

PHASE II ENVIRONMENTAL SITE ASSESSMENT

Of

**Bordeaux Tract
7.4 Acres
1 Point Harbor Drive
Wilmington, North Carolina 28401**

FOR

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BY

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**Phase II Environmental
Site Assessment**

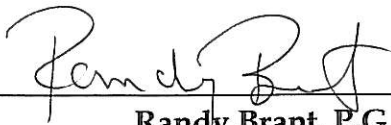
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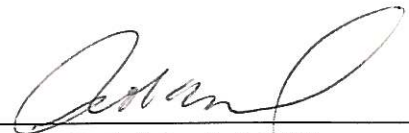
August 18, 2005



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1.0

SUBJECT PROPERTY DESCRIPTION

The subject site is the Bordeaux Tract composed of 7.4-acres and located at 1 Point Harbor Drive in Wilmington, North Carolina (Figures 1, 2 and 3). The subject site is situated at Point Peter at the confluence of the Cape Fear and Northeast Cape Fear Rivers. Access to the site is provided off of Point Harbor Road, which is located on the eastern side of Highway 421. Point Peter is known for its historical use as a ship building, repair and salvaging location since the nineteenth century. The site is currently owned by Mr. Ray Bordeaux, Jr. who operates Bordeaux Salvage and Construction Company. Mr. Bordeaux stated that he has owned the property since 2000. Mr. Bordeaux stated that he bought the property from his father Mr. Ray Bordeaux, Sr., who has owned the property since 1973. According to Mr. Bordeaux, the subject site has operated as the Bordeaux Salvage and Construction Company for 32 years.

The central portion of the site consists of two main buildings. The buildings are composed of concrete pad foundations with metal framing, metal siding and a metal roof. LMG identified three other smaller dilapidated buildings that were beyond repair that consisted of wood siding. One sheltered area that is composed of a concrete pad foundation, metal frame and metal roof is used as a welding and cutting area. An acetylene torch and welder were present in this area. A 1,000- gallon above ground storage tank (AST) is located to the east of the welding shop. According to Mr. Bordeaux, the AST is half full of fish oil that his father kept on site. Mr. Bordeaux stated that the fish oil has turned into a gel. Another 1,000 gallon waste oil AST is located on the northern side of the southern most maintenance building.

2.0

SITE HISTORY

In June of 2005, Land Management Group (LMG) performed a Phase I Environmental Site Assessment (ESA) at the subject site for Capital Sources Group. The Phase I ESA was conducted in general accordance with the scope and limitations of ASTM *Standard E 1527-00 Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process*. Mr. Randy Brant of LMG conducted the site visit. One on-site recognized environmental condition was identified during the Phase I ESA investigation.

3.0

PURPOSE

This report presents the findings of the Phase II Environmental Site Assessment (ESA) conducted at Bordeaux Tract. The project was conducted on behalf of Capital Sources Group in order to assist the client, regarding the identification of possible environmental liabilities or other related concerns associated with the subject property. The purpose of this Limited Phase II ESA was to evaluate the potential of one on-site recognized environmental condition that may have been a source of regulated material contamination identified in the Phase I report dated June 13 of 2005 by LMG. The current property owner is Mr. Ray Bordeaux, Jr. During LMG's site reconnaissance performed during the Phase I activities; one on-site recognized environmental condition (REC) was identified at the subject site. The on-site recognized environmental condition exist with the site operating as a marine salvage and construction yard for 32 years as well as the documented historic land use of Point Peter being known for its historical use as a ship building, repair and salvaging location since the nineteenth century.

4.0

SCOPE OF WORK

This Phase II ESA was performed to identify any areas with possible environmental liabilities that may exist at the subject site. This work was not intended to delineate groundwater contamination either horizontally or vertically at the subject site. The scope of work for this project was to install a reasonable number of soil borings and monitor wells to sample the soil and groundwater to address the one on-site recognized environmental condition identified in the Phase I Report for the subject site. The vegetation in some areas of the site is very dense and LMG installed the ten monitoring wells in select locations that were accessible.

LMG installed and sampled ten groundwater monitoring wells from several different areas across the site to determine if any chemical contaminants are present in the shallow soils and or groundwater (Figure 3). A total of three soil samples SS-1, SS-2 and SS-3 were also collected at a depth from 0 to 0.5 feet around the current sand blasting area in the south central portion of the site.

The Wilmington area, including the subject property, is located within the Coastal Plain physiographic province of North Carolina. The lithology of the Coastal Plain province generally consists of unconsolidated sediments and sedimentary rocks deposited on top of crystalline basement rocks. Typically, coastal plain sediments dip and thicken to the east. The thickness of Coastal Plain sediments ranges from a few feet at the western limit of deposition to over 10,000 feet along the North Carolina coastline. According to the Geologic Map of North Carolina (1985), the subject property is underlain by sand, clayey sand and clay, greenish gray to olive black, massive, glauconitic, locally fossiliferous and calcareous with patches of sandy molluscan-mold limestone all within the upper part the Pee Dee Formation. The Pee Dee Formation is Cretaceous in age, roughly 144 million years to 65 million years old.

The study area is located on the U.S.G.S. 7.5-minute 1993, Wilmington, North Carolina topographic quadrangle. Site elevations range from 10 feet above mean sea level (msl) near the north-central portion of the site along Point Harbor Drive to 0 feet msl along the eastern, southern and western property boundaries with the Cape Fear and Northeast Cape Fear Rivers according to the U.S.G.S. topographic map sheet. The shallow unconfined groundwater table shifts up and down in the Coastal Plain, which is largely attributed to seasonal weather patterns. According to the U.S.G.S. topographic quadrangle, the nearest surface water body to the subject site is the Cape Fear River located along the western property boundary and Northeast Cape Fear Rivers located along the eastern property boundary of the subject site. The groundwater flow direction at the subject site is hard to interpret based on the low topography and the influence with both the Cape Fear and Northeast Cape Fear Rivers. In general the groundwater flow at the site would be in a radial direction based on the rivers surrounding the western, southern and eastern property boundaries and the 404 and coastal wetlands along the northern property boundary.

The general occurrence and movement of ground water in the Coastal Plain province is within two separate, but interconnected, water bearing zones. A shallow water-bearing zone occurs within the unconsolidated sediment, and a deeper zone occurs within the underlying bedrock. Ground water in the shallow unconsolidated zone or unconfined aquifer occurs in the interstitial pore space of the semi-loose sediment. The depth to ground water in the unconfined aquifer zone can range from 5 to 50 feet along ridges and upland areas. In low-lying stream valleys, the groundwater level will approach the local surface water elevations in stream channels. Ground water flow in this unconfined aquifer is typically governed by

water table conditions. This means that ground water will flow under unconfined conditions and generally mimic topography. Therefore, ground water movement will be from upland areas (recharge zones) to nearby surface streams or 404 wetlands (discharge zones). Groundwater flow in the unconsolidated or water table aquifer at this site was determined to be in the western direction based on the topography at the site (Figure 2).

The occurrence and movement of ground water in the deeper water-bearing zone within bedrock is controlled by interstitial pore spaces, secondary joints, fractures, and faults within the consolidated bedrock. Ground water within the bedrock zone may be under confined or unconfined conditions. The occurrence and movement of ground water is difficult to predict on a small scale because of the erratic nature of the secondary openings that control groundwater flow in bedrock. Small surface water features generally do not provide an accurate indication of the direction of ground water movement in bedrock. However, on a regional scale, the direction of groundwater movement will generally be from upland areas to major surface streams down the topographic gradient.

6.0 INVESTIGATIVE METHODS

6.1 *Soil Sampling*

On July 18 & 19, 2005 LMG conducted the collection of the soil grab soil samples SS-1, SS-2 and SS-3 utilizing a stainless steel hand auger. Prior to, and between each soil boring, the hand auger sampling equipment was decontaminated using a steam cleaning, power washer,alconox soap, isopropyl alcohol and a distilled water rinse. Soil Samples SS-1 through SS-3 were advanced from 0-0.5 feet in the south central portion of the site that is currently used for sand blasting steel girders (Figure 3). The three soil samples SS-1, SS-2 and SS-3 were analyzed for the presence of the 8 RCRA metals at the laboratory. Soil samples MW-1 (1'), MW-2 (1'), MW-3 (1'), MW-4 (1'), MW-5 (1'), MW-6 (1'), MW-7 (2.5'), MW-8 (1'), MW-9 (1') and MW-10 (1') were collected during the installation of monitor wells MW-1 through MW-10. The soil samples MW-1 (1'), MW-2 (1'), MW-3 (1'), MW-4 (1'), MW-5 (1'), MW-6 (1'), MW-7 (2.5'), MW-8 (1'), MW-9 (1') and MW-10 (1') were collected and analyzed for Total Petroleum Hydrocarbons (TPH) using method SW-846, 3550 and 5030 with the California GC-FID method for diesel fuel and gasoline, EPA Method 9071 for Oil and Grease and EPA Method 3030C for the 8 RCRA Metals. All of the soil samples selected for laboratory analyses were each packed into individual chilled, 4-oz or 8-oz glass jar and capped with a Teflon-lined lid. The soil samples were labeled and put in a laboratory supplied cooler with ice per NC DENR regulations. The soil samples were hand delivered to Envirochem, Inc. in

Wilmington, North Carolina following proper chain-of-custody procedures.

6.2

Monitor Well Installation

On July 18 & 19, 2005 LMG installed ten Type II monitor wells MW-1, MW-2, MW-3, MW-4, MW-5, MW-6, MW-7, MW-8, MW-9 and MW-10 from several different locations across the site to determine if any chemical contaminants are present in the shallow groundwater. The monitor wells are depicted on Figure 3 and listed in Table 1. The monitor well installation was performed by Probe Technology (North Carolina Well Drillers Certification #2427) of Concord, North Carolina. All of the monitor well construction records are located in Appendix B.

Prior to, and between each monitor well boring, the Geoprobe® rig, hollow stem augers, and other sampling equipment was decontaminated using a steam cleaning, power washer. Selected soil samples from each sampled interval were physically described to log the underlying sedimentology and used to determine the total depth of each Type II monitor well by soil moisture characteristics. Well construction details are provided in Table 1. The wells were constructed using 0.010 inch slotted, 2-inch PVC screens and casing. A washed sand filter pack was emplaced in the well boring annulus to a depth equal to approximately one to two feet above the top of the screen depth. A minimum of one foot of bentonite was then emplaced on top of the sand pack and hydrated in order to seal the screened interval from the upper portion of the monitor well boring. A locking cap, 8-inch steel flush mount manhole cover and a concrete pad were installed to complete each monitor well.

6.3

Groundwater Sampling

On July 19, 2005 LMG gauged the water levels in the monitor wells MW-1, MW-2, MW-3, MW-4, MW-5, MW-6, MW-7, MW-8, MW-9 and MW-10. The water levels were used to determine the amount of water that needed to be removed from the monitor wells to effectively develop and surge the wells to obtain a representative groundwater sample from each well. The monitor wells were properly developed and purged according to North Carolina Department of Environment and Natural Resources (NC DENR), Groundwater Section Guidelines for developing and purging monitor wells. A minimum of eight well bore volumes were purged from MW-1, MW-2, MW-3, MW-4, MW-5, MW-6, MW-7, MW-8, MW-9 and MW-10 to develop and surge the monitor wells using a new disposable bailer and

bailing string in each of the monitor wells. LMG collected a groundwater sample from all of the groundwater monitor wells on July 20, 2005.

Normally groundwater sampling is performed after a 24-hour period after well development and within 24 hours following purging of the wells. Due to the nature of this Phase II ESA the samples were collected within a 24-hour period of development and purging. No free product was encountered in any of the three monitor wells. An unusual chemical odor and chemical sheen were noted during the development and purging of monitor wells MW-7 and MW-8. A petroleum odor and slight petroleum sheen was noted during the development and purging of monitor well MW-6. All ten groundwater samples were sampled for Volatile Organic Compounds (VOCs) by EPA Method 8260, Semi-Volatile Organic Compounds (SVOCs) by EPA Method 8270, Pesticides by EPA Method 8081, Herbicides by EPA Method 8151 and 8 RCRA Metals by EPA Method 3030C. The groundwater sample locations are presented on Figure 3. The groundwater samples were collected in the appropriate chilled glass and plastic containers provided by Envirochem, Inc and put in a laboratory supplied cooler full of ice. The groundwater samples were hand delivered to Envirochem, Inc. in Wilmington, North Carolina following proper chain-of-custody procedures.

7.0 INVESTIGATIVE RESULTS SUMMARY

7.1 Soil Analytical Results

A summary of the soil samples analytical data collected from soil grab samples SS-1, SS-2 and SS-3 and from soil samples MW-1 (1'), MW-2 (1'), MW-3 (1'), MW-4 (1'), MW-5 (1'), MW-6 (1'), MW-7 (2.5'), MW-8 (1'), MW-9 (1') and MW-10 (1') are provided in Tables 2A and 2B. The locations of the soil samples are shown in Figure 3. Soil boring logs can be referenced in Appendix A. Soil laboratory data sheets can be referenced in Appendix C.

The laboratory analytical results for soil samples MW-1 (1'), MW-2 (1'), MW-3 (1'), MW-4 (1'), MW-5 (1'), MW-6 (1'), MW-7 (2.5'), MW-8 (1'), MW-9 (1') and MW-10 (1') detected total petroleum hydrocarbons (TPH) in the diesel fuel range by TPH 3550 with the California GC-FID method for diesel fuel range organics in MW-7 (2.5') at 1909 mg/kg and MW-8 (1') at 42.6 mg/kg. The North Carolina State Action Level for TPH method 3550 is 40 mg/kg and the detection of TPH diesel fuel range organics in MW-7 (2.5') and MW-8 (1') would be considered a violation. No other TPH diesel fuel range organics were detected in any of the other eight soil samples above the laboratory quantitation limit of 10 mg/kg (parts per million). The laboratory made a note on the "Report of Analysis"

(Appendix C) for MW-7 (2.5') and MW-8 (1') indicating that the Gas Chromatograph pattern was consistent with higher boiling hydrocarbons.

The laboratory analytical results for soil samples MW-1 (1'), MW-2 (1'), MW-3 (1'), MW-4 (1'), MW-5 (1'), MW-6 (1'), MW-7 (2.5'), MW-8 (1'), MW-9 (1') and MW-10 (1') detected total petroleum hydrocarbons (TPH) in the gasoline range by TPH 5030 with the California GC-FID method for gasoline range organics in MW-7 (2.5') at 107 mg/kg. The North Carolina State Action Level for TPH method 5030 is 10 mg/kg and the detection of TPH gasoline range organics in MW-7 (2.5') would be considered a violation. No other TPH gasoline range organics were detected in any of the other nine soil samples above the laboratory quantitation limit of 5 mg/kg.

The laboratory analytical results for soil samples MW-1 (1'), MW-2 (1'), MW-3 (1'), MW-4 (1'), MW-5 (1'), MW-6 (1'), MW-7 (2.5'), MW-8 (1'), MW-9 (1') and MW-10 (1') did detect Oil and Grease by EPA Method 9071 in five out of the ten soil samples above the state action level of 250 mg/kg. Oil and Grease was detected in MW-3 (1') at 620 mg/kg, MW-6 (1') at 450 mg/kg, MW-7 (2.5') at 326,200 mg/kg, MW-8 (1') at 660 mg/kg and MW-9 (1') at 380 mg/kg. The Oil and Grease detected in these five soil samples would be considered a violation by NC DENR.

The laboratory analytical results for the 8 RCRA Metals (Arsenic, Barium, Cadmium, Chromium, Lead, Mercury, Selenium and Silver) for soil samples SS-1, SS-2, SS-3, MW-1 (1'), MW-2 (1'), MW-3 (1'), MW-4 (1'), MW-5 (1'), MW-6 (1'), MW-7 (2.5'), MW-8 (1'), MW-9 (1') and MW-10 (1') detected Cadmium in all thirteen of the soil samples above the North Carolina Department of Environment and Natural Resources Established Soil-to-Groundwater contaminant levels published in the "Groundwater Section Guidelines For The Investigation And Remediation of Soil And Groundwater" dated July 2000 and regulated by the Department of Water Quality - Aquifer Protection Section (Soil-to-Groundwater) standards for Cadmium because there is no contaminant level established. Whenever a chemical compound is detected and there is no published standard for the compound it is considered a Soil-to-Groundwater Violation Table 2B). Chromium was detected in MW-5 (1) at 26.6 mg/kg, which is just below the Soil-to-Groundwater standard of 27 mg/kg. The detection of Chromium in MW-5 is not a violation, but is worthy of noting. Mercury was detected in twelve of the soil samples and would be considered a violation because there is no contaminant level established for Mercury. The only soil sample that detected mercury below the laboratory quantitation limit was MW-7 (2.5). Selenium was detected in SS-1 and MW-10 (1). There is no Soil-To-Groundwater for Selenium so its detection in SS-1 and MW-10 (1) would be considered a violation. The only other

RCRA Metal detected in any of the soil samples was Silver detected in MW-5 (1) at 0.739 mg/kg. The Soil-TO-Groundwater limit for Silver is 0.23 mg/kg. The detection of Silver in MW-5 (1) would be considered a violation. No other RCRA Metals were detected above the laboratory quantitation limits.

7.2

Groundwater Analytical Results

A summary of the groundwater analytical data collected from monitor wells MW-1, MW-2, MW-3, MW-4, MW-5, MW-6, MW-7, MW-8, MW-9 and MW-10 are provided in Tables 3A and 3B. The location of the monitor wells is shown in Figure 3. Groundwater laboratory data sheets can be referenced in Appendix D.

The laboratory analysis by EPA Method 8260 for VOCs detected Benzene in MW-7 at 5.48 ug/l (parts per billion). The NC DENR Title 15A of the North Carolina Administrative Code, Chapter 2, Subchapter 02L.0201 (NCAC 2L) groundwater quality standard for Benzene is 1 ug/l. The detection of Benzene at 5.48 ug/l in MW-7 would be considered a NCAC 2L groundwater quality violation. Ethylbenzene was detected in MW-7 at 4.40 ug/l and MW-8 at 3.68 ug/l. The NCAC 2L groundwater quality standard for Ethylbenzene is 29 ug/l. The detection of Ethylbenzene in MW-7 at 4.40 ug/l in MW-7 and 3.68 ug/l in MW-8 would not be considered a water quality violation. P-Isopropyltoluene was detected in MW-1 at 9.12 ug/l, MW-4 at 65.2 ug/l, MW-6 at 7.24 ug/l, MW-7 at 219 ug/l and MW-8 at 1,050 ug/l. There is no NCAC 2L groundwater quality standard for p-Isopropyltoluene so any levels of this compound would be considered a NC DENR violation. Naphthalene was detected in MW-7 at 2.00 ug/l. The NCAC 2L groundwater quality standard for Naphthalene is 21 ug/l and the detection of Naphthalene in MW-7 would not be considered a NC DENR violation. Toluene was detected below the NCAC 2L groundwater quality standard of 1,000 ug/l in MW-4 at 7.47 ug/l, MW-7 at 76.0 ug/l and MW-8 at 476 ug/l. Total Xylenes in the form of M+P were detected below the NCAC 2L groundwater quality standard of 530 ug/l in MW-7 at 6.32 ug/l. Based on the laboratory analysis of the groundwater samples Benzene and p-Isopropyltoluene are the only VOC compounds detected at the subject site above the NCAC 2L groundwater quality standards.

The laboratory analysis of MW-1, MW-2, MW-3, MW-4, MW-5, MW-6, MW-7, MW-8, MW-9 and MW-10-3 by EPA Method 8270 for SVOCs, EPA Method 8081 for pesticides and EPA Method 8151 for Herbicides determined that all analytes were below laboratory quantitation limits (BQL).

The analysis of groundwater samples MW-1, MW-2, MW-3, MW-4, MW-5, MW-6, MW-7, MW-8, MW-9 and MW-10 for the 8 RCRA Metals by EPA Method 3030C detected Barium in all of the groundwater samples. Barium was detected in MW-1 at 169 ug/l, MW-2 at 146 ug/l, MW-3 at 498 ug/l, MW-4 at 116 ug/l, MW-5 at 492 ug/l, MW-6 at 196 ug/l, MW-7 at 368 ug/l, MW-8 at 602 ug/l, MW-9 at 341 ug/l and MW-10 at 329 ug/l. The 2L groundwater quality standard for Barium is 2,000 ug/l and none of the Barium levels detected in any of the groundwater samples were near the NCAC 2L groundwater quality standards. Cadmium was detected in MW-7 at 2 ug/l and the NCAC 2L groundwater quality standard for Cadmium is 5 ug/l. Chromium was detected in MW-7 at 18 ug/l and the 2L groundwater quality standard for Chromium is 50 ug/l. Lead was detected in MW-2 at 18 ug/l, MW-6 at 20 ug/l and MW-7 at 15 ug/l. The 2L groundwater quality standard for Lead is 15 ug/l. The detection of lead at 18 ug/l in MW-2, 20 ug/l in MW-6 and 15 ug/l in MW-7 would be considered a NCAC 2L groundwater violation by NC DENR. No other of the 8 RCRA Metals were detected above the laboratory quantitation limits. The only compound detected in any of the ten groundwater standards above the 2L groundwater quality standard was lead identified in MW-2, MW-6 and MW-7.

8.0

SUMMARY AND CONCLUSIONS

This report presents the findings of the Phase II Environmental Site Assessment (ESA) conducted at the Bordeaux Tract located at 1 Point Harbor Drive in Wilmington, North Carolina. The project was conducted in order to assist the client, regarding the identification of possible environmental liabilities or other related concerns associated with the possible property transaction for the subject property during the due diligence period. The purpose of this Phase II ESA was to address the one on-site recognized environmental conditions (REC's) identified in the Phase I ESA report dated June 13, 2005 for the subject property. The following is a summary of the environmental data obtained at the subject property.

It appears that a petroleum release has occurred in the vicinity of groundwater monitor wells MW-7 and MW-8 based on the violations of the state action levels for TPH diesel fuel range organics in MW-7 and MW-8, TPH gasoline range organics in MW-7 and Oil & Grease detection in both MW-7 and MW-8. The groundwater analytical results of MW-7 and MW-8 contain NCAC 2L groundwater quality violations of Benzene in MW-7 and detections of Ethylbenzene, Toluene, Xylenes (BTEX) and Naphthalene detected in MW-8. BTEX compounds are generally

associated with gasoline. The p-Isopropyltoluene detected in five out of the ten monitor wells is more difficult to ascertain. P-Isopropyltoluene is a small component of gasoline and is also used as an industrial solvent. On thing out of the ordinary that LMG did discover during the Phase II ESA investigation was a coarse, woody organic layer identified in soil borings MW-7 (2-4') and MW-8 (4-6'). This organic layer had a chemical odor and was sampled above the water table in soil sample MW-7 (2.5'). This layer could not be sampled in soil boring MW-8 because this layer was identified below the water table. The laboratory analytical results of MW-7 (2.5') detected Oil & Grease at an extremely high level of 326,200 mg/kg. The EPA Method 9071 for Oil & Grease can detect natural occurring organic matter. LMG inquired with one of the site workers who is familiar with the site about this organic layer. The site worker stated that the entire southern point of the subject site was used to distill pine sap into turpentine at the turn of the 19th century. This buried organic layer could possibly be a result of this past land use as a "naval store". The former "naval store" businesses of pine tar trade and origin of the "Tar Heel" in North Carolina terminology. The p-Isopropyltoluene detected at the site may be a byproduct of the degradation of turpentine. This statement is an assumption and LMG recommends further environmental investigation to prove or disprove this hypothesis. The detections of the BTEX compounds may be from the spillage of gasoline in the vicinity of groundwater monitor well MW-7.

The analysis of the soils at the subject site determined that Cadmium and Mercury are present in all of the soil samples collected at the subject site which is a violation because there are no NC DENR standards for these two compounds. A NC DENR violation for Selenium was detected in MW-10 and SS-1 as well as a violation for Silver in MW-5. Both of these compounds could be background residuals from years (+200) of industrial activity at this location.

Therefore, based on the soil and groundwater results noted above as identified in this Phase II ESA, LMG recommends that the client, Capital Sources Group contact the owner/responsible party Mr. Ray Bordeaux, Jr. about the soil and groundwater sampling results identified at the Bordeaux Tract. According to Groundwater Section Guidelines for "The Investigation and Remediation of Soil and Groundwater" regulations issued by the Division of Water Quality, Aquifer Protection Section with the North Carolina Department of Environment and Natural Resources (NC DENR) dated July of 2000 any soil or groundwater violations should be immediately reported to NC DENR. It is the responsibility of the land owner to contact NC DENR within 24 hours of being informed about contamination identified in soil and groundwater which exceed state action levels for soil and NCAC 2L groundwater quality standards for

groundwater on the property. In summary none of these groundwater or soil violations appear to be caused from obvious or apparent ongoing industrial operations. They do however represent a potential cumulative impact to groundwater quality at this location that should be addressed properly before a property transaction occurs in order to be protected under the CERCLA/SARA "Innocent Landowner Defense" clause. This site may also qualify as a potential Brownfields Site.