact that its use and storage of petroleum at the Carlotta Mill site has allowed significant quantities of hazardous petroleum constituents to be released or discharged into soil and groundwater in violation of provisions of the RCRA and California UST regulatory programs including, but not limited to, provisions governing general operating requirements for USTs.

2. The activity alleged to constitute a violation.

To comply with this requirement River Watch has set forth narratives describing with particularity the activities leading to violations.

3. The discharger responsible for the alleged violation.

The discharger responsible for the alleged violations is the Pacific Lumber Company, referred to as "PALCO" throughout this NOTICE.

4. The location of the alleged violation.

The location or locations of the various violations are identified as the Carlotta Mill Site in this NOTICE and in records either created or maintained by or for PALCO which relate to their activities.

5. The date or dates of violation or a reasonable range of dates during which the alleged activities occurred.

This notice covers the statutory period of limitations to date running from August 24, 2002 through August 24, 2007. River Watch will from time to time update and supplement this NOTICE to include all violations which occur after the date of this NOTICE. The majority of the violations such as discharging pollutants to ground water or waters of the United States, causing imminent and substantial danger, etc., are continuous, and therefore each day is a violation. River Watch believes all violations set forth in this NOTICE are continuing in nature or will likely continue after the filing of a lawsuit. Specific dates of violations are evidenced in PALCO's own records (or lack thereof) or files and records of other regulatory agencies including the Regional Water Quality Control Board.

6. The full name, address, and telephone number of the person giving notice.

The entity giving this NOTICE is Northern California River Watch, 6741 Sebastopol Avenue, Suite 140, Sebastopol, CA 95472. Tel. 707-824-4372.

River Watch is a non-profit corporation dedicated to the protection and enhancement of the waters of the State of California including all rivers, creeks, streams and groundwater in Northern California. River Watch is organized under the laws of the State of California. Its address is 6741 Sebastopol Avenue, Suite 140, in Sebastopol, California; its telephone number is (707) 874-4372.

The violations of PALCO as set forth in this NOTICE affect the health and enjoyment of members of River Watch who reside and recreate in the affected watershed areas. The members of River Watch use the watershed for domestic water supply, agricultural water supply, recreation, sports, fishing, swimming, shellfish harvesting, hiking, photography, nature walks and the like. Their health, use and enjoyment of this natural resource are conditions specifically impaired by these violations of RCRA.

CONTACT INFORMATION

River Watch has retained legal counsel to represent them in this matter. All communications should be addressed to:

Jack Silver, Esquire
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Santa Rosa, CA 95402-5469
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CONCLUSION

RCRA requires that sixty (60) days prior to the initiation of an action for violation of a permit, standard, regulation, condition, requirement, prohibition or order effective under RCRA, a private party must give notice of the violation to the alleged violator, the Administrator of the U.S. Environmental Protection Agency and the State in which the violation is alleged to have occurred (42 U.S.C. § 6972(b)(1)(A)). RCRA also requires that a private party provide ninety (90) days prior notice to the alleged violator, the Administrator of the Environmental Protection Agency and the State in which the violation is alleged to have occurred before initiating an action for an imminent and substantial endangerment to human health or the environment. (42 U.S.C. § 6972(b)(2)(A)).

River Watch believes that this NOTICE sufficiently states grounds for filing suit under the statutory and regulatory provisions of RCRA as to the site referenced above. At the close of the notice periods or shortly thereafter, River Watch intends to file a suit against Pacific Lumber Company under RCRA provisions for each of the violations as alleged herein, and with respect to the existing conditions at this site.

During the 90 day notice period, however, River Watch is willing to discuss effective remedies for the violations referenced herein. If PALCO wishes to pursue such discussions in the absence of litigation, we would encourage you to initiate such discussions immediately so that we might be on track to resolving the

issues of River Watch identified herein before the end of the notice period. River Watch will not delay the filing of a lawsuit if discussions have not commenced by the time the 90-day notice period ends.

Very truly yours,

Jack Silver

cc:

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