February 1, 2012

Port Royal Redevelopment Group, LLC
P.O. Drawer 800
Port Royal, SC 29935

Attention:  Mr. David Hornsby

Reference:  Summary of Previous Environmental Assessments
            Port Royal Development Tract
            Port Royal, South Carolina

Dear Mr. Hornsby:

S&ME, Inc. (S&ME) is pleased to provide you this summary of our previous environmental assessments of the Port Royal Development Tract (PRDT) located in Port Royal, South Carolina. The PRDT is an approximately 316-acre parcel located at southern tip of the Port Royal peninsula. Portions of the subject property were most recently developed as a port facility, cement company, warehouse, dry stack facility, seafood processing facility, seafood restaurant and market, a vacant building, and vacant, wooded properties. This correspondence is provided pursuant to your request in a telephone conversation with Chuck Black (S&ME) on January 31, 2012. The letter is intended to provide a summary of our previous environmental assessment services of the PRDT provided to Wood and Partners, Inc. (WPI); Main Street Realty; Port Royal Harbour, LLC (PRH); Nexsen Pruet, on behalf of the South Carolina State Ports Authority (SCSPA), and most recently, to the Port Royal Redevelopment Group, LLC (PRRG).

SUMMARY OF REPORTS PREPARED FOR WOOD PARTNERS, INC.

April 27, 2005 Phase I Environmental Site Assessment Report

S&ME performed a Phase I Environmental Site Assessment (ESA) of the PRDT for WPI, the results of which were presented in the Phase I ESA Report dated April 27, 2005. The Phase I ESA was performed in accordance with our understanding of the guidelines set forth in ASTM E 1527-00 Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process. The Phase I ESA identified the following evidence of recognized environmental conditions (RECs) in connection with the subject property:

- Based on the historical presence of an oil house located adjacent to the railroad depot and an office, it is considered a recognized environmental condition. The building is no longer present, but spills and leaks of the oil may have occurred during its existence.
• The 1912 Sanborn Map identified the Tidewater Fertilizer and Storage Co. located in the location of Building 601. A 25 horsepower gas engine was used at the facility. It is unknown if any fertilizer products were produced or stored at the facility and if any spills or leaks of gas used by the engine occurred. Based on the historical use of the site, it is considered a recognized environmental condition.

• The 1924 Sanborn Map identified a portion of the wooden dock located adjacent to what is now Building 601 was labeled oil dock. As it is unknown if any spills or leaks occurred while operated as an oil dock, it is considered a recognized environmental condition.

• The small shed containing a used oil tank, miscellaneous 55-gallon drums and 5-gallon buckets of oil/lubricants. Stains and spills were observed within the concrete berm containment. Based on the exposure to the elements on one side of the shed, the containment could fill up with water and spill over onto the surrounding soils and for this reason it is considered a recognized environmental condition.

• Two monitoring wells were observed on the terminal property. It is unknown the reason for the monitoring wells; however, the monitoring wells would not likely exist if there were not reason for concern to the environment; therefore, they are considered recognized environmental conditions.

• Two 280-gallon ASTs containing used oil were observed on the seafood facility. Pans situated underneath or adjacent to the ASTs catch leaks associated with ASTs. Additionally, a 55-gallon drum of an unknown substance was observed adjacent to this AST. Staining was observed near the 55-gallon drum. Based on the ease of the pans to overflow during inclement weather conditions and the staining near the 55-gallon drum, the ASTs and 55-gallon drum are considered recognized environmental conditions.

• A 10,000-gallon diesel AST fuels a dispenser on the dock located on the seafood processing property. Based on interviews with the Port Royal Fire Department, minor incidents have occurred while fueling the boats at the dock. Based on the presence of the AST and its proximity to Battery Creek, it is considered a recognized environmental condition.

• In Building 630, the seafood processing structure, two forklifts were observed with minimal staining beneath them on the concrete surface near a trench drain within the building. Due to the proximity of the leaking petroleum products from the forklifts to the trench drains, the forklifts are considered recognized environmental conditions.

August 19, 2005 Limited Phase II Environmental Site Assessment Report
To address the RECs identified in the April 27, 2005 Phase I ESA, WPI requested that S&ME perform a Limited Phase II ESA of the PRDT. The Limited Phase II ESA consisted of the collection of seven subsurface soil samples (S-1 through S-7) and the collection of one groundwater sample from each of the seven shallow temporary monitoring wells installed at the PRDT (GW-1 through GW-7). The samples were submitted to an analytical laboratory for analysis of chemicals of concern associated with RECs. The results of the soil and groundwater sampling were presented in the Limited Phase II ESA Report dated August 19, 2005. Arsenic was detected in soil samples S-4 and S-6 and mercury was detected in soil sample S-5 at
concentrations exceeding their respective US EPA Region 9 Preliminary Remediation Goals for direct contact with soil in the then existing industrial scenario (industrial PRGs). Barium, lead, and mercury were detected in groundwater sample GW-6 and lead was detected in groundwater sample GW-5 at concentrations exceeding their respective US EPA drinking water maximum contaminant levels (MCLs). The August 19, 2005 Limited Phase II ESA Report was submitted to the South Carolina Department of Health and Environmental Control (SCDHEC) for review (in accordance with the temporary well approval obtained from the SCDHEC).

**September 8, 2005 South Carolina Department of Health and Environmental Control Letter**

The SCDHEC reviewed the August 19, 2005 Limited Phase II ESA Report and in a letter dated September 8, 2005, provided comments concerning the data presented in the Report. The SCDHEC stated in the letter that no further investigation would be required at that time concerning the soil samples S-1 through S-7 or groundwater samples GW-1 through GW-4 and GW-7, with certain conditions. However, based on the concentrations of metals detected in groundwater samples GW-5 and GW-6, the SCDHEC suggested that sediments in the groundwater samples may have contributed to the elevated concentrations of metals in the samples. Therefore, the SCDHEC requested that confirmatory groundwater samples be obtained from the locations of GW-5 and GW-6.

**October 11, 2005 Follow-Up Limited Phase II Environmental Site Assessment Report**

To address the September 8, 2005 SCDHEC letter, WPI requested that S&ME perform a Follow-Up Limited Phase II ESA of the PRDT. The Follow-Up Limited Phase II ESA consisted of installing two shallow temporary groundwater monitoring wells (GW-1 and GW-2) at the locations of previous wells GW-5 and GW-6. A groundwater sample was collected from each well and the samples were submitted to an analytical laboratory for analysis of the 8 RCRA Metals (dissolved). The samples were filtered in the laboratory prior to analysis. The results of the groundwater sampling were presented in the Follow-Up Limited Phase II ESA Report dated October 11, 2005. None of the 8 RCRA metals were detected in the groundwater samples at concentrations exceeding their respective MCLs. The October 11, 2005 Follow-Up Limited Phase II ESA Report was submitted to the SCDHEC for review (in accordance with the temporary well approval obtained from the SCDHEC).

**November 2, 2005 South Carolina Department of Health and Environmental Control Letter**

The SCDHEC reviewed the October 11, 2005 Follow-Up Limited Phase II ESA Report and in a letter dated November 2, 2005, provided comments concerning the data presented in the Report. The SCDHEC stated in the letter that no further investigation would be required at that time concerning the groundwater data collected from shallow temporary groundwater monitoring wells GW-1 and GW-2, with certain conditions.
SUMMARY OF REPORTS PREPARED FOR MAIN STREET REALTY AND PORT ROYAL HARBOUR, LLC

November 12, 2007 Phase I Environmental Site Assessment Report

S&ME performed a Phase I ESA of the PRDT for Main Street Realty, the results of which were presented in the Phase I ESA Report dated November 12, 2007. The Phase I ESA was performed in accordance with our understanding of the guidelines set forth in ASTM E 1527-05 Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process. The Phase I ESA identified the following evidence of RECs in connection with the subject property:

- Metals exceeding Preliminary Remediation Goals (PRGs) in soil samples collected during previous assessment activities is considered a recognized environmental condition.

This statement was made in view of the fact that the proposed development of the property contemplated residential uses and that the environmental quality of surface soil could be a factor in locating and designing the final development.

Draft Non-Responsible Party Voluntary Cleanup Contract

During its due diligence process, PRH submitted an Information and Certification (I&C) package (which included a copy of the November 12, 2007 Phase I ESA Report) to the SCDHEC Voluntary Cleanup Program (VCP) with the intent to enter into a Non-Responsible Party Voluntary Cleanup Contract (NRP-VCC) with the SCDHEC prior to purchasing the PRDT.

The VCP offers certain statutory liability protections, as well as possible incentives available under state and federal Brownfield programs. The first liability protection is a covenant by the State not to sue the NRP for cleanup of existing contamination. The second is protection from suits by third parties for contribution to cleanup costs associated with existing contamination. Finally, and unique to most state programs, the VCP affords liability protection from suits by third parties for damages resulting from existing contamination.

The SCDHEC reviewed the I&C package, conducted a visit to the PRDT, and provided PRH with a draft version of a NRP-VCC, which set forth certain tasks for the NRP to conduct and included (among other tasks) the following:

- The preparation of a written Work Plan to conduct a baseline assessment of the PRDT;
- Following approval of the Work Plan by the SCDHEC, the performance of the baseline assessment;
- The preparation of a written report of the findings of the baseline assessment, and;
- Based on the results of the baseline assessment, the potential performance of additional assessment activities, including the evaluation and control of potential impacts to indoor air and the long term groundwater monitoring.
In the Draft NRP-VCC, the SCDHEC identified certain tasks and requirements for the baseline assessment, which included the collection and analysis of soil, groundwater, sediment, and surface water samples at specific locations on the PRDT. Some of the specific locations identified in the Draft NRP-VCC were in areas that were not previously identified as RECs in the April 27, 2005 or the November 12, 2007 Phase I ESA Reports. On behalf of PRH, S&ME reviewed the Draft NRP-VCC and provided comments to PRH concerning the scope of the baseline assessment as presented in the Draft NRP-VCC. As PRH did not purchase the PRDT, PRH’s negotiations with the SCDHEC to draft and enter into a Final NRP-VCC were terminated and, to our knowledge, the VCC was not executed.

**SUMMARY OF REPORT PREPARED FOR NEXSEN PRUET AND SCSPA**

**June 16, 2010 Limited Soil Sampling Report Phase I Environmental Site Assessment Report**

For Nexsen Pruet, on behalf of the SCSPA, S&ME performed limited soil sampling and analysis of a former fertilizer storage area on the PRDT. Fertilizer (as calcium nitrate) was stored near Building 601 in two approximately 100,000-gallon above-ground storage tanks (ASTs) in association with underground piping. The ASTs were located approximately 160 feet southeast of the intersection of Paris Avenue and 6th Street. A third AST was located nearby that reportedly held water. In 2010, following closure of the fertilizer storage business, the ASTs were cleaned and removed from the property. S&ME was requested by SCSPA to collect surface and subsurface soil samples for analysis Nitrate and Nitrite and to review the results of the limited soil assessment as compared to the residential Soil Screening Levels (SSLs), based upon the US EPA Regional Screening Level Summary Table (RSLS Table) dated May 2010.

In June 2010, S&ME collected composite surface and subsurface soil samples from the area of the former ASTs. In addition, we collected a subsurface soil sample along the underground piping connecting the former ASTs to the marine dock facility. The results of the assessment revealed the Nitrate and Nitrite concentrations in the collected soil samples were below the residential SSLs.

**SUMMARY OF REPORT PREPARED FOR PRRG**

**February 1, 2012 Phase I Environmental Site Assessment Report**

S&ME performed a Phase I ESA of the PRDT for PRRG, the results of which were presented in the Phase I ESA Report dated February 1, 2012. The Phase I ESA was performed in accordance with our understanding of the guidelines set forth in ASTM E 1527-05 *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process*. The Phase I ESA detailed current environmental conditions at the subject property and the immediate surrounding area. The Phase I ESA also documented S&ME’s previous assessment activities including a discussion of the REC presented in the 2007 Phase I ESA regarding metals concentrations in site soils as discussed in our 2005 Limited Phase II ESA.
Comparing the metals concentrations in soil samples collected in 2005 to the SSLs in the US EPA RSLs Table (which replaced the PRG Table) as currently published (November 2011), arsenic was the only metal detected in soils exceeding residential and industrial SSLs. The soil sample data were compared to the analyte-specific SSLs for direct contact exposure to soil through ingestion, inhalation of particulates, and dermal contact in a residential and industrial use settings. The SCDHEC has adopted the use of these values benchmarks. The soil SSLs are intended for comparison purposes only; they are not standards enforceable by either the US EPA or the SCDHEC and are not considered cleanup standards. Rather, they are health-protective guidance levels derived from conservative default assumptions and based on the specific health-based criteria.

Although the detected concentrations of arsenic exceeded the US EPA soil screening levels for industrial and residential scenarios, according to data presented in Elements in South Carolina Inferred Background Soil and Stream Sediment Samples (Canova 1999) South Carolina Geology, the average and range for arsenic in South Carolina soil is 6.1 mg/kg and 0.23 mg/kg – 210 mg/kg, respectively. Also, according to data presented in Elemental Concentrations in Soils of South Carolina (Franklin et al. 2003) Soil Science, the geometric mean and range for arsenic in South Carolina surface soil is 2.5 mg/kg and <2.8 mg/kg – 10 mg/kg, respectively. Upon comparison, the arsenic concentrations detected in soil samples collected at the subject site appear to be consistent with background arsenic concentrations in South Carolina soil.

In addition, the regulatory community has issued several opinions concerning the acceptable levels of metals, specifically arsenic, in soils in residential settings during recent years. In fact, the current opinion of the regulatory community is that arsenic concentrations several times higher than those detected in the soils at the subject property are protective of human health.

Based upon this information, the presence of arsenic in soil samples collected in 2005 at concentrations exceeding soil screening levels is considered a de minimis condition and is therefore considered a finding, not a recognized environmental condition in the 2012 Phase I ESA Report.
CLOSING

We are unaware of changes to site conditions that may alter the results of our previous assessments or the associated conclusions formulated at that times the assessments were prepared. As such, our conclusions and opinions as stated in the previous, referenced assessment reports appear to remain valid (without consideration of or regard to statutory Phase I ESA viability dates or changes in regulatory guidelines during the intervening time periods). If you have any questions regarding this submittal, please contact us at (843) 884-0005.

Sincerely,

S&ME, Inc.

Andrew Wertz, P.E.  Chuck Black, P.E.
Environmental Engineer  Senior Environmental Engineer