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FROM: T. G. Grumbles

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Interoffice
Communication

SUBJ: LIABILITY ASSESSMENT DISCUSSION WITH HORIZON CHEMICALS

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I talked with Chan Curry of Horizon and Lauren Labs of A. E. Staley on May 24. The following areas were reviewed:

1. Regulatory Status of End-Products
2. Permitting Issues for Plant Site
3. Process Emissions - Water, Air, Waste
4. Crosby Site Operation - Residual Site Contamination
5. Site Assessment for Indianapolis Property

The discussions are summarized below. In general there does not appear to be any significant issues to resolve, although some actions are recommended.

1. Regulatory Status of the Product - Two basic issues were discussed: TSCA inventory status and FDA "standing".

Lauren Labs believes all current products developed are on the inventory. This is necessary for commercial sale. It was indicated the products were put on the inventory by them through the Pre-manufacture Notice process.

Although I wasn't sure of end uses for the product, I asked a general question regarding FDA approved uses for the products. They seemed generally unaware of this area and indicated it had not "been a big issue".

2. Permitting of Plant Site - They indicated permits had been approved for the proposed site. The permits were predominately for air emissions of NO_x (gas fired boilers) and Organics, or VOC's, which are predominately alcohols.

For permitting discussions theoretical calculations were made. The organic emissions come mostly from tank vents during tank filling and emptying. Some reactor emissions do occur. The estimates were made based on the characteristics of a C₈ alcohol. Some emission control is achieved with the process equipment used for inventory control. No specific emission controls were required in the permit. The city and state approved the permits.

The county the site is in is a non-attainment area for organics. If emissions are over 25 tons per year control equipment would be required. The permit calculations showed 23 tons per year of organics and 23 tons per year of NO_x.

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3. Process Emissions - In addition to NO_x and organics, wastewater and solid waste were discussed. Wastewater will go to the city Publicly Owned Treatment Works (POTW). BOD and small amounts of product are the issue in the wastewater. They indicated the POTW was actively seeking industrial users and see no capacity or pre-treatment problems.

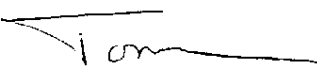
They indicated no hazardous waste is generated. Plant trash appears to be the only waste concern.

4. Crosby Site - As has been indicated the Crosby real estate is leased. The plant would be dismantled and removed. It is not expected that any contamination has occurred during plant operations. A limited site assessment was done prior to beginning operations there.
5. Indianapolis Site - No site assessment has been done. They have no indication that industrial activity has occurred on the site, and believe it to be primarily agricultural land.

Base on the above, following are my initial recommendations:

1. I don't see any "deal-stoppers". However, some issues still need to be addressed as outlined below.
2. The TSCA status of the products should be verified. Also, we should consider any TSCA violations occurring before closing a specific retained liability issue.
3. Dependent on our envisioned end use further review of the FDA status of the products should be done.
4. The environmental permitting issues seem straightforward but it should be noted that any further expansion could put emissions over the 25 ton per year level, thus requiring emission controls. The factor should be considered in any design reviews or discussion.

Legal will of course have the lead on recommending issues that should be in retained liability clauses.


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