

August 25, 2008

Mr. Ed Jones, Project Manager
Washington State Department of Ecology
3190 160th Avenue Southeast
Bellevue, Washington 98008-5452

**RE: PROGRESS REPORT – APRIL THROUGH JUNE 2008 - QUARTER 2
CAPITAL INDUSTRIES, INC., SEATTLE, WASHINGTON
AGREED ORDER NO. DE5348
FARALLON PN: 457-004**

Dear Mr. Jones:

Farallon Consulting L.L.C. (Farallon) has prepared this progress report on behalf of Capital Industries Inc. (Capital) to summarize the activities conducted from April through June 2008 – Quarter 2 (Q2) at the Capital Site located at 5801 Third Avenue South in Seattle, Washington. The progress report has been prepared in accordance with Agreed Order No. DE5348 entered into by Capital and the Washington State Department of Ecology (Ecology) dated January 24, 2008.

ACTIVITIES DURING REPORTING PERIOD

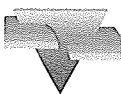
Activities completed from April through June 2008 - Q2 are summarized below.

REMEDIAL INVESTIGATION WORK PLAN

Capital received Ecology comments on the Draft Remedial Investigation Work Plan and associated documents on May 28, 2008. Capital applied for and received a schedule extension from Ecology on June 29, 2008 to respond to Ecology comments and revise the Remedial Investigation Work Plan and associated documents. The revised Remedial Investigation Work Plan and associated documents will be submitted to Ecology on September 12, 2008. The scope of work to be conducted during the schedule extension included coordinating with the consultants representing other West of 4th Street Potentially Liable Persons (PLP) to response to issues common to each PLP, and participating in a minimum of two working meetings with Ecology to resolve issues raised in the comment letters.

FIELD SAMPLING

Capital conducted a preconstruction meeting on May 1, 2008 for the redevelopment of Second Avenue South. Sampling procedures outlined in the Draft Remedial Investigation Work Plan and associated plans pertaining to the upcoming construction were discussed during this meeting. At the time of the meeting, the construction on Second Avenue South was scheduled to take place in June.



Soil sampling described by the Second Avenue South sections of the Draft Remedial Investigation Work Plan and associated documents was initiated on June 30, 2008. Soil sampling is scheduled to continue into July 2008. Sampling locations and laboratory results will be presented in the Quarter 3 progress report.

INTERIM MEASURES

No interim measures were implemented during the Q2 reporting period.

VAPOR INTRUSION

Capital received comments from Ecology on the Draft Vapor Intrusion Inspection, Monitoring, and Maintenance Work Plan on April 30, 2008; and on the Draft Vapor Intrusion Assessment Plan on May 28, 2008. Ecology stated that the submittal dates for the revised Vapor Intrusion Inspection, Monitoring, and Maintenance Work Plan and the revised Vapor Intrusion Mitigation Work Plan should be proposed in the revised Vapor Intrusion Assessment Plan. In addition, Ecology approved a schedule extension request on June 24, 2008 for submittal of the revised Vapor Intrusion Assessment Plan. The revised submittal date is September 12, 2008.

VAPOR INTRUSION - OLYMPIC MEDICAL BUILDING AT 5900 1ST AVENUE SOUTH

Capital requested a schedule extension on May 23, 2008 for the submittal of the Draft Vapor Intrusion Mitigation Work Plan for the building at 5900 First Avenue South. Capital received a letter on June 10, 2008 approving the schedule extension request. The revised submittal date is September 1, 2008.

Capital proposed installing and monitoring a Sub-Slab Depressurization System within the manufacturing and warehouse sections of the Olympic Medical Building at 5900 First Avenue South on June 10, 2008. Access to this property was not been granted during this reporting period. Installation of the Sub-Slab Depressurization System at the Olympic Medical Building is pending access.

GROUNDWATER MONITORING

No groundwater monitoring was completed during this reporting period.

PUBLIC COMMUNICATIONS

No public communications concerning Capital were conducted during this reporting period.

ANTICIPATED WORK IN THE NEXT QUARTER

Work anticipated to be performed during the next progress reporting period (July through September 2008 – Quarter 3) is summarized below.



REMEDIAL INVESTIGATION WORK PLAN

The following work will be conducted by Capital over the next progress reporting period:

- Meet with Ecology to discuss the response to Ecology comments on the Draft Remedial Investigation Work Plan and associated documents;
- Submit a written response to Ecology comments on the Draft Remedial Investigation Work Plan and associated documents; and
- Submit the revised Remedial Investigation Work Plan and associated documents to Ecology by September 12, 2008.

Soil sampling associated with redevelopment of Second Avenue South between Capital Plants 1 and 2 will be completed in July 2008. The analytical results of soil samples submitted for halogenated volatile organic compounds analysis by EPA Method 8260B will be provided in the Quarter 3 progress report.

INTERIM MEASURES

No interim measures are anticipated during the next progress reporting period.

VAPOR INTRUSION

Capital will review and respond to Ecology comments on the Draft Vapor Intrusion Assessment Plan; the Draft Vapor Intrusion Inspection, Monitoring, and Maintenance Work Plan; and the Draft Vapor Intrusion Mitigation Work Plan during the next quarter.

VAPOR INTRUSION - OLYMPIC MEDICAL BUILDING AT 5900 1ST AVENUE SOUTH

Capital will prepare the Draft Vapor Intrusion Mitigation Work Plan for the Olympic Medical Building and the Draft Vapor Intrusion, Inspection, Monitoring, and Maintenance Work Plan for review if access has been gained to the Olympic Medical Building during the reporting period.

GROUNDWATER MONITORING

No groundwater monitoring is anticipated during the next progress reporting period. Capital will measure water levels in monitoring wells on the Capital property. The depth to groundwater will be measured in monitoring wells installed by Phillips Service Corporation and by Capital. Capital will not begin collecting groundwater samples until the monitoring well network proposed in the Remedial Investigation Work Plan is installed.

PUBLIC COMMUNICATIONS

No public communications are anticipated during the next progress reporting period.

CLOSING

The next progress report will summarize activities completed from July through September and will be submitted on or before November 24, 2008.

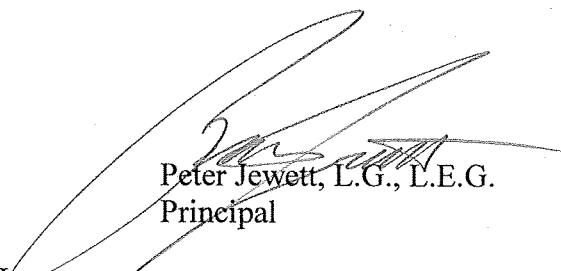
Farallon trusts that this monthly progress report provides sufficient information for Ecology. If you have any questions regarding this project, please contact either of the undersigned at (425) 295-0800.

Sincerely,

Farallon Consulting, L.L.C.



Daniel Caputo
Task Manager



Peter Jewett, L.G., L.E.G.
Principal

cc: Ron Taylor, Capital Industries, Inc.
Don Verfurth, Gordon and Rees, L.L.P.
Janet Knox, Pacific Groundwater Group
Doug Hillman, Aspect Consulting
Bill Beck, Phillip Service Corporation
Bill Carroll, Arrow Environmental

DC/PJ:bw