



Mat Blunt, Governor • Doyle Childers, Director

DEPARTMENT OF NATURAL RESOURCES

www.dnr.mo.gov

DEC 23 2005

Mr. Jeffrey Zelms
President and Chief Executive Officer
The Doe Run Company
1801 Park 270 Drive, Suite 300
St. Louis, MO 63146

Dear Mr. Zelms:

I am writing to discuss the disposition of Doe Run-owned and other residences in the Herculaneum Voluntary Property Purchase Plan (VPPP) area. Now that the purchase phase of the Herculaneum VPPP is nearing completion, we need to work together on a clear path forward resulting in a sustainable outcome for the Herculaneum community and Doe Run that is protective of public health and the environment. The Department of Natural Resources (DNR) believes Doe Run's substantive efforts to comply with our various agreements have resulted in improved conditions in Herculaneum. However, much work remains to insure that the area near the smelter does not return to its former highly contaminated condition.

Doe Run had previously requested the DNR approve re-occupancy of Doe Run-owned homes in the Herculaneum VPPP area by Doe Run employees. The DNR sent a letter, dated June 22, 2005, stating that we would consider such a request given prescribed conditions are met by the company and its employees that would re-occupy these homes. During a meeting on September 8, 2005, between department and Doe Run representatives at the Herculaneum facility, Mr. Dan Vornberg of Doe Run stated the company was withdrawing its requests for employee re-occupancy of Doe Run-owned homes in the Herculaneum VPPP area. The DNR believes this is a prudent decision by the company and would discourage any future requests for re-occupancy of homes in the Herculaneum VPPP area by people from outside the VPPP area.

In January 2005, the DNR completed its report entitled "Analysis of Lead Re-contamination and Deposition in Soils Adjacent to The Doe Run Company's Herculaneum Smelter, Herculaneum, Missouri." This report documented the department's statistical analysis of lead re-deposition data from periodic soil sampling and analysis conducted in Herculaneum by the U.S. Environmental Protection Agency (EPA). Since the report was completed, the DNR has periodically updated and refined its analysis of the EPA's re-deposition data upon receipt of new data. These statistical analyses of the re-deposition data indicate significant residential soil recontamination is occurring at unacceptable rates within 0.75 mile of Doe Run's Herculaneum smelter.

The DNR will continue to update its re-deposition data analysis as new data is received from the EPA. However, the re-deposition studies are now sufficiently complete for purposes of making decisions regarding the Herculanum VPPP area according to the April 2002 Settlement Agreement between Doe Run, the DNR, and the Attorney General's Office (AGO). Paragraph 22 of the April 2002 Settlement Agreement states in pertinent part:

"Following the purchase of a home, Doe Run shall leave the residence vacant until such time as either Doe Run demolishes the residence or the re-deposition studies, which will use monitoring that begins after June 1, 2002, are complete and the Department of Health and Senior Services, the DNR, the City [of Herculanum] and Doe Run agree re-occupancy of a residence is not a risk to human health."

Based on our soil re-deposition data analyses, the DNR does not agree that general re-occupancy of residences in the Herculanum VPPP area is protective of human health in the long-term without continued response actions. Under current conditions, on average, residential yards within one-quarter mile of the smelter would require additional clean-up in a little over two years, and would require continued remediation every 5 to 7 years, based on an action level of 400 mg/kg lead in soil. The frequency of clean up needed to continue the use of this area as residential is unsustainable and unacceptable to the DNR.

There are several other factors, in addition to soil re-contamination, that contribute to our decision on the outcome of these properties, including air monitoring data approaching and recently exceeding the National Ambient Air Quality Standard (NAAQS) for lead; elevated levels of lead in residential dust; continued elevated lead levels in road dust; the EPA's speciation and bioavailability data; and agency observations of company operations. We believe the weight of the current evidence indicates that residential re-use of properties within the VPPP area is ill advised.

Doe Run must proceed with demolishing all homes within the Herculanum VPPP area pursuant to paragraph 22 of the Settlement Agreement. The demolition of homes must be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, and with all necessary permits and notifications.

In addition to our primary concerns regarding the health and well being of Herculanum residents, the DNR is concerned about the effects of abandoning the VPPP area. In general, the DNR would be supportive of non-residential redevelopment of the Herculanum VPPP area in a manner that is protective of public health and the environment. The new road and bridge projects should improve access to the Herculanum VPPP area, which should in turn make this area attractive for non-residential redevelopment. The EPA has resources available to assist in developing non-residential reuse prospects for the Herculanum VPPP area.

Jeffrey Zelms
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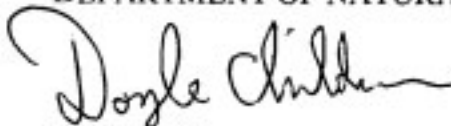
Obviously Doe Run's active participation is essential to any efforts to redevelop the Herculaneum VPPP area, since the company will own much of the land. We believe Doe Run's participation in such efforts will benefit the company and the Herculaneum community by promoting economic growth in the "old town" area. Such efforts by the company would be consistent with the contributions of Doe Run and its corporate predecessors to the development and growth of Herculaneum, and would help assure an overall positive legacy for the company in Herculaneum.

The DNR hopes that this letter will serve to further discussions with Doe Run and the other stakeholders, including the city of Herculaneum and interested residents regarding the future of the Herculaneum VPPP area, and the possibilities for viable non-residential reuse of this area.

If you have any questions, you may contact me at (573) 751-4732, or Mr. Robert Geller, Director, Hazardous Waste Program, at (573) 751-3176. We have also sent a letter to Mr. Dan Vornberg, of your staff, outlining in more detail other correlated issues pertaining to the VPPP area.

Sincerely,

DEPARTMENT OF NATURAL RESOURCES



Doyle Childers
Director

DC:rlh

c: Mr. Jeff Kendall, Mayor, City of Herculaneum
Mr. Aaron Miller, Doe Run
Mr. Dan Vornberg, Doe Run
Ms. Cecilia Tapia, U. S. EPA, Region VII
Mr. Joe Bindbeutel, Missouri Attorney General's Office
Mr. Larry O'Leary, Herculaneum Community Advisory Group
Mr. Scott Clardy, Missouri Department of Health and Senior Services



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DEC 23 2005

The Honorable Jeff Kendall
Mayor
City of Herculaneum
City Hall, 1 Parkwood Drive
Herculaneum, MO 63048

Dear Mayor Kendall:

We appreciate the opportunity to discuss lead contamination issues in Herculaneum and the future of the Herculaneum Voluntary Property Purchase Plan (VPPP) area at the September 26, 2005, Herculaneum Board of Aldermen meeting. We are writing in response to specific information requests made by the Board of Aldermen.

Based on currently available information, the Missouri Department of Natural Resources (DNR) believes that residential re-use of the Herculaneum VPPP area may pose future unacceptable risks to human health and the environment if current soil re-contamination rates are not reduced. We continue to observe upward trends in soil re-contamination monitoring data within 0.75 mile of the smelter. Based on our analyses of the soil re-contamination trends and other data, the current rates of lead re-deposition are highest in the VPPP area and unrestricted residential use will be unsafe in the VPPP area in the near future. If conditions at Doe Run's facility change, such that re-contamination is significantly reduced, the department would re-evaluate the suitability of the VPPP area for residential use.

We believe Doe Run should continue to demolish homes it owns in the Herculaneum VPPP area according to the April 2002 Settlement Agreement between the state and Doe Run. Although participation in the VPPP under the Settlement Agreement is voluntary, the DNR strongly recommends Doe Run and the city of Herculaneum continue to pursue efforts to relocate residents remaining in the VPPP area, and eventually vacate the remaining occupied homes. The DNR strongly supports efforts by Doe Run and the city to re-use the VPPP area for acceptable non-residential uses that are protective of public health and the environment now and into the future. Commercial, industrial, and recreational options for re-use of the VPPP area are all viable depending on the specifics of any potential redevelopment scenario. The DNR will be pleased to continue to work with the city, Doe Run, the U.S. Environmental Protection Agency (EPA), and other stakeholders on appropriate redevelopment of the Herculaneum VPPP area.

As you know, some eligible residents chose not to participate in the Herculaneum VPPP by not responding and requesting property appraisals or not accepting purchase offers from Doe Run. There are also a number of purchase offers made by Doe Run that have been accepted but are not closed. Since the property purchase program was voluntary, there is no mandatory obligation for VPPP area residents to participate or accept purchase offers and move under the April 2002 Settlement Agreement between the state and Doe Run. The DNR issued a few exceptions according to the Settlement Agreement allowing some elderly residents to continue renting Doe Run-owned homes in the VPPP area.

Mayor Kendall
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Therefore, a number of homes in the VPPP area will remain occupied for the time being, while the majority of homes are vacant. Homes that remain occupied within the VPPP area and homes outside of the VPPP area that become re-contaminated to levels that pose risks to human health will likely require additional cleanup through time. The DNR and the EPA, Region VII continue to work with Doe Run to further reduce releases from the facility and other processes. Additional controls to reduce releases may, in turn, reduce recontamination rates. Our goal is to reduce releases to a point where additional cleanup or other actions will not be required to protect human health and the environment.

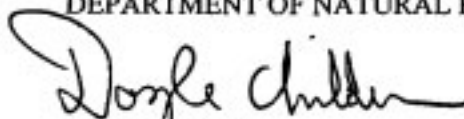
Enclosed is a copy of a map showing the Herculaneum VPPP area, and the properties owned and not owned by Doe Run based on the best available current information. We will continue to work with Doe Run to obtain additional information regarding the ownership status of the properties in the VPPP area. Additional properties may come under Doe Run ownership as outstanding accepted purchase offers close. Also enclosed is a copy of the DNR's most recent report of its re-deposition data analysis. It is our understanding that the state Department of Health and Senior Services has also sent a similar letter in regard to the VPPP area.

We look forward to working with you, Doe Run, the EPA, your Master Planning Committee, and various other stakeholders to outline a reasonable path forward that remains protective of human health and the environment while promoting a viable economy for your community. We also look forward to being a participant in the collaborative planning process which E2 Inc. will facilitate to assist the city in identifying and evaluating re-use options for the VPPP area.

Please contact me at Missouri Department of Natural Resources, P.O. Box 176, Jefferson City MO 65102-0176 or by telephone at (573) 751-4732 if you have any questions.

Sincerely,

DEPARTMENT OF NATURAL RESOURCES



Doyle Childers
Director

DC:rhl

Enclosures

c: Mr. Daniel Vornberg, Doe Run Company
Mr. Jim Gulliford, U.S. EPA, Region VII
Mr. Gene Thompson, President, Herculaneum Today & Tomorrow
Mr. Larry O'Leary, Herculaneum Community Advisory Group