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**VIA E-MAIL AND U.S. MAIL**

**FED. R. EVID. 408 COMMUNICATION**

October 28, 2005

David B. McConnell, Esq.  
Perkins, Thompson, Hinckley & Keddy  
P.O. Box 426  
Portland, ME 04112

Re: Neighbors for a Safe Dragon, et al., v. Dragon Products Company, Inc.

Dear David:

I write regarding your written settlement proposal of October 11, 2005. I have reviewed this letter with my clients and provide this letter in response.

**1. Settling the NSD Claims**

From Dragon's perspective, your proposals to settle the NSD claims contain many elements that are unnecessary and redundant with existing plans and policies that are in place.

First, you propose the parties enter into a Consent Agreement that would be endorsed by the Court. Overall, we feel this approach is unnecessary. As you know, Dragon has entered into the Schedule of Compliance with the Maine Department of Environmental Protection (DEP). As part of that agreement, Dragon has installed a cover on the CKD pile. This measure will basically eliminate any potential for dust migration from the CKD pile, as well as have a long-term positive affect on the groundwater and surface water at Dragon's Thomaston facility. In addition to extensive grading that has reduced the height of the pile, the cover also consists of, in part, a layer of topsoil that has been seeded with grass. This will help to make the pile blend in with the surrounding area. These elements have been expressed by NSD to be their primary concerns and these concerns have been successfully dealt with.

You suggest that Dragon commission a third-party study to evaluate property damage that residents believe has been caused by Dragon including cracked foundation walls, contaminated private wells, etc. NSD's claims in this lawsuit and the documents received thus far in discovery from NSD, do not support this request. For instance, discovery documents indicate that all NSD members are on public water supplies not on private wells. DEP inspection reports indicate that Dragon is in compliance with State blasting requirements that are conservatively protective of property damage. Similarly, our understanding of NSD's claims under RCRA, is that no member of NSD (other than the Crosses) is asserting any claim in this litigation for personal injuries or for property damage. As such, an epidemiological study, as suggested in your proposal, is not necessary.

Your proposal also suggests that Dragon confine any contaminated groundwater to the site, that a ground and surface monitoring plan be developed and that analysis of the samples be performed by a qualified third party. In making this request, you were perhaps unaware that Dragon has had an environmental monitoring program in place since 1991. This includes monitoring of ground and surface water with analysis by a Maine-certified, third-party laboratory. These data that are collected are submitted to the DEP for review. The DEP agrees that covering 12-acres of the CKD pile is an appropriate corrective action to address potential ground water impacts. Should additional steps be necessary, Dragon intends to work with the DEP on an appropriate remedial action. You may also be interested to know that Dragon currently collects and pumps leachate back to the plant where it is consumed in the manufacturing process. So, in essence, Dragon has already implemented your proposed pump and treat system.

NSD may also be unaware that Dragon already has systems in place for the control of fugitive dust, that include your suggested outdoor sprinklers, in the form of water sprays, dust control water trucks, as well as a contract street sweeper and many, many dust collectors.

Dragon is continually working with its blasting consultants and suppliers to employ the most advanced blasting techniques. Vibration, air blasts and fly rock may all be considered as waste products that suggest that the energy purchased to break rock was wasted. As such, Dragon has an economic incentive to keep these by-products to a minimum, as well as a regulatory obligation to meet the state blasting standards that, as you know, are more conservative than the federal standard and more protective of property.

As you know, a condition of the Schedule of Compliance is for Dragon to evaluate the reuse of waste clinker and cement kiln dust into the new manufacturing process that was started in June 2004. The reuse of CKD and waster clinker in the cement-making process, will have several beneficial effects. Aside from the obvious effect of reducing or eliminating the waste clinker and CKD piles, reuse also has the added benefit of reducing Dragon's overall emissions, by using less limestone and other raw materials per unit ton of cement produced. Further, using these materials also reduces Dragon's demand on natural resources. I am sure that your group can appreciate these important benefits.

David B. McConnell, Esq.  
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## 2. Settling the Cross Family Claims

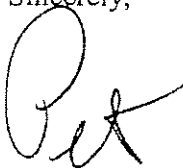
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In short, we feel that recent actions taken by Dragon (most notably the closure of the CKD pile), combined with existing practices within the plant and the Schedule of Compliance with DEP have addressed the concerns expressed by NSD. I am sure that many of your claims and requests in the settlement proposal come from your unfamiliarity with the facility and I hope that this response will give your group the assurance that their concerns are being addressed.

If you would like to discuss this any further, please feel free to contact me.

Sincerely,



PWC/mlc  
Enclosures