

CLEAN SITES, INC.

June 19, 1984

To: The Board of Directors
Clean Sites Inc.

From: Charles W. Powers,
President

Board of Directors

Douglas M. Costle
Louis Fernandez
Sandra S. Gardebring
Edwin A. Gee
Donald Kennedy
Joshua Lederberg
Charles W. Powers
William K. Reilly
Henry B. Schacht

Chairman of the Board

Russell E. Train

President

Charles W. Powers

Brand new institutions have a certain sense of unreality to them. I have felt it when responding to an interested press about how many sites Clean Sites has cleaned up while we struggled to get a bank account opened so we could buy stationery. A new board has a similar strangeness. Neither I nor our Chairman, Russell Train, has ever met some of you. I suspect that none of you know every other member. And for many of you, the relatively scant information you have received will have raised as many questions about Clean Sites, Inc. as it has answered.

Three regular members of the new Board (Douglas Costle, Louis Fernandez and William Reilly) and I as an ex officio member were associated with The Conservation Foundation Steering Committee and directly associated with the development of the concepts and ideas which led to the formation of the new corporation. Russell Train agreed to be Chairman of the new Board in early May and was able to review the documents associated with the evolving institution prior to the press conference on May 31. But each of the other five members of the Board (Edwin Gee, Sandra Gardebring, Donald Kennedy, Joshua Lederberg and Henry Schacht) were first contacted about CSI in late May. The initial several weeks have been largely consumed with the very mundane logistical processes of installing the telephone and the word processor on which we are typing this first CSI memo and on the other very rudimentary aspects of creating an organization with some communications and planning capability. But now that we are becoming a functional unit, Russ Train and I want to move as quickly as possible to establish effective communication and to make CSI's a working Board in which all members participate.

One of these elements - providing a regular information flow - is relatively easy now that we can type and copy. I am committed to giving the Board bi-weekly reports until we are well under way. Rapidly-developed and complete minutes of Board meetings will be essential in keeping all members abreast of Board activities. Those efforts begin with this memo and the enclosed materials which provide some background on just what led up to CSI's announcement and to the few decisions taken then for those of you who could not attend the initial meeting.

But the more effective way of getting underway is to get the Board together and that is proving to be difficult. We are now developing a "year-ahead" calendar with your assistants and still hope to find several meeting times this summer so that by fall at the latest all Board members will have participated in a regular Board meeting. Despite some late problems, we are proceeding with a meeting at 8 a.m. on the morning of June 29 (at Rockefeller University in New York). We will probably plan a late July meeting and almost certainly will proceed with a meeting on August 17 (probably in Washington). Mr. Train would like to meet once monthly during the initial months when we will undoubtedly face a number of personnel and policy decisions which will shape CSI's future. And we are likely to need Board subcommittees to deal with specific problem areas.

I. BACKGROUND:

Let me begin with a few words about the May 31 press conference and the attendant first meeting of the corporation. Each of you has received the press package developed by the Conservation Foundation. In Back-up A, we have included the actual statements made by Bill Reilly, Russ Train, Lou Fernandez Doug Costle and Bill Ruckelshaus at the press conference. In Back-up B are included those press clippings which followed the announcement that CF and we have been able to find to this point. It is likely that this packet will grow and we can make an additional mailing of the additions for those of you who are interested. In Back-up C I have also included the resumes of the CSI Board and of Richard Cooper, the lawyer who ably served in helping develop the corporate documents and is serving as Secretary to the Board. These materials constitute the binder entitled Background Materials.

What may not have been clear in the initial press materials was the fact that the new corporation, Clean Sites Inc., was actually born just twenty minutes before it was announced. The steps necessary to assure that the papers were filed were taken in the State of Maryland at about 9:00 and those members of the Board of Directors who were present at the press conference reviewed the attached Articles of Incorporation and the By-laws. The several steps taken at that meeting to assure that CSI would be able to function until an initial regular Board meeting are recorded in the minutes of that meeting and in the description of the resolutions passed. (All of these materials are gathered under Tab I of this binder).

I want to emphasize the by-law provision (Article 19) which provides that the by-laws may be amended by a majority vote of the Board of Directors at any time. That provision for by-law

amendment will undoubtedly need to be made more stringent once we are under way. But it is essential as we try to pull together the strands of this new institution that the by-laws be flexible until they prove to meet our needs and until the whole Board has a chance to feel comfortable with them. If you have any questions about current provisions, let me know and either I or Rich Cooper can explain at least the initial rationale.

INSTITUTIONAL DEVELOPMENT

We are beginning to move ahead with the various logistical steps that will enable us to achieve our mission. We have received initial financial resources, they are in a bank account, we are in temporary quarters and rapidly moving toward securing more permanent ones, we are beginning to put together a plan of action and to get some concept of how to proceed to staff up to turn that plan into action. To support those efforts, we are putting together materials on benefit plans, on insurance, on accounting procedures, etc. As important, we are proceeding with relationships at EPA (both headquarters and at the regional level) and with the relevant industries. Each of these topics has a separate tab in the book.

In the next several pages, I want to walk through each of these areas and describe what I think is happening.

II. Resource Development: Initially, CSI is to be funded by contributions from industry and from foundations. The strategy has been to show a strong chemical industry commitment which is then extended to other industries that generate hazardous waste and then to approach foundations to request support for a very specific piece of CSI activity, probably the Technical Review function where independence of function should probably be matched by some "independent" funding. If EPA ever directly funds any CSI administrative costs, something that the Steering Committee had various views about, then they would probably be used in this same Technical Review area. (Incidentally, in a Steering Committee discussion with Bill Ruckelshaus in March, Ruckelshaus said that EPA would be receptive to proposals that EPA fund some aspects of CSI administrative work once it was up and was proving itself.) Of course, it is likely that as CSI develops, companies who utilize its services will contribute to the operation.

For now, the chemical industry is moving quickly to support half of CSI's costs for the first three years. The materials found under Tab II explain how this process works. The key documents here are the commitment forms on which CMA companies commit on the basis of chemical and chemical product sales. The formula used assumed full support from the chemical industry and

was calculated to yield \$2.5 million in year one, \$3.5 million in year two and \$5 million in year three. These were for CSI operational costs only. You will find a sheet in this section which shows that as of June 11 we had commitment letters assuring CSI first year support of nearly \$.8 million (and additional commitments from companies who committed before they had calculated their formula contributions which should take us to about \$1.3 million). I understand that these commitment forms are still coming in and will have an update for the Board at the meeting.

The second step, support from other industries - or from non-chemical operations of companies who have a chemical industry component - will probably be more complicated. As Lou Fernandez will explain, the three industrial members of the Steering Committee (Lou Fernandez, Bob Forney and Ed Holmer) have organized an effort to work with other industries to follow-up initial meetings which CMA organized to explain CSI to other industry associations.

The approach to foundations needs early work although we have some interesting leads. For my part, I think a compelling case can be made that several foundations should support the early development of a technical review function that eventually warrants 50% funding from public funds. This is obviously a matter to which the Board will want to give early attention since we will want to pursue a consistent strategy in these next months and all CSI supporters will be intensely interested in the other kinds of funding we intend to pursue.

III. Working Group Organization and Budget Suggestions: When it became clear that the Steering Committee was going to recommend the development of an institution like CSI, the Working Group I co-chaired with Eugene McBrayer developed an initial plan for the organization and budget of such an entity. I have included this document in Tab III because it will give you some picture of how the Steering Committee conceived the initial size and shape of the organization. It was this analysis which gave rise to the CMA three-year commitment letter and is providing me a general idea as I search for space. It, combined with the description in the Committee report and in the by-laws, gave rise to some of the job descriptions which are discussed below under Staffing and included in Tab VI. I assume we will review this legacy next week and will want to get the views of those Board members who cannot attend as I assume that the Board can use this document as a good place to begin to formulate its own views.

IV. Relationship to EPA and Others: We should review the various constituencies whose views CSI will need to be consider as we operate. Surely one crucial constituency is EPA. The reports I

get are that EPA is - at all relevant levels - very happy about the Board and the plans for CSI. We will get complete co-operation and I sense already an important respect for what we will be doing and sensitivity to how important the EPA-CSI relationship will be in our mutual goals. This is in part the legacy of the working relationship that Gene McBrayer and I had built with the senior levels in Lee Thomas' shop. But I think that the quality of the Board has dramatically increased this willingness to make CSI work. I have just begun to make contact with the regional EPA officials. (I was able to link a trip to the Coast to a very good meeting with Harry Seraydarian in the Region IX office last week. EPA headquarters is helping us with the Regions who, in turn will be crucial to identifying the sites we choose. Similarly, Gene Lucero helped introduce me and CSI to the Superfund task force of the Association of State and Territorial Solid Waste Management Officials (ATSWMO) this week. It was an excellent way to establish a national linkage (they are setting up formal liaison) and to meet key state people from New York, Minnesota, Oklahoma, Illinois and Ohio. If we can forge good relationships from D.C. back through the regions and the states and with the local communities - and then come the other way as well, we may have an opportunity to open up some bottlenecks.

Because the relationship of EPA activity to CSI's is so crucial, I have included under Tab IV two EPA documents. The first was a work piece written by Eugene Lucero for an early Working Group Seminar (November) during the period when the central issue was how to speed-up voluntary agreements. It provides a very important perspective on the Agency's thinking - and a creative set of suggestions for governmental action which gave rise, then, to a set of corresponding thoughts for private action that finally emerged as CSI. The Agency's most current official thinking about CSI is contained in a letter to Congressman Florio sent on the day of CSI's announcement that was a response to the Congressman's request for clarification about the role of CSI and EPA's plans in relationship to it.

Elsewhere, things are very quiet. There have been many gestures recently to build back a relationship with the full environmental community. My sense is that NWF is working hard to do so and the Chairman may have some additional reactions.

The reaction to the announcement within the chemical industry is something we need to hear from Lou Fernandez, but it was apparently as positive as we hoped it would be.

We hear good reactions from the hill. The one office whose relationship to CSI is ambiguous is Jim Florio's. After the House has finished its work on Superfund we need to work further

on that relationship. It may well be that the Board will have some ideas on this. And my reading of the press clippings is that the media is going to see what happens but is generally hopeful.

All in all, my sense is that we have all the room we need to prove ourselves. And the first place this combination of hope, trust or forbearance begins to be acted out is in the selection of sites. I discuss this below.

V. Office Site Selection: It appears that we have begun to look for space in Washington at a particularly good time. There is a glut on the market. But the process of looking for space forces a lot of issues. What will CSI look like in 12 months, in 36 months, and in five years? Where should it be? Should it all be concentrated or will we eventually want to regionalize the effort? How much of the coalescing work will actually be done right beside the site - and will coalescers need to have any relationship at all with headquarters office? Is there any other place besides Washington? If not, should we actually set up outside Washington?

One thing has become clear in these first three weeks. A hotel suite will function as the CSI home for about a month. At the May 31 meeting, the Board authorized us to move ahead and I have kept the Chairman up to date while moving fairly decisively to both acquire a permanent place (it is crucial that we establish an address) while trying to preserve later options. We assumed that we needed space for between 35-45 people (hopefully with expansion options). We assumed proximity to airports and EPA were central, but that being in the midst of the D. C. with its focus on legislation, etc. was probably not conducive to some of the coalescing activities likely to take place in the offices. Costs there are high as well. We assumed that we needed good temporary lodging access and good local transportation access as well as a good locale for people who would be uprooting families to join CSI for several years. We assumed that we wanted good but not plush space and preferably space that we could design ourselves. We assumed a need for additional conference space that we should not try to include within our own space but the security for which would be very important.

We think we have found the right place. The TransPatomac development in Alexandria is four minutes from National Airport and thirty minutes to Dulles, on the river, right next to a coal pile for PEPCO's generator, one block from both a Ramada and the Old Colony Inn, near communities with various types of housing and in a town with a good and rapidly improving school system. We would be ten minutes by car and twenty minutes by Metro from EPA, could have a full floor (10,000 sq. ft. of usable) on the

4th floor with the likely option for additional space in the masebuilding. The space would be done to our specifications by October and we can have space by July 5 on the first floor. There will be another - more plush - office development going in a block away within the year which will dramatically expand the contiguous retail options, but for now there are restaurants and a travel agency and we would be four minutes by shuttle bus from Old Town, Alexandria. We would pay \$19.50 per sq. ft and are working hard to get several months free rent. There is an extraordinary sense of both close access to and distance from D.C.

I have included information on this site and on one other that looks like a possibility. (It's much further away - Silver Spring - lacks quick access to airports, doesn't have quite the right atmosphere, wouldn't be ready until August and is only 5% cheaper). We will be moving ahead rapidly on the Alexandria site unless someone on the Board sees a problem I haven't discovered. Let me know as soon as possible - before the Board meeting - if you have reservations.

VI. Staffing and Recruitment: At the moment, CSI's staff consists of a single full-time employee (the President), Yvonne Lewis, a manager on a leave of absence from The Conservation Foundation for three months to help us get the office organized and to manage some external relations here at the start, and Genny Izurieta, a temporary clerical and accounting person. How do we get from here to there? The Board gave specific authorization to move ahead to start recruiting and to hire non-officer people.

The task is to get the personnel on Board to begin to operate while making the deliberate choices and experiencing the delays that are inherent in bringing a senior team on Board. My plan is as follows: 1) to get a largely junior group of people (people who will end up in the second or third tier of the three functions) hired and on Board immediately and working on planning, analyzing, securing information, building working level relationships at EPA, in the companies, etc. A sample of such a group is included in Tab VI. I have hired Margaret Glover. I have interviewed both Lauren Ricklin and Richard Stanford. Rick, who is thought to be the most knowledgeable technical person on Superfund, and is developing some extraordinary approaches to data base development that can be immediately applied to our work, will join us from July until October. If we are lucky enough to have NASA turn down a proposal from Planning Resources Corp., then Rick, who is promised as its project director, will be free to stay with us. Additionally, there are two people from industry - Gerry Ungerleider, a project planner from Exxon and Karen Lee Aldridge from DuPont - whose resumes I should have by

next week. This is the sort of team I have in mind; 2) simultaneously, I want to identify several senior people to begin to work with this group in its general task - but not to make specific commitments for specific senior jobs until; 3) I can come the Board with a slate of officers who can begin to build the functions, in accordance with the general plan that is evolving, at approximately the same time. It will be crucial that the three functions be built at about the same time so that the patterns of differentiation and co-operation are worked out among functions of nearly equal strength.

I have several people in mind for the 2) category. These will be people who will be willing to work "without portfolio" on the promise that there will be a long-term major opportunity and that there will be a chance to be in on the ground floor as we develop the plans and first implementation steps. One such person may be Leo Weaver, an executive vice-president at Calgon with extensive experience in water quality management and with waste site control technology who Merck may be willing to "loan" to CSI for two years.

There are a number of possible senior people who have already come to my attention or about whom I know enough to want to know more. Tom Epply at FMC who ably led his own company through a settlement process with the Minnesota Pollution Control Authority and with EPA on the #1 NPL Site; Ben Dysart, an environmental engineering professor from Clemson who is on the EPA Science Advisory Board and is president of NWF; Morton Corn, a professor of public health with engineering expertise who was head of NIOSH, is a member of the EPA Science Advisory Board and has done some excellent early work on waste site epidemiology; and Peter Daley, a man with a doctorate in toxicology who as the head of DOD's environmental program has turned DOD's waste site management effort around. But it is too early yet. I want to make sure that we have seen the full complement of options among industry people and that we have reviewed the hundreds of resumes that have flowed in - directly to CSI or through the offices of Board or Steering Committee members - in recent weeks. I may have a better picture of senior options by next week, but my current preference is to wait until at least the late July meeting of the Board when I could propose a full slate. Obviously we could be forced away from this program by the emergence of a superior senior candidate who needed an immediate answer about a specific job. In that case I would come the Board immediately.

VII. Employee Benefit Planning: We will need a benefits plan before we can actually get far in hiring a staff. I asked Richard Eskin, an employee benefits expert recommended to us by several people, to help us think through this process and after I met with him several times to develop an approach, he prepared the document which appears under Tab VII. The Board may want to

move ahead to authorize this program after it chooses among the options and/or requests some modifications.

VIII. CSI Site Selection: What sites will CSI work on? Will we always start by coalescing multiple party sites? How do we meet the Agency's concern that we not divert it from its plans?

Some of the answers to these questions have been solidified in recent weeks. Originally, CSI planned to work only on sites not on the National Priorities List or not on the list of sites scheduled for remedial action in a given year. The whole logic of that approach has been turned upside down. It now seems clear that we should start with sites that are on the Agency's Remedial Accomplishment Plan or which are about to be put on it. That way, when the Agency expends time in working with us on the initial sites, they will be moving ahead on their plan at the same time - and in that process CSI will be proving that it has the technical competence and knowledge to assure the Agency that any site it recommends for EPA-DOJ oversight is one which can be handled with more rapid oversight while preserving EPA's authority.

In Tab VIII, I have included a characterization of the NPL sites, have included the Agency's Remedial Accomplishments Plan for this year, and have also added a copy of the report on possible sites done for the CF working group last fall. At that time, we were not planning to do RAP sites and we were not planning an insitutuion but only a demonstration project. Nevertheless, I think the memo is instructive.

But where do we go from here on Site Selection? In the letter to sponsors that I included in Tab, II, I asked each of the companies to let us know of sites in which they were involved or of which they knew that are candidates for CSI coalesing activity. Similarly, as indicated in Section IV, we have begun to work closely with EPA and are developing relationships with the EPA regions and with the states to see which sites they identify. A matrix of these sites is being developed for the computer. Finally, some sites will be suggested by local groups or by municipal governments. We have several suggestions already.

IX. General and Future Plans: There is a consensus among those I talk to that Arthur Andersen and Coopers are the best of the big eight companies in providing services to non-profits in D.C. I am going to ask Burt Edwards, a recommended partner, to develop an accounting manual. The Board will want to determine who should become the company's auditors and I will plan to have a recommendation by next Friday. At the moment, it would look like Arthur Andersen.

I look forward to seeing those of you who can attend at the meeting on Friday and to hearing from any of you at any time. This is an extraordinary venture. I get more excited about its prospects the further into it I get and know that CSI has a Board capable of making a very substantial difference in helping the nation resolve this major problem.