

KEY PROVISIONS OF THE ADMINISTRATIVE CONSENT ORDER AND BACKGROUND

THE ADMINISTRATIVE CONSENT ORDER

Responsibility for Interim Remedial Measures and Other Ongoing Environmental Work.

Under the terms of the Administrative Consent Order, Sparrows Point Terminal LLC (or “SPT”) will assume responsibility for all ongoing environmental work at the site, which includes all ongoing compliance issues and the following interim remedial measures:

- 6 groundwater remediation cells in the Coke Point area
- A groundwater treatment system at the former Rod and Wire Mill area

Completion of the Site-wide Cleanup. SPT is required to develop and execute approved plans to complete the cleanup of the entire site, including the following areas currently covered under the 1997 federal Consent Decree with MDE and EPA (or the “Agencies”):

- Site-wide groundwater
- The Coke Oven Area
- The Coke Point Landfill
- The Tin Mill Canal/Finishing Mills Area
- Humphreys Impoundment
- The Rod and Wire Mill Area
- Greys Landfill

The goal of the remedial work, which will be performed under MDE’s Voluntary Cleanup Program (VCP), is to achieve a final remedy for the entire site that will lead to: (1) a series of “No further Action” letters for each redevelopment parcel; and (2) a Voluntary Cleanup Program “Certificate of Completion” for the entire site.

Site-wide Phase II Investigation. SPT will submit to the Agencies for review and approval, a site-wide “Phase II” investigation plan to complete any remaining investigation needed to comprehensively characterize any contamination in soil and groundwater prior to redevelopment.

SPT will implement the approved work plan in accordance with a schedule approved by the Agencies and submit a Phase II Report to the Agencies.

Response Action Plan. Following MDE’s approval of the Phase II Report, SPT will submit one or more comprehensive remedial work plans – Response Action Plans – to the Agencies for review and approval to address all identified unacceptable risks for the entire site.

Public Participation Process. The proposed Response Action Plan will be the subject of a public participation process, including a public informational meeting and an opportunity for members of the public to submit comments on the Response Action Plan.

Provision of Financial Assurance. Under the terms of the Consent order, MDE has secured substantial financial assurance in the amount of \$48 million in the form of a \$43 million trust and \$5 million letter of credit from SPT to ensure that the cleanup remains on schedule. Every six months, through an independent engineering firm, SPT will re-evaluate the sufficiency of the financial assurance, and in the event the cleanup is 10% or more over budget, SPT will increase funding to the trust to address the shortfall.

Oversight Costs. The agreement further requires Sparrows Point Terminal LLC to reimburse MDE's oversight and response costs up to \$100,000 per year.

Stipulated Penalties. SPT is subject to stipulated monetary penalties of up to \$5,000 a day for failure to meet any deadlines established in the Consent Order.

Agency Coordination. In order to maximize efficient use of regulatory resources, MDE and EPA have agreed that EPA will assume primary responsibility for implementation of the offshore work in close consultation and cooperation with MDE, while MDE will assume primary responsibility for overseeing implementation of the onshore work in consultation and cooperation with EPA.

BACKGROUND

The Voluntary Cleanup Program. MDE's Voluntary Cleanup Program (VCP) provides a streamlined regulatory process available to inculpable persons – property owners determined not to be responsible for the contamination. The VCP offers certainty regarding environmental requirements and encourages cleanup and redevelopment of contaminated properties. On June 26, 2014, SPT submitted a VCP application for the entire 3,100 acre Sparrows Point property. MDE has determined the SPT is an inculpable person, and therefore eligible for participation in the VCP.

The History of Sparrows Point. The Sparrows Point steelmaking plant and shipyard operations began in the 19th century and became a significant part of Baltimore's history. A 1997 judicial Consent Decree between the then owner, Bethlehem Steel, and MDE and EPA, required Bethlehem Steel to conduct a comprehensive site investigation, implement interim environmental remedial measures and develop a final remedy to address contamination at the site. A series of changes in ownership of the steelmaking facility in recent years has complicated the cleanup process. Steelmaking operations at the site ended in 2012, when RG Steel Sparrows Point LLC, declared bankruptcy. In 2012, Sparrows Point LLC purchased the site from RG Steel through a bankruptcy sale. Sparrows Point Terminal LLC has acquired the site from Sparrows Point LLC.

In recent years, MDE and EPA have increased the pressure on subsequent owners of the site to complete the site assessment and move forward aggressively with a comprehensive site-wide cleanup. Two new treatment systems to address contaminated groundwater have been installed at Coke Point, the most heavily contaminated area of Sparrows Point. In 2011, the Maryland Port Administration conducted an off shore investigation near the Coke Point Peninsula. The

findings of the investigation indicated some ecological impact from steelmaking operations in the immediate area off shore, but no adverse impact on public health. Through litigation in bankruptcy court, the agencies also secured the establishment of a \$500,000 trust to fund further assessment of off-shore contamination.