

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

In the Matter of:

Georgia-Pacific LLC and
Millennium Holdings LLC
Allied Paper, Inc./Portage Creek/Kalamazoo River
Superfund (National Priorities List) Site
Kalamazoo and Allegan Counties, Michigan

MDEQ Reference No.:
AOC-RRD-08-001

Proceeding under Sections 20119 and 20134(1) of Part 201, Environmental Remediation, of the
Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.

**ADMINISTRATIVE ORDER BY CONSENT
FOR PAYMENT OF
PAST RESPONSE ACTIVITY COSTS**

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ATTACHMENTS

Attachment A – Pre-2006 Response Activity Costs

Attachment B - November 22, 2006 Cost Demand Letter

Attachment C - Summary of MDEQ's Response Activity Costs to be Forgiven, Appendix 3 of the Administrative Settlement Agreement and Order on Consent for Removal Action, Docket No. V-W-'07-C-863, Effective February 21, 2007.

Attachment D - Pre-2006 Natural Resource Damage Assessment Cost Summary Report

Attachment E – Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site General Map

Attachment F –Response Activity Costs January 1, 2006 – End Dates Shown

Attachment G – Supplemental Cost Summary Report for Natural Resource Damage Assessment Costs

Attachment H – October 31, 2007 Supplement to the November 22, 2006 Cost Demand Letter

I. JURISDICTION AND STATEMENT OF PURPOSE

This Administrative Order by Consent for Payment of Past Response Activity Costs (Order) is entered into voluntarily by and between the Michigan Department of Environmental Quality (MDEQ); the Michigan Department of Attorney General (MDAG); Georgia-Pacific LLC (GP) (formerly known as Georgia-Pacific Corporation); and Millennium Holdings, LLC (MHLLC) (formerly known as HM Holdings, Inc., and Allied Paper, Inc.), pursuant to the authority vested in the MDEQ and the MDAG by law including Sections 20119 and 20134(1) of Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), MCL 324.20101 *et seq.*, and the Comprehensive Environmental Response, Compensation, and Liability Act, 1980 PL 96-510, as amended (CERCLA), 42 USC Section 9601 *et seq.*

This Order concerns the settlement between the State and GP and MHLLC of all of the State's Pre-2006 Response Activity Costs and the State's Supplemental Past Response Activity Costs which were incurred by the State in responding to the release or threatened release of hazardous substances at and emanating from the Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site, Kalamazoo and Allegan Counties, Michigan (the Site and the Facility, as those terms are defined in Paragraphs 4.7 and 4.2, respectively.)

Pursuant to Section 20126a(1)(a) of the NREPA, a person who is liable under Section 20126 of the NREPA is liable for all response activity costs lawfully incurred by the State. The parties to this Order desire to resolve all claims for Pre-2006 Response Activity Costs and Supplemental Past Response Activity Costs which the State has incurred and paid, and to enter into a binding agreement. Settlement of this claim is in the public interest and will minimize litigation.

II. DENIAL OF LIABILITY

The execution of this Order by GP and MHLLC is not an admission of liability with respect to any issue dealt with in this Order, nor is it an admission of any factual allegations or

legal determinations stated or implied herein. GP and MHLLC reserve all rights and defenses they may have under applicable law with respect to all matters not expressly covered by this Order.

III. PARTIES BOUND

3.1 This Order shall apply to and be binding upon GP, MHLLC and the State and their successors and assigns. GP and MHLLC are jointly and severally responsible for performing all of the obligations required under this Order and for any penalties that may arise from violations of this Order. No change or changes in the ownership or corporate status of GP or MHLLC shall alter in any way GP's or MHLLC's obligations under this Order.

3.2 The signatories to this Order certify that they are authorized to execute this Order and to legally bind the parties they represent.

IV. DEFINITIONS

4.1 "Effective Date" means the date the RRD Chief signs this Order.

4.2 "Facility" means any area of the Site where a hazardous substance, in concentrations that exceed the requirements of Section 20120a(1)(a) or (17) of the NREPA, MCL 324.20120a(1)(a) or (17), or the cleanup criteria for unrestricted residential use under Part 213, Leaking Underground Storage Tanks, of the NREPA, has been released, deposited, disposed of, or otherwise comes to be located; and any other area, place, or property where a hazardous substance, in concentrations that exceed these requirements or criteria, has come to be located as a result of the migration of the hazardous substance from the Site.

4.3 "MDEQ" means the Michigan Department of Environmental Quality, its successor entities, and those authorized persons or entities acting on its behalf. Environmental functions formerly assigned to the Michigan Department of Natural Resources (MDNR) were transferred to the MDEQ by Executive Order 1995-18, effective October 1, 1995.

4.4 “Party” means either GP, MHLLC or the State. “Parties” means GP, MHLLC, and the State.

4.5 “Pre-2006 Response Activity Costs” means all response activity costs incurred by MDEQ or MDAG staff related to response activities undertaken at the Facility incurred and paid by the State before January 1, 2006, as described in the attached document titled Pre-2006 Response Activity Costs (Attachment A) in the amount of four million nine hundred fifty-four thousand one hundred sixty-three and 97/100 Dollars (\$4,954,163.97). This amount reflects the response activity costs subtotal of six million four hundred fifty-four thousand one hundred sixty-three and 97/100 Dollars (\$6,454,163.97) included in the November 22, 2006 Cost Demand Letter (Attachment B) minus the one million five hundred thousand Dollars (\$1,500,000) included in the Summary of MDEQ’s Response Activity Costs to be Forgiven included as Appendix 3 of the Administrative Settlement Agreement and Order on Consent for Removal Action, Docket No. V-W-’07-C-863 that took effect on February 21, 2007 (Attachment C). Pre-2006 Response Activity Costs also includes any interest associated with these costs. Pre-2006 Response Activity Costs do not include the State’s damages for the full value of injury to, destruction of, or loss of natural resources, or the reasonable costs of assessing the injury, destruction, or loss resulting from the release or releases of hazardous substances on the Site undertaken at the Facility and incurred and paid by the State before January 1, 2006, as described in the attached Pre-2006 Natural Resource Damage Assessment Cost Summary Report (Attachment D) in the amount of one million eight hundred seventy-seven thousand two hundred thirty and 30/100 Dollars (\$1,877,230.30), as included in the November 22, 2006 Cost Demand Letter (Attachment B).

4.6 “RRD” means the Remediation and Redevelopment Division of the MDEQ and its successor entities.

4.7 “Site” means the Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site, Kalamazoo and Allegan Counties, Michigan as depicted generally on the map attached as Attachment E.

4.8 “State” or “State of Michigan” means the MDAG and the MDEQ, and any authorized representatives acting on their behalf.

4.9 “Supplemental Past Response Activity Costs” means all response activity costs incurred by MDEQ or MDAG staff related to response activities undertaken at the Facility incurred and paid by the State on or after January 1, 2006 and through the dates specified in Attachment F (Response Activity Costs January 1, 2006 – End Dates Shown) in the amount of seven hundred seven thousand three hundred twenty-six and 49/100 Dollars (\$707,326.49). Supplemental Past Response Activity Costs also includes any interest associated with these costs. Supplemental Past Response Activity Costs do not include the State’s damages for the full value of injury to, destruction of, or loss of natural resources, or the reasonable costs of assessing the injury, destruction, or loss resulting from the release or releases of hazardous substances on the Site undertaken at the Facility and incurred and paid by the State before the dates set forth in Attachment G (Supplemental Cost Summary Report for Natural Resource Damage Assessment Costs) in the amount of seventy-five thousand, one hundred forty-eight and 68/100 Dollars (\$75,148.68), as included in the October 31, 2007 Supplement to the November 22, 2006 Cost Demand Letter (Attachment H).

4.10 Unless otherwise stated herein, all other terms used in this Order, which are defined in Part 3, Definitions, of the NREPA, MCL 324.301; Part 201; or the Part 201 Rules, shall have the same meaning in this Order as in Parts 3 and 201 and the Part 201 Rules. All terms used in this Order which are defined in the CERCLA shall have the same meaning in this Order as in the CERCLA.

BASED ON THE FOREGOING FACTS AND DETERMINATIONS, THE STATE HEREBY ORDERS GP AND MHLLC, AND THEY HEREBY AGREE, TO PAY STATE-INCURRED PRE-2006 RESPONSE ACTIVITY COSTS AND SUPPLEMENTAL PAST RESPONSE ACTIVITY COSTS AS SPECIFIED IN THIS ORDER.

V. REIMBURSEMENT OF COSTS

5.1 Within seventy-five (75) days of the Effective Date of this Order, GP and MHLLC shall pay the MDEQ four million one hundred thousand Dollars (\$4,100,000) to resolve their liability for all State claims for Pre-2006 Response Activity Costs and Supplemental Past Response Activity Costs at the Facility.

5.2 All payments required under this Order are to be made by check payable to the "State of Michigan – Environmental Response Fund," and sent to:

Revenue Control Unit
Financial and Business Services Division
Michigan Department of Environmental Quality
P.O. Box 30657
Lansing, Michigan 48909-8157

Via Courier:
Constitution Hall, 5th Floor, South Tower
525 West Allegan Street
Lansing, Michigan 48933-2125

To ensure proper credit, payments made pursuant to this Order must be made by check referencing the Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site, the MDEQ Reference No. AOC-RRD-08-001, and the RRD Account Number RRD2228 shall be designated on each check. A copy of the transmittal letter and the certified check shall be provided simultaneously to:

Brian Monroe, Compliance and Enforcement Section
Remediation and Redevelopment Division
Michigan Department of Environmental Quality
P.O. Box 30426
Lansing, Michigan 48909-7926

and to:

Chief, Compliance and Enforcement Section
Remediation and Redevelopment Division
Michigan Department of Environmental Quality
P.O. Box 30426
Lansing, Michigan 48909-7926

Assistant Attorney General in Charge
Environment, Natural Resources, and Agriculture Division
Michigan Department of Attorney General
P.O. Box 30755
Lansing, Michigan 48909

Costs recovered pursuant to this section shall be deposited into the Environmental Response Fund in accordance with the provisions of Section 20108(3) of the NREPA.

5.3 If GP and MHLLC fail to make full payment to the MDEQ for Pre-2006 Response Activity Costs and Supplemental Past Response Activity Costs as specified in Paragraph 5.1 of this Order, interest, at the rate specified in Section 20126a(3) of the NREPA, shall begin to accrue on the unpaid balance on the day after payment was due until the date upon which GP and MHLLC make full payment of those costs and the accrued interest to the MDEQ. In any challenge by GP or MHLLC to an MDEQ demand for reimbursement of costs, GP and MHLLC shall have the burden of establishing that the MDEQ did not lawfully incur those costs in accordance with Section 20126a(1)(a) of the NREPA.

VI. STIPULATED PENALTIES

6.1 If any of MHLLC's or GP's payments are more than ninety (90) days past due, MHLLC or GP shall also pay the MDEQ stipulated penalties of \$500 per day for every day of its noncompliance with the requirements of Section V (Reimbursement of Costs) of this Order.

6.2 Except as provided in Section VII (Dispute Resolution), GP and MHLLC shall pay stipulated penalties owed to the State no later than thirty (30) days after their receipt of a written demand from the State. Payment shall be made in the manner set forth in Paragraph 5.2.

6.3 Interest, at the rate provided for in Section 20126a(3) of the NREPA, shall begin to accrue on the unpaid balance at the end of the seventy-five (75)-day period on the day after payment was due until the date upon which GP or MHLLC makes full payment of those stipulated penalties and the accrued interest to the MDEQ.

6.4 Failure to pay the stipulated penalties within thirty (30) days after receipt of a written demand constitutes a further violation of the terms and conditions of this Order. If GP or MHLLC fails to pay stipulated penalties when due, the State may institute proceedings to collect the penalties, as well as any accrued interest. However, the assessment of stipulated penalties is not the State's exclusive remedy if GP or MHLLC violates this Order. For any failure or refusal of GP or MHLLC to comply with the requirements of this Order, the State also reserves the right to pursue any other remedies to which it is entitled under this Order or any applicable law.

6.5 Notwithstanding any other provision of this section, the State may waive, in its unreviewable discretion, any portion of stipulated penalties and interest that has accrued pursuant to this Order.

VII. DISPUTE RESOLUTION

7.1 Unless otherwise expressly provided for in this Order, the dispute resolution procedures of this section shall be the exclusive mechanism to resolve disputes arising under or with respect to this Order. However, the procedures set forth in this section shall not apply to actions by the State to enforce any of GP's and/or MHLLC's obligations that have not been disputed in accordance with this section.

7.2 The State shall maintain an administrative record of any disputes initiated pursuant to this section. The administrative record shall include the information GP and/or MHLLC provide to the State under Paragraphs 7.3 through 7.5 and any documents the MDEQ and the State rely on to make the decisions set forth in Paragraphs 7.3 through 7.5.

7.3 Any dispute that arises under this Order with respect to the required payments for Pre-2006 Response Activity Costs, Supplemental Past Response Activity Costs, or other decisions concerning requirements of this Order shall in the first instance be the subject of informal negotiations between the Project Coordinators representing the MDEQ, GP, and MHLLC.

A dispute shall be considered to have arisen on the date that a Party to this Order receives a written Notice of Dispute from another Party. The Notice of Dispute shall state the issues in dispute; the relevant facts upon which the dispute is based; factual data, analysis, or opinion supporting the Party's position; and supporting documentation upon which the Party bases its position. GP and/or MHLLC shall submit the Notice of Dispute within ten (10) days of receipt of the MDEQ's request for reimbursement of any interest or stipulated penalties, or other decision. The Notice of Dispute shall specifically identify the disputed interest or stipulated penalties, or other decision in dispute and the basis for the dispute. The period of informal negotiations shall not exceed ten (10) days from the date a Party receives a Notice of Dispute, unless the time period for negotiations is modified by written agreement between the Parties. If the Parties do not reach an agreement within ten (10) days or within the agreed-upon time period, the Compliance and Enforcement Section Chief will thereafter provide the MDEQ's Statement of Position, in writing, to GP and/or MHLLC. In the absence of initiation of formal dispute resolution by GP or MHLLC under Paragraph 7.4, the MDEQ's position as set forth in the MDEQ's Statement of Position shall be binding on the Parties.

7.4 If GP, MHLLC, and the MDEQ cannot informally resolve a dispute under Paragraph 7.3, GP or MHLLC may initiate formal dispute resolution by submitting a written Request for Review to the RRD Chief:

Chief, Remediation and Redevelopment Division
Michigan Department of Environmental Quality
Constitution Hall, 4th Floor, South Tower
525 West Allegan Street
Lansing, Michigan 48909-7926

with a copy to the MDEQ Project Coordinator and RRD Compliance and Enforcement Section Chief identified in Paragraph 5.2, requesting a review of the disputed issues. This Request for

Review must be submitted within ten (10) days of receipt of the Statement of Position issued by the MDEQ pursuant to Paragraph 7.3. The Request for Review shall state the issues in dispute; the relevant facts upon which the dispute is based; factual data, analysis, or opinion supporting the Party's position; and supporting documentation upon which the Party bases its position. Within twenty (20) days of the RRD Chief's receipt of GP's and/or MHLLC's Request for Review or rebuttal, the RRD Chief will provide the MDEQ's Statement of Decision, in writing, to GP and/or MHLLC, as appropriate, which will include a statement of his/her understanding of the issues in dispute; the relevant facts upon which the dispute is based; factual data, analysis, or opinion supporting his/her position; and supporting documentation he/she relied upon in making the decision. The time period for the RRD Chief's review of the Request for Review may be extended by written agreement between the Parties. The MDEQ's Statement of Decision shall be binding on the Parties.

7.5 Notwithstanding the invocation of a dispute resolution proceeding, stipulated penalties shall accrue from the first day of GP's and/or MHLLC's failure or refusal to comply with any term or condition of this Order, but payment shall be stayed pending resolution of the dispute. In the event, and to the extent that GP and/or MHLLC does not prevail on the disputed matters, the MDEQ may demand payment of stipulated penalties and GP and/or MHLLC, as appropriate, shall pay stipulated penalties as set forth in Section VI (Stipulated Penalties). GP and/or MHLLC shall not be assessed stipulated penalties for disputes that are resolved in their favor. The MDAG, on behalf of the MDEQ, may take civil enforcement action against GP and/or MHLLC to seek the assessment of civil penalties or damages pursuant to Sections 20119(4) and 20137(1) of the NREPA or other statutory and equitable authorities.

7.6 Notwithstanding the provisions of this section and in accordance with Section V (Reimbursement of Costs) and Section VI (Stipulated Penalties), GP and/or MHLLC shall pay to the MDEQ that portion of a demand for reimbursement of interest or for payment of stipulated penalties that is not the subject of an ongoing dispute resolution proceeding.

7.7 As provided for in Section 20137(4) of the NREPA, no action or decision of the MDEQ or the MDAG shall constitute a final agency action giving rise to any rights of judicial

review prior to the MDAG's initiation of judicial action to compel GP and/or MHLLC to comply with this Order or to enforce a term, condition, or other action required by this Order. Nothing in this Order shall expand GP's and/or MHLLC's ability to obtain pre-enforcement review of this Order.

VIII. COVENANTS NOT TO SUE BY THE STATE

8.1 In consideration of the payments that will be made by GP and MHLLC under the terms of this Order, and except as specifically provided for in this section and Section IX (Reservation of Rights by the State), the State of Michigan hereby covenants not to sue or to take further administrative action against GP or MHLLC for Pre-2006 Response Activity Costs or Supplemental Past Response Activity Costs.

8.2 With respect to GP's and MHLLC's liability for Pre-2006 Response Activity Costs and Supplemental Past Response Activity Costs, the covenants not to sue shall take effect upon the MDEQ's receipt of full payment for those costs, including any applicable interest that has accrued pursuant to Paragraph 5.3 of this Order.

8.3 The covenants not to sue apply only to the response activity costs identified in this Order and shall not be construed as a release of any other liability for the Facility that GP or MHLLC may have. The covenants not to sue extend only to GP and MHLLC and do not extend to any other person.

8.4 Nothing in this Order shall be construed as releasing or discharging any liability of any person to GP or MHLLC and GP and MHLLC specifically reserve their rights against such persons.

IX. RESERVATION OF RIGHTS BY THE STATE

9.1 The State reserves, and this Order is without prejudice to, all rights under state and federal law to take enforcement action, including action to seek injunctive relief, the recovery of response activity costs not addressed by this Order, the recovery of natural resource damages and costs incurred to assess natural resource damages, monetary penalties, punitive damages for any violation of law or this Order, and liability for criminal acts. The State expressly reserves all of its rights and defenses pursuant to any available legal authority to enforce this Order. GP and MHLLC reserve, and this Order is without prejudice to, all rights and defenses they have under applicable law, to any action brought or taken by the State.

9.2 Nothing in this Order shall limit the power and authority of the MDEQ or the State of Michigan, pursuant to Section 20132(8) of the NREPA, to direct or order all appropriate action to protect the public health, safety, or welfare, or the environment; or to prevent, abate, or minimize a release or threatened release of hazardous substances, pollutants, or contaminants on, at, or from the Facility.

9.3 In addition to, and not as a limitation of any provision of this Order, the MDEQ and the MDAG retain all of their information-gathering, inspection, access, and enforcement authorities and rights under Part 201 and any other applicable statute or regulation.

9.4 Failure by the MDEQ or the MDAG to enforce any term, condition, or requirement of this Order in a timely manner shall not:

- (a) Provide or be construed to provide a defense for GP's and/or MHLLC's noncompliance with any such term, condition, or requirement of this Order.
- (b) Estop or limit the authority of the MDEQ or the MDAG to enforce any such term, condition, or requirement of the Order, or to seek any other remedy provided by law.

X. CONTRIBUTION

Pursuant to Section 20129(5) of the NREPA and Section 113(f)(2) of the CERCLA, 42 USC Section 9613(f)(2), GP and MHLLC shall not be liable for claims for contribution for the matters set forth in Paragraph 8.1 of Section VIII (Covenants Not to Sue by the State) of this Order, to the maximum extent allowed by law. The Parties agree that entry of this Order constitutes an administratively approved settlement for purposes of Section 113(f)(3)(B) of CERCLA, 42 USC 9613(f)(3)(B), pursuant to which GP and MHLLC have, as of the Effective Date, resolved their liability to the MDEQ for the matters set forth in Paragraph 8.1 of this Order. Entry of this Order does not discharge the liability of any other person that may be liable under Section 20126 of the NREPA, or Sections 9607 and 9613 of the CERCLA. Pursuant to Section 20129(9) of the NREPA, any action by GP and/or MHLLC for contribution from any person that is not a Party to this Order shall be subordinate to the rights of the State of Michigan if the State files an action pursuant to the NREPA or other applicable state or federal law.

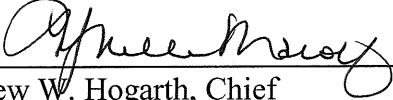
XI. SEPARATE DOCUMENTS

The Parties may execute this Order in duplicate original form for the primary purpose of obtaining multiple signatures, each of which shall be deemed an original, but all of which together shall constitute the same instrument.

XII. EFFECTIVE DATE

This Order shall become effective on the Effective Date as defined in Section IV (Definitions). All dates for the performance of obligations under this Order shall be calculated from the Effective Date. For the purposes of this Order, the term “day” shall mean a calendar day unless otherwise noted.

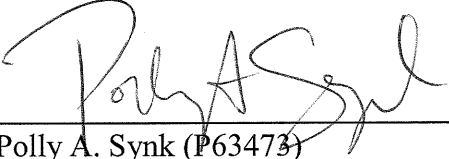
IT IS SO AGREED TO AND ORDERED BY:

 *for*

Andrew W. Hogarth, Chief
Remediation and Redevelopment Division
Michigan Department of Environmental Quality

4/1/08

Date

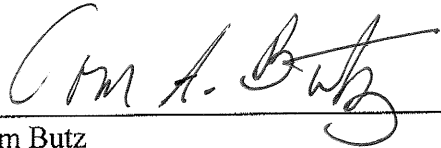


Polly A. Synk (P63473)
Assistant Attorney General
Environment, Natural Resources, and Agriculture Division
Michigan Department of Attorney General

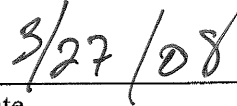
3-28-08

Date

IT IS SO AGREED BY:



Tom Butz
Sr. Vice President – Compliance and Ethics
Georgia-Pacific, LLC



Date

Deborah W. Kryak
Director, Retained Liabilities and Remediation
Millennium Holdings, LLC

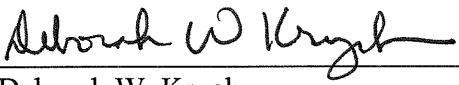
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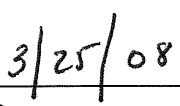
IT IS SO AGREED BY:

Tom Butz
Sr. Vice President – Compliance and Ethics
Georgia-Pacific, LLC

Date



Deborah W. Kryak
Director, Retained Liabilities and Remediation
Millennium Holdings, LLC



Date

ATTACHMENT A

Pre-2006 Response Activity Costs

Kalamazoo River/Portage Creek/Allied Paper - Unreimbursed Costs

Costs Removed or not covered under AOC

All other Costs not covered under Invoices 1-10 (1991-2000)	\$1,587,158.18	450316-00 and 454181-65
All other Costs not covered under Invoice 11 (2001)	\$35,744.37	450316-00
	\$518,450.31	454181-65
	\$835,547.61	454181-00
All other Costs not covered under Invoice 12 (2002)	\$39,865.65	450316-00
	\$933,966.61	454181-65/00
All other Costs not covered under Invoice 13 (2003)	\$60,555.61	450316-00
	\$412,304.08	454181-65/00
All other Costs not covered under Invoice 14 (2004)	\$86,722.08	450316-00
	\$180,073.32	454181-65/00
All other Costs not covered under Invoice 15 (2005)	\$43,357.28	450316-00
	\$95,841.29	454181-65/00
	<u>\$4,829,586.39</u>	
Kalamazoo River DNR Dams - Invoice 1-15	\$4,879.69	450316-00
Kalamazoo River DNR Dams - Invoice 1-15	\$225,590.87	454181-00
Kalamazoo River DNR Dams - Invoice 1-15	\$1,335,646.30	455559-00
	<u>\$1,566,116.86</u>	
Kalamazoo River Non DNR Dams	\$1,203.94	455560-00
12th Street OU-Plainwell Not covered under Invoice 10	\$5,314.83	455097-00 and 455090-65
12th Street OU-Plainwell Not covered under Invoice 11	\$30,150.29	455097-00 / 455090-65 / 454181-65
12th Street OU-Plainwell Not covered under Invoices 12-15	\$21,791.66	455097-00 / 455090-65 / 454181-65
	<u>\$57,256.78</u>	

\$6,454,163.97

ATTACHMENT B

November 22, 2006 Cost Demand Letter



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



STEVEN E. CHESTER
DIRECTOR

November 22, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL PARTIES ON THE ATTACHED LIST (ATTACHMENT A)

SUBJECT: Demand Letter for the Reimbursement of State Costs, Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site, Kalamazoo and Allegan Counties; Site ID No. 39000051

This Demand Letter serves as the Michigan Department of Environmental Quality's (MDEQ's) formal notification to the recipients of this letter (Recipients) of the Recipients' legal responsibility relating to the release or threatened release of hazardous substances on or emanating from the Allied Paper, Inc./Portage Creek/Kalamazoo River National Priorities List (NPL) site (Site), located in Kalamazoo and Allegan Counties, Michigan. For purposes of including the Site on the NPL, the Site was described as an Allied Paper, Inc. (Allied Paper), property in Kalamazoo, Kalamazoo County, Michigan; a 3-mile stretch of Portage Creek from Cork Street just above the Bryant Mill Pond in Kalamazoo to the Portage Creek's confluence with the Kalamazoo River; and an approximately 80-mile stretch of the Kalamazoo River, from Morrow Dam to Lake Michigan, including the adjacent floodplains, wetlands, and in-stream sediments.

The Site is known to contain concentrations of hazardous substances, including polychlorinated biphenyls (PCBs), that exceed the residential cleanup criteria of Section 20120a(1)(a) or (17) of Part 201¹ or the cleanup criteria for unrestricted residential closure under Part 213.² Any area of the Site where a hazardous substance, in concentrations that exceed these requirements or criteria, has been released, deposited, disposed of, or otherwise has come to be located; and any other area, place, or property where a hazardous substance, in concentrations that exceed these requirements or criteria, comes to be located as a result of the migration of a hazardous substance from the Site (collectively, the Facility), constitutes a "facility" that is regulated under Part 201 and other State of Michigan (state) laws and regulations, and the CERCLA³ and other federal laws and regulations. Since the Site's original listing on the NPL, seven operable units (OUs) have been identified within the Site for response action. The OUs include: the Allied Paper Landfill (OU1); the Willow Boulevard/A-Site

¹ Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), MCL 324.20101 *et seq.*

² Part 213, Leaking Underground Storage Tanks, of the NREPA, MCL 324.21301 *et seq.*

³ Comprehensive Environmental Response, Compensation, and Liability Act, 1980 PL 96-510, as amended (CERCLA), 42 USC Section 9601 *et seq.*

Landfill (OU2); the King Highway Landfill (OU3); the 12th Street Landfill (OU4); 80 miles of the Kalamazoo River, including a 3-mile stretch of Portage Creek (OU5); the Georgia-Pacific Kalamazoo Mill and former Hawthorne Mill Properties (OU6); and the Plainwell Mill Property (OU7). State law authorizes the MDEQ to use state funds to undertake response activities at a facility that are necessary to protect public health, safety, or welfare, or the environment; and to conduct natural resource damage assessments (NRDAs) for the purpose of determining the value of the injury to, destruction of, or loss of natural resources, including the reasonable costs of assessing the injury, destruction, or loss resulting from the release. The state has spent, and is continuing to spend, state funds to perform response activities and an NRDA for the Facility.

This Demand Letter requires the Recipients to commit, in the form of a legally binding agreement, to reimburse past and future response activity costs incurred by the state for responding to the release or threatened release of hazardous substances at the Facility and to reimburse the state's past costs incurred in conducting NRDA activities. If any Recipient fails to voluntarily resolve the matters set forth in this demand with the state, the state will pursue any legal remedies available under state and federal laws. Pursuant to the agreement⁴ between the United States Environmental Protection Agency (USEPA) and the MDEQ, the performance of future response activities at the Site, with the exception of OU3, is under the lead authority of the USEPA and therefore is not a subject of this demand. The Georgia-Pacific Corporation (Georgia-Pacific) is implementing response activities at OU3 in accordance with the record of decision (ROD) and the Administrative Order by Consent for Response Activity, MDEQ Reference No. AOC-ERD-99-010, entered between Georgia-Pacific and the state on February 8, 2000 (2000 AOC). This AOC also provides for the reimbursement of the state's oversight costs; therefore, the performance of response activities and reimbursement of the state's response activity costs associated with OU3 is not a subject of this demand. Damages for the injury to, destruction of, or loss of natural resources resulting from the releases of hazardous substances at the Site are not a subject of this demand, and will be recovered under a separate action to be taken in conjunction with the federal natural resource trustees.

SUMMARY OF SITE HISTORY AND RESPONSE ACTIVITIES

Information available concerning the paper industry documents that carbonless copy paper manufactured between 1954 and 1971 contained PCBs as an ink carrier or solvent. Paper mills that are or were historically located within the Site and are documented to have recycled PCB-containing carbonless copy paper as raw paper stock include: the Monarch, Bryant, and King Mills, which were owned and operated by the Allied Paper Company; the Simpson Plainwell Mill, which was owned and operated

⁴ The July 9, 2002, Revised Site-Specific Amendment to the Enforcement Agreement for State Enforcement Lead Sites in Michigan Under the Superfund Memorandum of Agreement.

at various times by the Michigan Paper Company, Hamilton Paper Company, Weyerhaeuser Company, Plainwell Paper Company, Inc., Simpson Plainwell Paper Company, Inc., Plainwell Paper Company, and Plainwell, Inc.; the Fort James KVP and the Paperboard Mills, which were owned and operated by the Fort James Corporation and its predecessors, James River, KVP Sutherland Paper Company, and Brown Company; and five mills, which were owned and operated by the Kalamazoo Paper Company and its successor, Georgia-Pacific.

During the de-inking and repulping process, PCBs in the carbonless copy paper were either integrated into the new paper products or became part of the paper companies' waste streams. The process of de-inking and subsequent pulping of the recycled stock would break the structure of the paper containing the PCB-laden dyes. These PCBs were then redistributed throughout the paper recycling process, including the waste streams. Some of the PCBs in the carbonless copy paper, however, remained in the recycled pulp and subsequently were incorporated in the new paper products. Although PCB-use in the manufacturing of carbonless copy paper was discontinued in 1971, the paper recycled by the Kalamazoo area paper companies likely continued to contain PCBs for several years after 1971.

The paper companies disposed of their waste streams by several methods, including direct discharge to the Portage Creek and/or the Kalamazoo River, or placement of the wastes into dewatering lagoons or disposal areas⁵ associated with the mills. Sediment, soil, surface water, and groundwater samples collected at the Site by the MDEQ, the Michigan Department of Natural Resources (MDNR),⁶ the USEPA, and other parties indicate that PCBs are present in concentrations that exceed the Part 201 residential criteria developed pursuant to Section 20120(a)(1) of the NREPA. On August 30, 1990, the Site was included on the NPL. The Site currently includes the paper mills, associated disposal areas, and the OUs identified above.

In 1987, the Michigan Department of Attorney General filed a lawsuit, i.e., *Frank J. Kelley et al. v Allied Paper, Inc., et al.*, File No. L87-89 CA5⁷ in the United States District

⁵ The disposal areas associated with the Site include the Monarch historical residuals dewatering lagoon (HRDL), the Bryant Mill HRDL, the former Bryant Mill Pond, the King Highway Landfill, the Willow Boulevard/A-Site Landfill, and the 12th Street Landfill.

⁶ Environmental functions formally assigned to the MDNR were transferred to the MDEQ by Executive Order 1995-18, effective October 1, 1995.

⁷ This lawsuit is currently known as *Mike Cox et al. v Allied Paper, Inc., et al.*, File No. 5:87-CV-89. The lawsuit was filed under the authority of the CERCLA; the Resource Conservation and Recovery Act, 1976 PL 94-580, as amended (RCRA), 42 USC Section 6901 *et seq.*; the Declaratory Judgment Act, 28 USC Section 2201 *et seq.*; the Toxic Substances Control Act, 15 USC Section 2601 *et seq.*; the Clean Water Act, 33 USC Section 1251 *et seq.*; the Michigan Water Resources Commission Act, 1929 PA 245, as amended, MCL 323.1 *et seq.*; the Michigan Solid Waste Management Act, 1978 PA 641, MCL 299.401 *et seq.*; the Michigan Environmental Protection Act, 1970 PA 127, MCL 691.1201 *et seq.*; the Michigan Environmental Response Act, 1982 PA 307, as amended, MCL 299.601 *et seq.*; and Michigan's Common Law of Nuisance.

Court, Western District, Southern Division, against HM Holdings, Inc. (HM Holdings)/Allied Paper, seeking to have the company clean up the Site; pay damages, including the reasonable costs of assessment, for injuries to the state's natural resources; and reimburse the state's cleanup and site-investigation costs. On December 28, 1990, the MDNR and HM Holdings/Allied Paper, Georgia-Pacific, and the Simpson Plainwell Paper Company, Inc., who are collectively referred to as the Kalamazoo River Study Group (KRSG), executed an Administrative Order by Consent (RI/FS⁸ AOC) pursuant to which the companies agreed to conduct RI/FS activities for the Site. Since the execution of the RI/FS AOC, RI/FS activities at the Site have been subject to the terms of the RI/FS AOC. Consequently, the lawsuit has been stayed since 1990 to allow the RI/FS to be conducted, and to allow the regulatory agencies to proceed with remedial decision-making for the Site. The KRSG released the results of its RI/FS for Phase 1 of OU5⁹ to the USEPA and the MDEQ in October 2000. The MDEQ determined the RI/FS for Phase 1 of OU5 to be deficient; therefore, in 2001, the RI/FS was formally rejected by the MDEQ.

Other response activities have also been undertaken at the Site, and settlements that have been entered by the state concerning the Site include:

- OU1, Allied Paper Landfill: Excavation of approximately 150,000 cubic yards of PCB-containing residuals and sediments from the Bryant Mill Pond and consolidation of the residual and sediments within OU1 have occurred. The state's claims for the funding and performance of the Bryant Mill Pond Removal Action and the reimbursement of the state's oversight costs of this removal were resolved upon entry of the Administrative Order by Consent, MDEQ Reference No. AOC-ERD-99-001, effective February 11, 1999, that was entered between Millennium Holdings, Inc.,¹⁰ and the state. Additional response activities undertaken at OU1 include stabilization of the disposal area berms along Portage Creek, construction of a landfill cap over the former residuals dewatering lagoons within OU1, extraction and treatment of groundwater, and implementation of an erosion control plan.
- OU2, Willow Boulevard/A-Site Landfill: Response activities undertaken include installation of sheetpile to stabilize the berm that separates the A-Site from the Kalamazoo River; excavation of PCB-containing sediments from along the western bank of the Willow Boulevard Landfill and the former Olmstead Creek confluence with the Kalamazoo River, and consolidation of the excavated sediments in OU2; and grading and the installation of a

⁸ "RI/FS" means Remedial Investigation/Feasibility Study.

⁹ Phase 1 of OU5 consists of the Kalamazoo River upstream of the Caulkins Dam and the 3-mile stretch of Portage Creek.

¹⁰ Millennium Holdings, L.L.C., is the legal corporate successor to HM Holdings and Allied Paper.

geotextile fabric and 6-inch sand cover over the landfill. The final RI/FS was completed in 2004, and the ROD was issued in September 2006.

- OU3, King Highway Landfill: Response activities include excavation of soils and residuals from the King Street Storm Sewer, King Mill, and King Mill lagoons with consolidation of the excavated soils and residual in the OU3; grading and vegetation of the excavated areas; installation of riprap and sheetpile to stabilize the banks; and capping of OU3. The implementation of certain response activities for OU3 and the reimbursement of the state's oversight costs associated with those response activities are covered under the 2000 AOC.
- OU4, 12th Street Landfill: The RI/FS for OU4 was completed in July 1997, and the ROD was issued on September 28, 2001. The response activity for OU4 is being implemented under the Consent Decree between the USEPA and Weyerhaeuser Corporation that was lodged with the United States District Court on February 22, 2005.
- On May 18, 2005, the United States Bankruptcy Court for the District of Delaware entered a settlement agreement between the United States; the state; Plainwell, Inc.; Plainwell Holding Company; Colonial Heights Packaging, Inc.; Chesapeake Corporation; Phillip Morris USA, Inc.; and Simpson Paper Company, resolving the United States and the state's claims for covered response activity costs and natural resource damages for the Site.

Response activities undertaken by the state to address the release and threat of release of hazardous substances at the Facility include, but are not limited to: (1) performance of an ecological and a human health risk assessment for the purpose of, among other functions, identifying the appropriate cleanup criteria; (2) ongoing implementation of long-term monitoring to establish baseline conditions and to later be able to evaluate the concentrations of PCBs in abiotic and biotic media following completion of remedial activities at the Site; and (3) assessment of the need for and implementation of emergency repairs of the state-owned and nonstate-owned dams as necessary to prevent uncontrolled releases of PCB-contaminated sediments present behind the dams due to failure of the dams. In addition, the state has performed an NRDA in conjunction with federal natural resource trustees.

IDENTIFICATION OF PERSONS WHO ARE LIABLE

Section 107 of the CERCLA provides, among other things, that an owner or operator of a vessel or facility, or any person who at the time of disposal of any hazardous substance owned or operated any facility at which the hazardous substances were disposed of, is liable except as may be provided under certain defenses or exemptions.

TO ALL PARTIES ON ATTACHMENT A
November 22, 2006
Page 6

Similarly, Section 20126 of the NREPA provides, among other things, that a person who is an owner or operator or was an owner or operator of a facility at the time of disposal and is responsible for an activity causing the release or threat of release is liable, except as may be provided under certain defenses or exemptions.

Based upon corporate records and information available to the MDEQ concerning the ownership and operation of the mills, the MDEQ notified HM Holdings (now known as Millennium Holdings, L.L.C.), Georgia-Pacific, and Simpson Plainwell Paper Company, Inc. (a.k.a. Plainwell Paper Company, Inc., Plainwell Paper Company, and Plainwell, Inc.), by letters dated June 23, 1990, of their status as potentially liable parties. On April 8, 2004, the USEPA issued General Notice of Liability letters pursuant to Section 104(a) of the CERCLA to Millennium Holdings, L.L.C., Georgia-Pacific, and Weyerhaeuser Company. Based upon additional information collected subsequent to the MDEQ's June 23, 1990, notice letters, the MDEQ has determined that Millennium Holdings, L.L.C. (now owned by Lyondell Chemical Corporation), Georgia-Pacific (now an indirect, wholly-owned subsidiary of Koch Industries, Inc.), and Weyerhaeuser Company are liable under Section 20126 of the NREPA and Section 107(a) of the CERCLA as owners and/or operators.

Pursuant to Section 20126a of the NREPA, each person who is liable for a facility is jointly and severally liable for: (1) all response activity costs lawfully incurred by the state related to the selection and performance of response activity under Part 201; and (2) damages for the full value of injury to, destruction of, or loss of natural resources, including the reasonable costs of assessing the injury, destruction, or loss resulting from the release. Section 107(a) of the CERCLA similarly provides for such joint and several liability for all removal and remedial action costs incurred by the state not inconsistent with the national contingency plan and for damages for injury to, destruction of, or loss of natural resources, including the reasonable costs of assessing such injury, destruction, or loss resulting from such a release. Furthermore, Section 20129(2) of the NREPA states that if two or more persons are liable for an indivisible harm that results in response activity costs or damages for injury to, destruction of, or loss of natural resources, each person is subject to liability for the entire harm, including all costs for response activities lawfully incurred by the state. Likewise, the CERCLA imposes joint and several liability when the resultant harm is indivisible. Such persons may also be liable for a facility under other applicable state and federal laws.

DEMAND FOR PAYMENT OF COSTS

The MDEQ hereby demands payment from the Recipients in the amount of \$8,331,394.27 as well as any costs that the state continues to incur, and any accrued interest. This amount includes response activity costs and the costs of assessing the injury to, destruction of, or loss of natural resources resulting from the release or releases which were incurred and paid by the state through the dates indicated in the enclosed Summary Report (Attachment B). Interest shall begin to accrue on the date of

TO ALL PARTIES ON ATTACHMENT A
November 22, 2006
Page 7

the Recipients' receipt of this Demand Letter. A copy of this Demand Letter and the state's cost recovery documentation package has been forwarded under separate cover to each Recipient's legal counsel identified in Attachment A.

TIMING AND FORM OF RESPONSE TO THIS DEMAND LETTER

Attachment A provides a list of the names and addresses of those Recipients that the MDEQ has determined are liable for the Facility under Section 20126 of the NREPA and Section 107 of the CERCLA. This Demand Letter is being sent to each of the Recipients. Each Recipient is encouraged to contact the other Recipients to coordinate a joint response to this Demand Letter. A meeting has been scheduled for Tuesday, December 19, 2006, at 1:00 p.m., for each Recipient or the Recipient's representative to meet with staff of the MDEQ to discuss this Demand Letter. The meeting will be held in the John McCauley Conference Room, located on the 4th Floor of the South Tower of Constitution Hall, 525 West Allegan Street, Lansing, Michigan. Each Recipient is requested to confirm its intent to attend the above meeting by no later than ten days prior to the scheduled meeting date by writing to Ms. Judith Gapp, Enforcement Case Manager, Compliance and Enforcement Section, Remediation and Redevelopment Division (RRD), MDEQ, P.O. Box 30426, Lansing, Michigan 48909, or gappj@michigan.gov; or by telephoning her at 517-373-7402.

Any resolution of liability for matters set forth in this Demand Letter will require the entry of an administrative order by consent (Order) with the state for reimbursement of the state's response activity costs. Enclosed is a copy of the model Order that the MDEQ would require the Recipients to enter to settle this matter. If any Recipient intends to dispute any of the costs contained in the cost recovery documentation package or other claims made by the state in this Demand Letter, the Recipient must provide a detailed list of the specific disputed items and the basis for each dispute within 60 days of receipt of this Demand Letter. If the Recipients agree at the meeting to engage in good faith negotiations with the state to resolve this matter, the MDEQ will provide an additional 60-day period beyond the date of that meeting to negotiate the Order.

Should the parties fail to resolve this matter in accordance with the schedule outlined above, the state will take appropriate action to recover all state-incurred response activity costs, and any accrued interest. Such action may include a lawsuit pursuant to Section 20137 of the NREPA, Section 3115 of Part 31,¹¹ and/or Section 107 of the CERCLA.

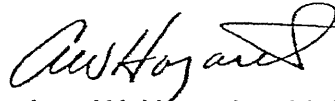
If you wish to review the MDEQ's files on the Facility, please write to Mr. Paul Bucholtz, Project Manager, Superfund Section, RRD, MDEQ, P.O. Box 30426, Lansing, Michigan 48909, or bucholtzp@michigan.gov; or telephone him at 517-373-8174. If you have

¹¹ Part 31, Water Resources Protection, of the NREPA.

TO ALL PARTIES ON ATTACHMENT A
November 22, 2006
Page 8

questions regarding this Demand Letter, please contact Ms. Gapp as noted above, or you may contact me.

Sincerely,



Andrew W. Hogarth, Chief
Remediation and Redevelopment Division
517-335-1104

Enclosures

cc/enc: Ms. Polly A. Synk, Michigan Department of Attorney General
Ms. Patricia A. McKay, MDEQ
Mr. David Kline, MDEQ
Ms. Nanette D. Leemon, MDEQ
Mr. Brian Monroe, MDEQ
Ms. Judith Gapp, MDEQ
Mr. Paul Bucholtz, MDEQ
Ms. Cindy Fairbanks, MDEQ

ATTACHMENT A

Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site
Kalamazoo and Allegan Counties, Michigan

LIST OF RECIPIENTS
RECEIVING THE
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY'S DEMAND
FOR REIMBURSEMENT OF THE STATE'S RESPONSE ACTIVITY COSTS

Millennium Holdings, L.L.C.

Attention: Mr. William M. Landuyt
President and CEO
20 Wight Avenue, Suite 100
Hunt Valley, MD 21030

With copy to:

Ms. Bonnie Allyn Barnett (Counsel)
Drinker Biddle & Reath, LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103-6996

Georgia-Pacific Corporation

Attention: Mr. Joseph W. Moeller, CEO
133 Peachtree Street, NE
P.O. Box 105605
Atlanta, GA 30348-5605

With copy to:

Mr. J. Michael Davis
Principal Counsel
Environmental Law Department
Georgia-Pacific Corporation
133 Peachtree Street, NE
P.O. Box 105605
Atlanta, GA 30348-5605

Weyerhaeuser Company

Attention: Mr. Steven R. Rogel, CEO
33663 Weyerhaeuser Way South
Federal Way, WA 98003

With copy to:

Mr. Joseph P. Jackowski
Senior Legal Counsel
Weyerhaeuser Company
33663 Weyerhaeuser Way South
Federal Way, WA 98003

**SUMMARY REPORT
UNREIMBURSED COSTS**

Allied Paper Inc./Portage Creek/Kalamazoo River Superfund Site

Includes Natural Resource Damage Assessment, Kalamazoo River Dams, 12th Street OU,
and all costs not covered under the Administrative Order by Consent

County KALAMAZOO

Site ID Number 39000051

Project Number 450316-00

Project Number 454181-00/65

Project Numbers 455559-00 and 455560-00

Project Numbers 455097-00 and 455090-65

Total for Employee Salaries and Wages

Period Covered: 5/25/1991 through 12/31/2005

\$552,259.52

Indirect Dollars

\$101,862.06

\$654,121.58

Total for Employee Travel Expenses

Period Covered: 12/21/1991 through 12/31/2005

\$24,900.59

Total for Contractual Expenses

Period Covered: 3/5/1993 through 12/31/2005

\$7,176,386.84

Total for Miscellaneous Expenses

Period Covered: 3/8/1995 through 12/31/2005

\$132,755.84

Total for DNR/DEQ Laboratory Expenses

Period Covered: 8/31/1993 through 10/18/1999

\$12,796.07

Attorney General Expenses

Period Covered: 11/1/1998 through 12/31/2005

\$190,433.35

Unidentified Unreimbursed Costs from Invoice 11

Period Covered: 1/1/2001 through 12/31/2001

\$140,000.00

Total Combined Expenses for Site

\$8,331,394.27

Run Date 10/18/06

ATTACHMENT C

Response Activity Cost Summary Report

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
REMEDATION AND REDEVELOPMENT DIVISIONDate: 10/31/2007
Source: ERNIE
Page: 1 of 1

Cost Recovery Summary Report - Combined

Site Name: Allied Paper/Portage Crk/Kalamazoo River

County: Kalamazoo

Site ID: 39000051

Packages: 450316-00	Allied Paper (AP/PC/KR) Non AOC Costs: Non Inv 16, Non Inv 17a
454181-65	Allied Paper (AP/PC/KR) AOC Costs: Inv 17a
454181-65	Allied Paper (AP/PC/KR) Non AOC 65 Ph: Non Inv 16, Non Inv 17a
455559-00	Allied Paper - Kalamazoo River Dams: Update 1

Total for Employee Salaries and Wages		
Period Covered: 01/01/2006 - 07/14/2007	\$122,259.68	
Indirect Dollars	\$15,483.41	
Sub-Total		\$137,743.09
Total for Employee Travel Expenses		
Period Covered: 01/01/2006 - 07/14/2007		\$3,513.85
Contractual Expenses		
Camp Dresser & McKee (Y05098)		
Period Covered: 02/24/2006 - 08/02/2007	\$290,127.01	
Bio-Chem Environmental Analytical Labora (Y03090)		
Period Covered: 04/11/2006 - 04/12/2007	\$205,191.12	
Contract Sub-Total		\$495,318.13
Total for Miscellaneous Expenses		
Period Covered: 09/14/2002 - 07/14/2007		\$848.42
MDNR/MDEQ Lab		
Period Covered:		\$0.00
Total for MDPH/Community Health Expenses		
Alternate Water Supply		
Period Covered:	\$0.00	
Bottled Water		
Period Covered:	\$0.00	
MDPH/MDCH Lab		
Period Covered:	\$0.00	
Sub-Total		\$0.00
Attorney General Expenses		
Period Covered: 01/31/2006 - 08/31/2007		\$69,903.00
Other Expenses		
Period Covered:		\$0.00
Sub-Total		\$707,326.49
Interest Calculated from through		\$0.00
Total Combined Expenses for Site and Interest		\$707,326.49
Run Date 10/29/2007		

ATTACHMENT D

Natural Resource Damage Assessment Cost Summary Report

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
REMEDATION AND REDEVELOPMENT DIVISION

Date: 10/29/2007

Source: ERNIE

Page: 1 of 1

Cost Recovery Summary Report - Combined

Site Name: Allied Paper/Portage Crk/Kalamazoo Rive

County: Kalamazoo

Site ID: 39000051

Packages: 450316-00

Allied Paper (AP/PC/KR) NRDA: Updt 4, Updt2007a

Total for Employee Salaries and Wages		
Period Covered: 01/01/2006 - 07/14/2007	\$58,717.49	
Indirect Dollars	\$7,499.15	
Sub-Total		\$66,216.64
Total for Employee Travel Expenses		
Period Covered: 01/01/2006 - 12/31/2006		\$137.04
Contractual Expenses		
Period Covered:	\$0.00	
Contract Sub-Total		\$0.00
Total for Miscellaneous Expenses		
Period Covered: 01/01/2006 - 12/31/2006		\$20.00
MDNR/MDEQ Lab		
Period Covered:		\$0.00
Total for MDPH/Community Health Expenses		
Alternate Water Supply		
Period Covered:	\$0.00	
Bottled Water		
Period Covered:	\$0.00	
MDPH/MDCH Lab		
Period Covered:	\$0.00	
Sub-Total		\$0.00
Attorney General Expenses		
Period Covered: 02/28/2006 - 12/31/2006		\$8,775.00
Other Expenses		
Period Covered:		\$0.00
Sub-Total		\$75,148.68
Interest Calculated from through		\$0.00
Total Combined Expenses for Site and Interest		\$75,148.68

Run Date 10/29/2007

ATTACHMENT C

Summary of MDEQ's Response Activity Costs to be Forgiven, Appendix 3 of the
Administrative Settlement Agreement and Order on Consent for Removal Action
Docket No. V-W-'07-C-863, Effective February 21, 2007

APPENDIX 3

Summary of MDEQ's Response Activity Costs to be Forgiven

The costs identified below were incurred in association with the Allied Paper Inc./Portage Creek/Kalamazoo River Superfund Site and were deferred from recovery under the 1990 RI/FS AOC entered into by MHLLC, GP, and the State, or their predecessors. These costs will be forgiven from any future cost demand that may be issued by the MDEQ pursuant to Paragraph 6(a)(i) of the Plainwell Settlement AIP:

Period Covered	Amount Invoiced	Amount Deferred	Amount to be Forgiven
1991	\$ 105,928.34	\$ 7,500.21	\$ 7,500.21
1992	\$ 200,052.16	\$ 0.00	\$ 0.00
1993	\$ 235,523.71	\$ 0.00	\$ 0.00
1994	\$ 777,684.33	\$ 0.00	\$ 0.00
1995	\$ 308,049.80	\$ 4,281.60	\$ 4,281.60
1996	\$ 285,585.39	\$ 0.00	\$ 0.00
1997	\$ 261,477.98	\$ 0.00	\$ 0.00
1998	\$ 180,962.51	\$ 0.00	\$ 0.00
1999	\$1,236,854.54	\$ 617,656.60	\$ 499,768.88 ¹
2000	\$2,550,650.00	\$ 258,559.38	\$ 258,559.38
2001	\$2,554,966.98	\$ 729,889.93	\$ 729,889.93
		TOTAL	\$1,500,000.00

¹ The amount of \$499,767.89 consists of CDM contractual costs as follows: \$388,877.97 incurred in performing response activities associated with non-dam related activities and \$160,890.91 incurred in conducting response activities related to the evaluation of the dams.

ATTACHMENT D

Pre-2006 Natural Resource Damage Assessment Cost Summary Report

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
REMEDATION AND REDEVELOPMENT DIVISION

Date: 08/31/2007

Source: ERNIE

Cost Recovery Summary Report - Combined

Page: 1 of 1

Site Name: Allied Paper/Portage Crk/Kalamazoo Rive

County: Kalamazoo

Site ID: 39000051

Packages: 450316-00

Allied Paper (AP/PC/KR) NRDA: Original, Updt 1, Updt 2, Updt 3

Total for Employee Salaries and Wages		
Period Covered: 05/25/1991 - 12/31/2005	\$184,005.91	
Indirect Dollars	\$33,010.76	
Sub-Total		\$217,016.67
Total for Employee Travel Expenses		
Period Covered: 12/21/1991 - 10/25/2005		\$783.58
Contractual Expenses		
MICHIGAN STATE UNIVERSITY (MSU001)		
Period Covered: 03/05/1993 - 07/19/1995	\$277,500.00	
Camp Dresser & McKee (GA7586)		
Period Covered: 10/31/1993 - 11/13/1998	\$310,150.98	
MICHIGAN STATE UNIVERSITY (DNR-FISH)		
Period Covered: 05/25/1994 - 07/29/1994	\$71,856.00	
DLZ/SEG (Y50368)		
Period Covered: 10/20/1995 - 09/15/2003	\$805,813.91	
MICHIGAN STATE UNIVERSITY (MSU002)		
Period Covered: 07/13/2001 - 07/13/2001	\$24,840.56	
Stratus Consulting, Inc (Y04161)		
Period Covered: 10/06/2004 - 07/11/2005	\$50,717.00	
Contract Sub-Total		\$1,540,878.45
Total for Miscellaneous Expenses		
Period Covered: 03/08/1995 - 09/20/2005		\$27,494.10
MDNR/MDEQ Lab		
Period Covered:		\$0.00
Total for MDPH/Community Health Expenses		
Alternate Water Supply		
Period Covered:	\$0.00	
Bottled Water		
Period Covered:	\$0.00	
MDPH/MDCH Lab		
Period Covered:	\$0.00	
Sub-Total		\$0.00
Attorney General Expenses		
Period Covered: 05/31/2000 - 12/31/2005		\$91,057.50
Other Expenses		
Period Covered:		\$0.00
Sub-Total		\$1,877,230.30
Interest Calculated from through		\$0.00
Total Combined Expenses for Site and Interest		\$1,877,230.30
Run Date 03/27/2006		

ATTACHMENT E

Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site General Map

Lake Michigan

ALLEGAN COUNTY

Allied Paper/
Portage Creek/
Kalamazoo River
Superfund Site

Saugatuck
Douglas

Allegan Dam

Allegan City Dam

Trowbridge Dam

Otsego Dam

Otsego City Dam

Plainwell Dam

Plainwell Paper Mill

Otsego
Plainwell

OU4:

12th Street Landfill

OU3:

King Highway Landfill

OU2:

Willow Blvd./A-Site Landfill

OU1:

Allied Paper Landfill

Former Hawthorne Mill and
Georgia Pacific Kalamazoo Mill

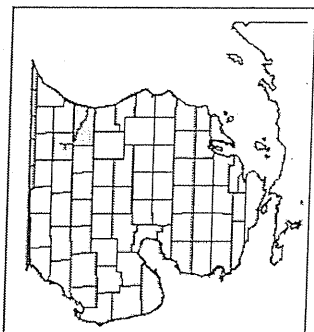
Morrow Dam

Kalamazoo

Allied Paper Mill

Portage Creek

KALAMAZOO COUNTY



20

0

20

40 Miles

ATTACHMENT F

Response Activity Costs January 1, 2006 – End Dates Shown

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
REMEDATION AND REDEVELOPMENT DIVISION

Date: 10/31/2007

Source: ERNIE

Cost Recovery Summary Report - Combined

Page: 1 of 1

Site Name: Allied Paper/Portage Crk/Kalamazoo Rive

County: Kalamazoo

Site ID: 39000051

Packages: 450316-00	Allied Paper (AP/PC/KR) Non AOC Costs: Non Inv 16, Non Inv 17a
454181-65	Allied Paper (AP/PC/KR) AOC Costs: Inv 17a
454181-65	Allied Paper (AP/PC/KR) Non AOC 65 Ph: Non Inv 16, Non Inv 17a
455559-00	Allied Paper - Kalamazoo River Dams: Update 1

Total for Employee Salaries and Wages

Period Covered: 01/01/2006 - 07/14/2007

\$122,259.68

Indirect Dollars

\$15,483.41

Sub-Total

\$137,743.09

Total for Employee Travel Expenses

Period Covered: 01/01/2006 - 07/14/2007

\$3,513.85

Contractual Expenses

Camp Dresser & McKee (Y05098)

Period Covered: 02/24/2006 - 08/02/2007

\$290,127.01

Bio-Chem Environmental Analytical Labora (Y03090)

Period Covered: 04/11/2006 - 04/12/2007

\$205,191.12

Contract Sub-Total

\$495,318.13

Total for Miscellaneous Expenses

Period Covered: 09/14/2002 - 07/14/2007

\$848.42

MDNR/MDEQ Lab

Period Covered:

\$0.00

Total for MDPH/Community Health Expenses

Alternate Water Supply

Period Covered:

\$0.00

Bottled Water

Period Covered:

\$0.00

MDPH/MDCH Lab

Period Covered:

\$0.00

Sub-Total

\$0.00

Attorney General Expenses

Period Covered: 01/31/2006 - 08/31/2007

\$69,903.00

Other Expenses

Period Covered:

\$0.00

Sub-Total

\$707,326.49

Interest Calculated from through

\$0.00

Total Combined Expenses for Site and Interest

\$707,326.49

Run Date 10/29/2007

ATTACHMENT G

Supplemental Cost Summary Report for Natural Resource Damage Assessment Costs

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
REMEDATION AND REDEVELOPMENT DIVISION

Date: 10/29/2007
Source: ERNIE
Page: 1 of 1

Cost Recovery Summary Report - Combined

Site Name: Allied Paper/Portage Crk/Kalamazoo Rive

County: Kalamazoo

Site ID: 39000051

Packages: 450316-00 Allied Paper (AP/PC/KR) NRDA: Updt 4, Updt2007a

Total for Employee Salaries and Wages		
Period Covered: 01/01/2006 - 07/14/2007	\$58,717.49	
Indirect Dollars	\$7,499.15	
Sub-Total		\$66,216.64
Total for Employee Travel Expenses		
Period Covered: 01/01/2006 - 12/31/2006		\$137.04
Contractual Expenses		
Period Covered:	\$0.00	
Contract Sub-Total		\$0.00
Total for Miscellaneous Expenses		
Period Covered: 01/01/2006 - 12/31/2006		\$20.00
MDNR/MDEQ Lab		
Period Covered:		\$0.00
Total for MDPH/Community Health Expenses		
Alternate Water Supply		
Period Covered:	\$0.00	
Bottled Water		
Period Covered:	\$0.00	
MDPH/MDCH Lab		
Period Covered:	\$0.00	
Sub-Total		\$0.00
Attorney General Expenses		
Period Covered: 02/28/2006 - 12/31/2006		\$8,775.00
Other Expenses		
Period Covered:		\$0.00
Sub-Total		\$75,148.68
Interest Calculated from through		\$0.00
Total Combined Expenses for Site and Interest		\$75,148.68

Run Date 10/29/2007

ATTACHMENT H

October 31, 2007 Supplement to the November 22, 2006 Cost Demand Letter



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



STEVEN E. CHESTER
DIRECTOR

October 31, 2007

OVERNIGHT MAIL

TO ALL PARTIES ON THE ATTACHED LIST (ATTACHMENT A)

SUBJECT: Supplement to the November 22, 2006 Demand Letter for the Reimbursement of State Costs, Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site, Kalamazoo and Allegan Counties Site ID No. 39000051

This supplement to the November 22, 2006 Demand Letter (Attachment B) previously sent to the recipients of this letter (Recipients) serves as an additional notification by the Michigan Department of Environmental Quality (MDEQ) to the Recipients of the Recipients' legal responsibility relating to the release or threatened release of hazardous substances on or emanating from the Allied Paper, Inc./Portage Creek/Kalamazoo River National Priorities List (NPL) site (Site), located in Kalamazoo and Allegan Counties, Michigan. The November 22, 2006 Demand Letter, was sent to all the Recipients of this supplement to the November 22, 2006 Demand Letter and included the demand by the MDEQ for its unreimbursed costs through December 31, 2005. This supplement to the Demand Letter includes the demand by the MDEQ for its unreimbursed costs from January 1, 2006, through the dates in 2007 shown on the attached Response Activity Cost Summary Report and Natural Resource Damage Assessment Cost Summary Report (Attachments C and D, respectively).

For purposes of including the Site on the NPL, the Site was described as an Allied Paper, Inc. (Allied Paper), property in Kalamazoo, Kalamazoo County, Michigan; a 3-mile stretch of Portage Creek from Cork Street just above the Bryant Mill Pond in Kalamazoo to the confluence of Portage Creek with the Kalamazoo River; and an approximately 80-mile stretch of the Kalamazoo River, from Morrow Dam to Lake Michigan, including the adjacent floodplains, wetlands, and in-stream sediments.

The Site is known to contain concentrations of hazardous substances, including polychlorinated biphenyls (PCBs), that exceed the cleanup criteria of Section 20120a(1)(a) or (17) of Part 201¹ or the cleanup criteria for unrestricted residential closure under Part 213.² Any area of the Site where a hazardous substance, in concentrations that exceed these requirements or criteria, has been released, deposited, disposed of, or otherwise has come to be located; and any other area, place, or property where a hazardous substance, in concentrations that exceed these

¹ Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), MCL 324.20101 *et seq.*

² Part 213, Leaking Underground Storage Tanks, of the NREPA, MCL 324.21301 *et seq.*

requirements or criteria, comes to be located as a result of the migration of a hazardous substance from the Site (collectively, the Facility), constitutes a "facility" that is regulated under Part 201 and other State of Michigan (state) laws and regulations, and the CERCLA³ and other federal laws and regulations. State law authorizes the MDEQ to use state funds to undertake response activities at a facility that are necessary to protect public health, safety, or welfare, or the environment; and to conduct natural resource damage assessments (NRDAs) for the purpose of determining the value of the injury to, destruction of, or loss of natural resources, including the reasonable costs of assessing the injury, destruction, or loss resulting from the release. The state has spent, and is continuing to spend, state funds to perform response activities and an NRDA for the Facility.

This supplement to the Demand Letter requires the Recipients to commit, in the form of a legally binding agreement, to reimburse past and future response activity costs incurred by the state for responding to the release or threatened release of hazardous substances at the Facility.

If any Recipient fails to voluntarily resolve the matters set forth in this demand with the state, the state will pursue any legal remedies available under state and federal laws. Pursuant to the agreement⁴ between the United States Environmental Protection Agency (USEPA) and the MDEQ, the performance of future response activities at the Site, with the exception of operable unit 3 (OU3) is under the lead authority of the USEPA and therefore is not a subject of this demand. Georgia-Pacific LLC (Georgia-Pacific) is implementing response activities at OU3 in accordance with the record of decision (ROD) and the Administrative Order by Consent for Response Activity, MDEQ Reference No. AOC-ERD-99-010, entered between Georgia-Pacific and the state on February 8, 2000 (2000 AOC). The 2000 AOC also provides for the reimbursement of the state's oversight costs; therefore, the performance of response activities and reimbursement of the state response activity costs associated with OU3 is not a subject of this demand. Damages for the injury to, destruction of, or loss of natural resources resulting from the releases of hazardous substances at the Site are not a subject of this demand, and will be recovered under a separate action to be taken in conjunction with the other state and federal natural resource trustees. The MDEQ is also requesting that the Recipients enter into a tolling agreement regarding the costs incurred by the state in conducting the NRDA activities so that this issue may be resolved at a later date in conjunction with the other federal and state natural resource trustees.

³ Comprehensive Environmental Response, Compensation, and Liability Act, 1980 PL 96-510, as amended (CERCLA), 42 USC Section 9607 *et seq.*

⁴ The July 9, 2002, Revised Site-Specific Amendment to the Enforcement Agreement for State Enforcement Lead Sites in Michigan Under the Superfund Memorandum of Agreement.

SUMMARY OF SITE HISTORY AND RESPONSE ACTIVITIES

A summary of the Site's history and response activities was included in the November 22, 2006 Demand Letter. The details included in that letter are incorporated into this letter by reference.

IDENTIFICATION OF PERSONS WHO ARE LIABLE

The November 22, 2006 Demand Letter put forth the MDEQ position that each of the Recipients is liable at the Facility under both Section 107 of the CERCLA for the state removal and remedial action costs and Section 20126 of the NREPA for the state response activity costs. In addition, that letter put forth the position of the MDEQ that the Recipients are liable under both the CERCLA and the NREPA for damages for the injury, destruction of, or loss of natural resources, including the reasonable costs of assessing such injury, destruction, or loss. The details included in that letter regarding liability are incorporated into this letter by reference.

DEMAND FOR PAYMENT OF COSTS

The MDEQ hereby demands payment from the Recipients in the additional amount of Seven Hundred Eighty-two Thousand Four Hundred Seventy-five and 17/100 Dollars (\$782,475.17) as well as any costs that the state continues to incur, and any accrued interest. This amount includes response activity costs and the costs of assessing the injury to, destruction of, or loss of natural resources resulting from the release or releases which were incurred and paid by the state through the dates indicated in the attached "Summary Reports" (Attachments C and D).

Interest shall begin to accrue on the date of the Recipients' receipt of this Demand Letter. A copy of this Demand Letter and the state cost recovery documentation package has been forwarded under separate cover to each Recipient's legal counsel identified in Attachment A.

TIMING AND FORM OF RESPONSE TO THIS DEMAND LETTER

Attachment A provides a list of the names and addresses of those Recipients that the MDEQ has determined are liable for the Facility under Section 20126 of the NREPA and Section 107 of the CERCLA. This supplement to the Demand Letter is being sent to each of the Recipients. Each Recipient is encouraged to contact the other Recipients to coordinate a joint response to this supplement to the Demand Letter. Because the state is already engaged in negotiations with the Recipients regarding the November 22, 2006 Demand Letter, the MDEQ is requesting that the Recipients contact Ms. Polly Synk, Assistant Attorney General, Michigan Department of Attorney General (MDAG), at 517- 373-7540, to discuss the contents of this letter and the associated cost

TO ALL PARTIES ON ATTACHMENT A
October 31, 2007
Page 4

documentation in conjunction with ongoing negotiations regarding the November 22, 2006 Demand Letter. The MDEQ is seeking to resolve the costs identified in this supplement to the Demand Letter in an expeditious manner and is seeking to initiate resolution of this cost demand through the requested call.

Any resolution of liability for matters set forth in this supplement to the Demand Letter will require entry into a settlement (Settlement) with the state for reimbursement of the response activity costs incurred by the state. If the Recipients agree in its discussions with Ms. Polly Synk to put forth a good faith offer within 10 days of receipt of this letter and to engage in good faith negotiations with the state to resolve this matter, the MDEQ will provide an additional 14-day period beyond the date of that discussion to negotiate the Settlement.

Should the parties fail to resolve this matter in accordance with the schedule outlined above, the state will take appropriate action to recover all state-incurred response activities costs, natural resource damage assessment costs, and any accrued interest. Such action may include a lawsuit pursuant to Sections 20137 of the NREPA and Section 3115 of Part 31,⁵ and/or Section 107 of the CERCLA.

If you have questions regarding this supplement to the Demand Letter, please contact me.

Sincerely,



Brian Monroe, Chief
Redevelopment and Enforcement Support Unit
Compliance and Enforcement Section
Remediation and Redevelopment Division
517-373-7508

Enclosures

cc/enc: Ms. Polly A. Synk, Michigan Department of Attorney General
Mr. Andrew W. Hogarth, MDEQ
Ms. Patricia A. McKay, MDEQ
Ms. Daria W. Devantier, MDEQ
Ms. Nanette D. Leemon, MDEQ
Ms. Judith Gapp, MDEQ
Mr. Paul Bucholtz, MDEQ
Ms. Michelle Stratz, MDEQ
Ms. Lynne McGarry, MDEQ

⁵ Part 31, Water Resources Protection, of the NREPA.

ATTACHMENT A

Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site
Kalamazoo and Allegan Counties, Michigan

**LIST OF RECIPIENTS
RECEIVING THE
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY'S SUPPLEMENTAL
DEMAND
FOR REIMBURSEMENT OF THE STATE'S RESPONSE ACTIVITY COSTS**

Millennium Holdings, L.L.C.

Attention: Mr. William M. Landuyt
President and CEO
20 Wight Avenue, Suite 100
Hunt Valley, MD 21030

With copy to:

Ms. Bonnie Allyn Barnett (Counsel)
Drinker Biddle & Reath, LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103-6996

Georgia-Pacific LLC

Attention: Mr. Joseph W. Moeller, CEO
133 Peachtree Street, NE
P.O. Box 105605
Atlanta, GA 30348-5605

With copy to:

Mr. J. Michael Davis
Principal Counsel
Environmental Law Department
Georgia-Pacific Corporation
133 Peachtree Street, NE
P.O. Box 105605
Atlanta, GA 30348-5605

Weyerhaeuser Company

Attention: Mr. Steven R. Rogel, CEO
33663 Weyerhaeuser Way South
Federal Way, WA 98003

With copy to:

Mr. Mark W. Schneider
Attorney at Law
Perkins Coie LLP
1201 Third Avenue, Suite 4800
Seattle, WA 98101-3099

ATTACHMENT B

Demand Letter Dated November 22, 2006



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



STEVEN E. CHESTER
DIRECTOR

November 22, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL PARTIES ON THE ATTACHED LIST (ATTACHMENT A)

SUBJECT: Demand Letter for the Reimbursement of State Costs, Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site, Kalamazoo and Allegan Counties; Site ID No. 39000051

This Demand Letter serves as the Michigan Department of Environmental Quality's (MDEQ's) formal notification to the recipients of this letter (Recipients) of the Recipients' legal responsibility relating to the release or threatened release of hazardous substances on or emanating from the Allied Paper, Inc./Portage Creek/Kalamazoo River National Priorities List (NPL) site (Site), located in Kalamazoo and Allegan Counties, Michigan. For purposes of including the Site on the NPL, the Site was described as an Allied Paper, Inc. (Allied Paper), property in Kalamazoo, Kalamazoo County, Michigan; a 3-mile stretch of Portage Creek from Cork Street just above the Bryant Mill Pond in Kalamazoo to the Portage Creek's confluence with the Kalamazoo River; and an approximately 80-mile stretch of the Kalamazoo River, from Morrow Dam to Lake Michigan, including the adjacent floodplains, wetlands, and in-stream sediments.

The Site is known to contain concentrations of hazardous substances, including polychlorinated biphenyls (PCBs), that exceed the residential cleanup criteria of Section 20120a(1)(a) or (17) of Part 201¹ or the cleanup criteria for unrestricted residential closure under Part 213.² Any area of the Site where a hazardous substance, in concentrations that exceed these requirements or criteria, has been released, deposited, disposed of, or otherwise has come to be located; and any other area, place, or property where a hazardous substance, in concentrations that exceed these requirements or criteria, comes to be located as a result of the migration of a hazardous substance from the Site (collectively, the Facility), constitutes a "facility" that is regulated under Part 201 and other State of Michigan (state) laws and regulations, and the CERCLA³ and other federal laws and regulations. Since the Site's original listing on the NPL, seven operable units (OUs) have been identified within the Site for response action. The OUs include: the Allied Paper Landfill (OU1); the Willow Boulevard/A-Site

¹ Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), MCL 324.20101 *et seq.*

² Part 213, Leaking Underground Storage Tanks, of the NREPA, MCL 324.21301 *et seq.*

³ Comprehensive Environmental Response, Compensation, and Liability Act, 1980 PL 96-510, as amended (CERCLA), 42 USC Section 9601 *et seq.*

TO ALL PARTIES ON ATTACHMENT A

November 22, 2006

Page 2

Landfill (OU2); the King Highway Landfill (OU3); the 12th Street Landfill (OU4); 80 miles of the Kalamazoo River, including a 3-mile stretch of Portage Creek (OU5); the Georgia-Pacific Kalamazoo Mill and former Hawthorne Mill Properties (OU6); and the Plainwell Mill Property (OU7). State law authorizes the MDEQ to use state funds to undertake response activities at a facility that are necessary to protect public health, safety, or welfare, or the environment; and to conduct natural resource damage assessments (NRDAs) for the purpose of determining the value of the injury to, destruction of, or loss of natural resources, including the reasonable costs of assessing the injury, destruction, or loss resulting from the release. The state has spent, and is continuing to spend, state funds to perform response activities and an NRDA for the Facility.

This Demand Letter requires the Recipients to commit, in the form of a legally binding agreement, to reimburse past and future response activity costs incurred by the state for responding to the release or threatened release of hazardous substances at the Facility and to reimburse the state's past costs incurred in conducting NRDA activities. If any Recipient fails to voluntarily resolve the matters set forth in this demand with the state, the state will pursue any legal remedies available under state and federal laws. Pursuant to the agreement⁴ between the United States Environmental Protection Agency (USEPA) and the MDEQ, the performance of future response activities at the Site, with the exception of OU3, is under the lead authority of the USEPA and therefore is not a subject of this demand. The Georgia-Pacific Corporation (Georgia-Pacific) is implementing response activities at OU3 in accordance with the record of decision (ROD) and the Administrative Order by Consent for Response Activity, MDEQ Reference No. AOC-ERD-99-010, entered between Georgia-Pacific and the state on February 8, 2000 (2000 AOC). This AOC also provides for the reimbursement of the state's oversight costs; therefore, the performance of response activities and reimbursement of the state's response activity costs associated with OU3 is not a subject of this demand. Damages for the injury to, destruction of, or loss of natural resources resulting from the releases of hazardous substances at the Site are not a subject of this demand, and will be recovered under a separate action to be taken in conjunction with the federal natural resource trustees.

SUMMARY OF SITE HISTORY AND RESPONSE ACTIVITIES

Information available concerning the paper industry documents that carbonless copy paper manufactured between 1954 and 1971 contained PCBs as an ink carrier or solvent. Paper mills that are or were historically located within the Site and are documented to have recycled PCB-containing carbonless copy paper as raw paper stock include: the Monarch, Bryant, and King Mills, which were owned and operated by the Allied Paper Company; the Simpson Plainwell Mill, which was owned and operated

⁴ The July 9, 2002, Revised Site-Specific Amendment to the Enforcement Agreement for State Enforcement Lead Sites in Michigan Under the Superfund Memorandum of Agreement.

TO ALL PARTIES ON ATTACHMENT A

November 22, 2006

Page 3

at various times by the Michigan Paper Company, Hamilton Paper Company, Weyerhaeuser Company, Plainwell Paper Company, Inc., Simpson Plainwell Paper Company, Inc., Plainwell Paper Company, and Plainwell, Inc.; the Fort James KVP and the Paperboard Mills, which were owned and operated by the Fort James Corporation and its predecessors, James River, KVP Sutherland Paper Company, and Brown Company; and five mills, which were owned and operated by the Kalamazoo Paper Company and its successor, Georgia-Pacific.

During the de-inking and repulping process, PCBs in the carbonless copy paper were either integrated into the new paper products or became part of the paper companies' waste streams. The process of de-inking and subsequent pulping of the recycled stock would break the structure of the paper containing the PCB-laden dyes. These PCBs were then redistributed throughout the paper recycling process, including the waste streams. Some of the PCBs in the carbonless copy paper, however, remained in the recycled pulp and subsequently were incorporated in the new paper products. Although PCB-use in the manufacturing of carbonless copy paper was discontinued in 1971, the paper recycled by the Kalamazoo area paper companies likely continued to contain PCBs for several years after 1971.

The paper companies disposed of their waste streams by several methods, including direct discharge to the Portage Creek and/or the Kalamazoo River, or placement of the wastes into dewatering lagoons or disposal areas⁵ associated with the mills. Sediment, soil, surface water, and groundwater samples collected at the Site by the MDEQ, the Michigan Department of Natural Resources (MDNR),⁶ the USEPA, and other parties indicate that PCBs are present in concentrations that exceed the Part 201 residential criteria developed pursuant to Section 20120(a)(1) of the NREPA. On August 30, 1990, the Site was included on the NPL. The Site currently includes the paper mills, associated disposal areas, and the OUs identified above.

In 1987, the Michigan Department of Attorney General filed a lawsuit, i.e., *Frank J. Kelley et al. v Allied Paper, Inc., et al.*, File No. L87-89 CA5⁷ in the United States District

⁵ The disposal areas associated with the Site include the Monarch historical residuals dewatering lagoon (HRDL), the Bryant Mill HRDL, the former Bryant Mill Pond, the King Highway Landfill, the Willow Boulevard/A-Site Landfill, and the 12th Street Landfill.

⁶ Environmental functions formally assigned to the MDNR were transferred to the MDEQ by Executive Order 1995-18, effective October 1, 1995.

⁷ This lawsuit is currently known as *Mike Cox et al. v Allied Paper, Inc., et al.*, File No. 5:87-CV-89. The lawsuit was filed under the authority of the CERCLA; the Resource Conservation and Recovery Act, 1976 PL 94-580, as amended (RCRA), 42 USC Section 6901 *et seq.*; the Declaratory Judgment Act, 28 USC Section 2201 *et seq.*; the Toxic Substances Control Act, 15 USC Section 2601 *et seq.*; the Clean Water Act, 33 USC Section 1251 *et seq.*; the Michigan Water Resources Commission Act, 1929 PA 245, as amended, MCL 323.1 *et seq.*; the Michigan Solid Waste Management Act, 1978 PA 641, MCL 299.401 *et seq.*; the Michigan Environmental Protection Act, 1970 PA 127, MCL 691.1201 *et seq.*; the Michigan Environmental Response Act, 1982 PA 307, as amended, MCL 299.601 *et seq.*; and Michigan's Common Law of Nuisance.

TO ALL PARTIES ON ATTACHMENT A

November 22, 2006

Page 4

Court, Western District, Southern Division, against HM Holdings, Inc. (HM Holdings)/Allied Paper, seeking to have the company clean up the Site; pay damages, including the reasonable costs of assessment, for injuries to the state's natural resources; and reimburse the state's cleanup and site-investigation costs. On December 28, 1990, the MDNR and HM Holdings/Allied Paper, Georgia-Pacific, and the Simpson Plainwell Paper Company, Inc., who are collectively referred to as the Kalamazoo River Study Group (KRSB), executed an Administrative Order by Consent (RI/FS⁸ AOC) pursuant to which the companies agreed to conduct RI/FS activities for the Site. Since the execution of the RI/FS AOC, RI/FS activities at the Site have been subject to the terms of the RI/FS AOC. Consequently, the lawsuit has been stayed since 1990 to allow the RI/FS to be conducted, and to allow the regulatory agencies to proceed with remedial decision-making for the Site. The KRSB released the results of its RI/FS for Phase 1 of OU5⁹ to the USEPA and the MDEQ in October 2000. The MDEQ determined the RI/FS for Phase 1 of OU5 to be deficient; therefore, in 2001, the RI/FS was formally rejected by the MDEQ.

Other response activities have also been undertaken at the Site, and settlements that have been entered by the state concerning the Site include:

- OU1, Allied Paper Landfill: Excavation of approximately 150,000 cubic yards of PCB-containing residuals and sediments from the Bryant Mill Pond and consolidation of the residual and sediments within OU1 have occurred. The state's claims for the funding and performance of the Bryant Mill Pond Removal Action and the reimbursement of the state's oversight costs of this removal were resolved upon entry of the Administrative Order by Consent, MDEQ Reference No. AOC-ERD-99-001, effective February 11, 1999, that was entered between Millennium Holdings, Inc.,¹⁰ and the state. Additional response activities undertaken at OU1 include stabilization of the disposal area berms along Portage Creek, construction of a landfill cap over the former residuals dewatering lagoons within OU1, extraction and treatment of groundwater, and implementation of an erosion control plan.
- OU2, Willow Boulevard/A-Site Landfill: Response activities undertaken include installation of sheetpile to stabilize the berm that separates the A-Site from the Kalamazoo River; excavation of PCB-containing sediments from along the western bank of the Willow Boulevard Landfill and the former Olmstead Creek confluence with the Kalamazoo River, and consolidation of the excavated sediments in OU2; and grading and the installation of a

⁸ "RI/FS" means Remedial Investigation/Feasibility Study.

⁹ Phase 1 of OU5 consists of the Kalamazoo River upstream of the Caulkins Dam and the 3-mile stretch of Portage Creek.

¹⁰ Millennium Holdings, L.L.C., is the legal corporate successor to HM Holdings and Allied Paper.

geotextile fabric and 6-inch sand cover over the landfill. The final RI/FS was completed in 2004, and the ROD was issued in September 2006.

- OU3, King Highway Landfill: Response activities include excavation of soils and residuals from the King Street Storm Sewer, King Mill, and King Mill lagoons with consolidation of the excavated soils and residual in the OU3; grading and vegetation of the excavated areas; installation of riprap and sheetpile to stabilize the banks; and capping of OU3. The implementation of certain response activities for OU3 and the reimbursement of the state's oversight costs associated with those response activities are covered under the 2000 AOC.
- OU4, 12th Street Landfill: The RI/FS for OU4 was completed in July 1997, and the ROD was issued on September 28, 2001. The response activity for OU4 is being implemented under the Consent Decree between the USEPA and Weyerhaeuser Corporation that was lodged with the United States District Court on February 22, 2005.
- On May 18, 2005, the United States Bankruptcy Court for the District of Delaware entered a settlement agreement between the United States; the state; Plainwell, Inc.; Plainwell Holding Company; Colonial Heights Packaging, Inc.; Chesapeake Corporation; Phillip Morris USA, Inc.; and Simpson Paper Company, resolving the United States and the state's claims for covered response activity costs and natural resource damages for the Site.

Response activities undertaken by the state to address the release and threat of release of hazardous substances at the Facility include, but are not limited to: (1) performance of an ecological and a human health risk assessment for the purpose of, among other functions, identifying the appropriate cleanup criteria; (2) ongoing implementation of long-term monitoring to establish baseline conditions and to later be able to evaluate the concentrations of PCBs in abiotic and biotic media following completion of remedial activities at the Site; and (3) assessment of the need for and implementation of emergency repairs of the state-owned and nonstate-owned dams as necessary to prevent uncontrolled releases of PCB-contaminated sediments present behind the dams due to failure of the dams. In addition, the state has performed an NRDA in conjunction with federal natural resource trustees.

IDENTIFICATION OF PERSONS WHO ARE LIABLE

Section 107 of the CERCLA provides, among other things, that an owner or operator of a vessel or facility, or any person who at the time of disposal of any hazardous substance owned or operated any facility at which the hazardous substances were disposed of, is liable except as may be provided under certain defenses or exemptions.

Similarly, Section 20126 of the NREPA provides, among other things, that a person who is an owner or operator or was an owner or operator of a facility at the time of disposal and is responsible for an activity causing the release or threat of release is liable, except as may be provided under certain defenses or exemptions.

Based upon corporate records and information available to the MDEQ concerning the ownership and operation of the mills, the MDEQ notified HM Holdings (now known as Millennium Holdings, L.L.C.), Georgia-Pacific, and Simpson Plainwell Paper Company, Inc. (a.k.a. Plainwell Paper Company, Inc., Plainwell Paper Company, and Plainwell, Inc.), by letters dated June 23, 1990, of their status as potentially liable parties. On April 8, 2004, the USEPA issued General Notice of Liability letters pursuant to Section 104(a) of the CERCLA to Millennium Holdings, L.L.C., Georgia-Pacific, and Weyerhaeuser Company. Based upon additional information collected subsequent to the MDEQ's June 23, 1990, notice letters, the MDEQ has determined that Millennium Holdings, L.L.C. (now owned by Lyondell Chemical Corporation), Georgia-Pacific (now an indirect, wholly-owned subsidiary of Koch Industries, Inc.), and Weyerhaeuser Company are liable under Section 20126 of the NREPA and Section 107(a) of the CERCLA as owners and/or operators.

Pursuant to Section 20126a of the NREPA, each person who is liable for a facility is jointly and severally liable for: (1) all response activity costs lawfully incurred by the state related to the selection and performance of response activity under Part 201; and (2) damages for the full value of injury to, destruction of, or loss of natural resources, including the reasonable costs of assessing the injury, destruction, or loss resulting from the release. Section 107(a) of the CERCLA similarly provides for such joint and several liability for all removal and remedial action costs incurred by the state not inconsistent with the national contingency plan and for damages for injury to, destruction of, or loss of natural resources, including the reasonable costs of assessing such injury, destruction, or loss resulting from such a release. Furthermore, Section 20129(2) of the NREPA states that if two or more persons are liable for an indivisible harm that results in response activity costs or damages for injury to, destruction of, or loss of natural resources, each person is subject to liability for the entire harm, including all costs for response activities lawfully incurred by the state. Likewise, the CERCLA imposes joint and several liability when the resultant harm is indivisible. Such persons may also be liable for a facility under other applicable state and federal laws.

DEMAND FOR PAYMENT OF COSTS

The MDEQ hereby demands payment from the Recipients in the amount of \$8,331,394.27 as well as any costs that the state continues to incur, and any accrued interest. This amount includes response activity costs and the costs of assessing the injury to, destruction of, or loss of natural resources resulting from the release or releases which were incurred and paid by the state through the dates indicated in the enclosed Summary Report (Attachment B). Interest shall begin to accrue on the date of

TO ALL PARTIES ON ATTACHMENT A
November 22, 2006
Page 7

the Recipients' receipt of this Demand Letter. A copy of this Demand Letter and the state's cost recovery documentation package has been forwarded under separate cover to each Recipient's legal counsel identified in Attachment A.

TIMING AND FORM OF RESPONSE TO THIS DEMAND LETTER

Attachment A provides a list of the names and addresses of those Recipients that the MDEQ has determined are liable for the Facility under Section 20126 of the NREPA and Section 107 of the CERCLA. This Demand Letter is being sent to each of the Recipients. Each Recipient is encouraged to contact the other Recipients to coordinate a joint response to this Demand Letter. A meeting has been scheduled for Tuesday, December 19, 2006, at 1:00 p.m., for each Recipient or the Recipient's representative to meet with staff of the MDEQ to discuss this Demand Letter. The meeting will be held in the John McCauley Conference Room, located on the 4th Floor of the South Tower of Constitution Hall, 525 West Allegan Street, Lansing, Michigan. Each Recipient is requested to confirm its intent to attend the above meeting by no later than ten days prior to the scheduled meeting date by writing to Ms. Judith Gapp, Enforcement Case Manager, Compliance and Enforcement Section, Remediation and Redevelopment Division (RRD), MDEQ, P.O. Box 30426, Lansing, Michigan 48909, or gappj@michigan.gov; or by telephoning her at 517-373-7402.

Any resolution of liability for matters set forth in this Demand Letter will require the entry of an administrative order by consent (Order) with the state for reimbursement of the state's response activity costs. Enclosed is a copy of the model Order that the MDEQ would require the Recipients to enter to settle this matter. If any Recipient intends to dispute any of the costs contained in the cost recovery documentation package or other claims made by the state in this Demand Letter, the Recipient must provide a detailed list of the specific disputed items and the basis for each dispute within 60 days of receipt of this Demand Letter. If the Recipients agree at the meeting to engage in good faith negotiations with the state to resolve this matter, the MDEQ will provide an additional 60-day period beyond the date of that meeting to negotiate the Order.

Should the parties fail to resolve this matter in accordance with the schedule outlined above, the state will take appropriate action to recover all state-incurred response activity costs, and any accrued interest. Such action may include a lawsuit pursuant to Section 20137 of the NREPA, Section 3115 of Part 31,¹¹ and/or Section 107 of the CERCLA.

If you wish to review the MDEQ's files on the Facility, please write to Mr. Paul Bucholtz, Project Manager, Superfund Section, RRD, MDEQ, P.O. Box 30426, Lansing, Michigan 48909, or bucholtzp@michigan.gov; or telephone him at 517-373-8174. If you have

¹¹ Part 31, Water Resources Protection, of the NREPA.

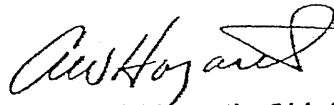
TO ALL PARTIES ON ATTACHMENT A

November 22, 2006

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questions regarding this Demand Letter, please contact Ms. Gapp as noted above, or you may contact me.

Sincerely,



Andrew W. Hogarth, Chief
Remediation and Redevelopment Division
517-335-1104

Enclosures

cc/enc: Ms. Polly A. Synk, Michigan Department of Attorney General
Ms. Patricia A. McKay, MDEQ
Mr. David Kline, MDEQ
Ms. Nanette D. Leemon, MDEQ
Mr. Brian Monroe, MDEQ
Ms. Judith Gapp, MDEQ
Mr. Paul Bucholtz, MDEQ
Ms. Cindy Fairbanks, MDEQ

ATTACHMENT A

Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site
Kalamazoo and Allegan Counties, Michigan

LIST OF RECIPIENTS RECEIVING THE MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY'S DEMAND FOR REIMBURSEMENT OF THE STATE'S RESPONSE ACTIVITY COSTS

Millennium Holdings, L.L.C.
Attention: Mr. William M. Landuyt
President and CEO
20 Wight Avenue, Suite 100
Hunt Valley, MD 21030

With copy to:
Ms. Bonnie Allyn Barnett (Counsel)
Drinker Biddle & Reath, LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103-6996

Georgia-Pacific Corporation
Attention: Mr. Joseph W. Moeller, CEO
133 Peachtree Street, NE
P.O. Box 105605
Atlanta, GA 30348-5605

With copy to:
Mr. J. Michael Davis
Principal Counsel
Environmental Law Department
Georgia-Pacific Corporation
133 Peachtree Street, NE
P.O. Box 105605
Atlanta, GA 30348-5605

Weyerhaeuser Company
Attention: Mr. Steven R. Rogel, CEO
33663 Weyerhaeuser Way South
Federal Way, WA 98003

With copy to:
Mr. Joseph P. Jackowski
Senior Legal Counsel
Weyerhaeuser Company
33663 Weyerhaeuser Way South
Federal Way, WA 98003

SUMMARY REPORT
UNREIMBURSED COSTS

Allied Paper Inc./Portage Creek/Kalamazoo River Superfund Site

Includes Natural Resource Damage Assessment, Kalamazoo River Dams, 12th Street OU,
and all costs not covered under the Administrative Order by Consent

County KALAMAZOO

Site ID Number 39000051

Project Number 450316-00

Project Number 454181-00/65

Project Numbers 455559-00 and 455560-00

Project Numbers 455097-00 and 455090-65

Total for Employee Salaries and Wages

Period Covered: 5/25/1991 through 12/31/2005

\$552,259.52

Indirect Dollars

\$101,862.06

\$654,121.58

Total for Employee Travel Expenses

Period Covered: 12/21/1991 through 12/31/2005

\$24,900.59

Total for Contractual Expenses

Period Covered: 3/5/1993 through 12/31/2005

\$7,176,386.84

Total for Miscellaneous Expenses

Period Covered: 3/8/1995 through 12/31/2005

\$132,755.84

Total for DNR/DEQ Laboratory Expenses

Period Covered: 8/31/1993 through 10/18/1999

\$12,796.07

Attorney General Expenses

Period Covered: 11/1/1998 through 12/31/2005

\$190,433.35

Unidentified Unreimbursed Costs from Invoice 11

Period Covered: 1/1/2001 through 12/31/2001

\$140,000.00

Total Combined Expenses for Site

\$8,331,394.27

ATTACHMENT C

Response Activity Cost Summary Report

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
REMEDATION AND REDEVELOPMENT DIVISIONDate: 10/31/2007
Source: ERNIE
Page: 1 of 1

Cost Recovery Summary Report - Combined

Site Name: Allied Paper/Portage Crk/Kalamazoo Rive

County: Kalamazoo

Site ID: 39000051

Packages: 450316-00	Allied Paper (AP/PC/KR) Non AOC Costs: Non Inv 16, Non Inv 17a
454181-65	Allied Paper (AP/PC/KR) AOC Costs: Inv 17a
454181-65	Allied Paper (AP/PC/KR) Non AOC 65 Ph: Non Inv 16, Non Inv 17a
455559-00	Allied Paper - Kalamazoo River Dams: Update 1

Total for Employee Salaries and Wages		
Period Covered: 01/01/2006 - 07/14/2007	\$122,259.68	
Indirect Dollars	\$15,483.41	
Sub-Total		\$137,743.09
Total for Employee Travel Expenses		
Period Covered: 01/01/2006 - 07/14/2007		\$3,513.85
Contractual Expenses		
Camp Dresser & McKee (Y05098)		
Period Covered: 02/24/2006 - 08/02/2007	\$290,127.01	
Bio-Chem Environmental Analytical Labora (Y03090)		
Period Covered: 04/11/2006 - 04/12/2007	\$205,191.12	
Contract Sub-Total		\$495,318.13
Total for Miscellaneous Expenses		
Period Covered: 09/14/2002 - 07/14/2007		\$848.42
MDNR/MDEQ Lab		
Period Covered:		\$0.00
Total for MDPH/Community Health Expenses		
Alternate Water Supply		
Period Covered:	\$0.00	
Bottled Water		
Period Covered:	\$0.00	
MDPH/MDCH Lab		
Period Covered:	\$0.00	
Sub-Total		\$0.00
Attorney General Expenses		
Period Covered: 01/31/2006 - 08/31/2007		\$69,903.00
Other Expenses		
Period Covered:		\$0.00
Sub-Total		\$707,326.49
Interest Calculated from through		\$0.00
Total Combined Expenses for Site and Interest		\$707,326.49
Run Date 10/29/2007		

ATTACHMENT D

Natural Resource Damage Assessment Cost Summary Report

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
REMEDATION AND REDEVELOPMENT DIVISION

Date: 10/29/2007

Source: ERNIE

Cost Recovery Summary Report - Combined

Page: 1 of 1

Site Name: Allied Paper/Portage Crk/Kalamazoo Rive

County: Kalamazoo

Site ID: 39000051

Packages: 450316-00

Allied Paper (AP/PC/KR) NRDA: Updt 4, Updt2007a

Total for Employee Salaries and Wages		
Period Covered: 01/01/2006 - 07/14/2007	\$58,717.49	
Indirect Dollars	\$7,499.15	
Sub-Total		\$66,216.64
Total for Employee Travel Expenses		
Period Covered: 01/01/2006 - 12/31/2006		\$137.04
Contractual Expenses		
Period Covered:	\$0.00	
Contract Sub-Total		\$0.00
Total for Miscellaneous Expenses		
Period Covered: 01/01/2006 - 12/31/2006		\$20.00
MDNR/MDEQ Lab		
Period Covered:		\$0.00
Total for MDPH/Community Health Expenses		
Alternate Water Supply		
Period Covered:	\$0.00	
Bottled Water		
Period Covered:	\$0.00	
MDPH/MDCH Lab		
Period Covered:	\$0.00	
Sub-Total		\$0.00
Attorney General Expenses		
Period Covered: 02/28/2006 - 12/31/2006		\$8,775.00
Other Expenses		
Period Covered:		\$0.00
Sub-Total		\$75,148.68
Interest Calculated from through		\$0.00
Total Combined Expenses for Site and Interest		\$75,148.68

Run Date 10/29/2007