



Barry Sullivan
(216) 241-7420
Ellen Hinch
Joe Colpe Hatter
622-8373

Middle Road • P.O. Box 68
 Ashtabula, Ohio 44004
 (216) 998-1120
 FAX: (216) 992-3395

January 6, 1992

GenCorp Polymer Products
 350 Springside Drive
 Akron, Ohio 44309-3545

Attention: Mr. Ken Patterson

Re: Revised InterCreditor Agreement,
 Conversation: January 3, 1992, 5:00 P.M.

Dear Ken:

The following information and comments are presented to help explain the current Vygen financial crisis.

1. Losses for fiscal year ending 2/28/91 were \$731M with the majority (\$480M) occurring in November and December of 1990.

The losses were a result of the petrochemical price spikes coupled with a recessionary climate in which the price increases could not be passed on.

2. Bank forbearance effective 3/1/91.

Mellon Bank, N.A. imposed a Forbearance Agreement effective 3/1/91 and called the loan. We have continued to operate with Mellon granting month to month extensions. In addition, they accelerated Vygen's term debt as follows:

Term debt 3/1/91	\$1,350M	
Term debt 12/31/91	<u>400M</u>	
Paydown	\$ 950M	
Normal pay down required approx.	<u>250M</u>	
Accelerated cash drain		\$700M

3. LCP Bankruptcy July 11, 1991.

With a new financing agreement 90% complete LCP National (a newly formed company) was included in the bankruptcy filing of their parent Hanlin Chemicals. This proceeded to kill the then current refinancing plan.

Cash impact	\$940M
-------------	--------

The total impact of the above items is approximately	\$2,371
---	---------

In October of 1991 with three marginally profitable months behind us we again attempted to refinance Vygen Corp. After pursuing the

GENC 001782

GenCorp Polymer Products
Akron, Ohio 44309-3545
Attention: Mr. Ken Patterson
January 6, 1992
page 2

deal with several conventional and unconventional financing sources we were able to structure a deal with the Star Bank in conjunction with an additional loan through the Ashtabula 503 Corporation. This is the only offer that we have received.

Initially, the Star/503 deal was to close December 27, 1991, however, Star Bank then surfaced the GenCorp note issue (being due in 1992) which we have been unable to negotiate away.

Their condition and only outstanding item for closing is that GenCorp Polymer Products accept only interest payment for the term of their financing deal.

Vygen Corp. is prepared to resume the interest payments to both GenCorp and the 503 Corporation directly after the closing.

Included for your review are the following:

1. Revised and lined InterCreditor Agreement with all changes indicated. The only change of substance involves the GenCorp Note.
2. November 30th financial statements.
3. Most current borrowing base certificate.
4. New 503 loan comments.

Please review these items at your earliest convenience. If you find the InterCreditor Agreement acceptable we will hand deliver a signing copy on Monday afternoon, 1/6/92.

If you require any further information either by phone or in person, I await your immediate request as Vygen's very existence is involved.

We sincerely appreciate your prompt consideration.

Very truly yours,

VYGEN CORPORATION

Robert J. Snyder
Vice President, Finance
and Treasurer

RJS/rah
Enclosures