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February 29, 2012

Ian M. Cumming, Chairman
Leucadia National Corporation
Executive Office
529 East South Temple
Salt Lake City, Utah 84102-1004

Joseph Steinberg, President
Leucadia National Corporation
Executive Office
529 East South Temple
Salt Lake City, Utah 84102-1004

RE: Oregon LNG Terminal and Oregon Pipeline

Dear Chair Cumming and President Steinberg,

Over the last seven years, the Liquefied Natural Gas (LNG) proposal in Warrenton, Oregon - now called Oregon LNG - has not obtained a single significant state or federal regulatory approval. While that lack of success speaks for itself, we wish to share with you our outlook on the challenges that face the proposed Oregon LNG project in the regulatory and public arena. It is our hope that you will seriously evaluate these challenges and terminate your investment in this project. We request that you share this letter with any investors in Oregon LNG.

Since 2005, Columbia Riverkeeper and a broad coalition of farming, forestry, fishing, conservation and other citizen groups have opposed the Oregon LNG project. Due to natural resource, property rights, public safety, and energy security concerns, we continue to believe that the LNG terminal is unworkable in Oregon. We prevailed over a similar project, called Bradwood Landing LNG, which went bankrupt in 2010 after investing hundreds of millions in government relations and permitting.
As you know, LNG import proposals are attempting to flip to export because the price of gas is currently cheaper in the United States compared to the world market. The prospect of export has made already unpopular projects even more unpopular.

Representatives of Oregon LNG have recently attended LNG export conferences and promoted the Oregon LNG terminal as a potential export facility. The attached letter from Oregon Department of State Lands clearly indicates that Oregon LNG does not have the necessary authority under its lease in Warrenton to export LNG. Simply put, Oregon LNG is a dead-end project because there is no need to import LNG, and the project cannot be converted to export LNG under the current lease.

In its annual report for 2010, Leucadia reported, "we've opened our wallet to fund this venture for another year, within which timeframe we hope to cross the finish line. Tune in next year." In 2011, Oregon LNG failed to make any meaningful progress. In fact, Oregon LNG regressed in its effort to construct its terminal and pipeline. Currently, the Oregon LNG project faces the following significant, likely insurmountable, hurdles,

1. The lease does not allow LNG export.

If Leucadia is now basing its investment on export potential, it is not going to happen at this site. The State of Oregon owns the land on which Oregon LNG intends to build the terminal. The State issued a lease to the Port of Astoria, which in turn subleased the land to the Oregon LNG. The lease is explicit that only importing, not exporting LNG is allowed. Oregon LNG, therefore, would have to seek a new lease from Oregon in order to export. Considering the strong public opposition and the extremely difficult political climate for LNG, it is extremely unlikely that Oregon will grant a lease to export LNG from public land. In December, 2011, the Oregon Department of State Lands sent a clear letter to Oregon LNG and the Port of Astoria informing both parties that the lease is for importing LNG, only. See attached.

2. The County Commissioners revoked the LNG pipeline permit.

In January 2011, the newly elected Clatsop County Board of Commissioners withdrew a previous approval of the Oregon LNG pipeline made by the old Commission. In Spring 2011, by a 4-1 vote, the Board voted to deny the land use application for the pipeline. Without this approval, the pipeline cannot be built. In an unusual legal maneuver, Oregon LNG filed a Writ of Mandamus to block the County Commissioners from finalizing their vote to deny the pipeline. See *Oregon Pipeline Co. LLC v. Clatsop County* Case No. 11-2101 (attached). The Clatsop County Circuit Court denied the writ and held that the County has the authority to reject the pipeline application. The Court also ruled that Oregon LNG had to pay the County's attorney's fees because Oregon LNG's claim was not reasonable. Nonetheless, Oregon LNG has appealed the loss to the Oregon Court of Appeals, where the case is now pending. In the likely event that the Court of Appeals upholds the Circuit Court's ruling, the same Commission that rejected Oregon LNG's pipeline application will once again vote on the application.

3. Oregon LNG has not obtained a single state permit.

Under Oregon law, Oregon LNG cannot receive key state-level permits or authorizations under the Clean Water Act, Clean Air Act, and Coastal Zone Management

Act without Clatsop County's local land use approval. Oregon LNG cannot turn to federal preemption to avoid the local decisions because Oregon's Coast Zone Management Program incorporates local land use regulations into the state's implementation of a federal statute. Had Oregon LNG truly believe it had a decent preemption claim, it would have pursued it a long time ago.

4. Oregon LNG is not making federal progress

Oregon LNG has not even convinced FERC to complete a draft environmental impact statement (EIS), which is a preliminary step for any future approval. Without even a draft EIS, Oregon LNG cannot receive necessary authorizations from other federal agencies.

5. Problems with Endangered Species

Oregon LNG has chosen to site the project in designated critical habitat for 13 Evolutionarily Significant Units of salmon listed under the federal Endangered Species Act. State and Federal agencies raised serious questions about the impact of LNG terminals on Columbia River salmon during the Bradwood Landing failed permitting process. In October 2011, the National Marine Fisheries Service (NMFS) informed Oregon LNG about significant flaws in its survey results and environmental basis for assessing the terminal's impact on federally protected eulachon.

6. Palomar Pipeline failure

In Spring 2011, the Palomar Pipeline suspended its application to FERC. The Palomar Pipeline was a critical link for Oregon LNG to import or export gas from the West Coast. Without Palomar, Oregon LNG is isolated and limited to pipeline infrastructure that is unlikely to accommodate 1.5 bcf/d.

Overall, Oregon LNG has made very little progress since 2005. In fact, Oregon LNG has regressed because it has recently lost local approval for the pipeline. Meanwhile, hundreds of Oregon families remain in limbo, unable to sell or develop their lands without acknowledging the presence of the Oregon LNG pipeline proposal to potential buyers or in their business plans. We request that you terminate your investment in Oregon LNG.

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I'm happy to provide additional information or elaborate on any of the issues raised above. My direct number is (503) 348-2436.

Sincerely,

Brett VandenHeuvel
Executive Director
Columbia Riverkeeper

cc:
Justin Wheeler
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Leucadia National Corporation

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