

June 12, 1985

Mr. Ronald Hornack, President
VYGEN Corporation
P. O. Box 68
Ashtabula, Ohio 44004

c/o Harry J. Pinto, Jr., Esquire
Lucid, Jabbour, Pinto & Rodgers
73 Washington Street
Morristown, NJ 07960

Re: Sale of Ashtabula Facility
- Environmental Disclosure

Dear Mr. Hornack:

This letter is written in contemplation of the sale by DiversiTech General, Inc. ("DiversiTech"), to VYGEN Corporation ("VYGEN"), of DiversiTech's polyvinyl chloride ("PVC") resin facility located at Ashtabula, Ohio and in confirmation of various environmental circumstances at the facility. Numerous environmental statutes and regulations are applicable to the operation of such a facility, and although the incorporators, owners, officers and directors of VYGEN are thoroughly familiar with the environmental compliance aspects of the operation of a PVC manufacturing facility, and notwithstanding the fact that representatives of VYGEN have inspected the facility on several occasions, DiversiTech believes it is appropriate to formally disclose the following items of information concerning certain environmental aspects of the facility so that all concerned may be fully informed prior to execution of the contemplated definitive sale agreement.

For convenience, some areas of concern which have previously been brought to your attention are itemized under three reference headings below.

AIR

1. The operation of the plant requires two incinerators, one as a back-up to insure continuous operation. The scrubber on the north incinerator failed and has been replaced. This unit must be tested and functional for the plant to be continuously operational.

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2. The plant has no current Ohio EPA operating permit for air emissions. This permit must be obtained for plant operations. Normally, a temporary permit is issued until the plant shows an operating period of compliance to warrant the issuance of a continuing permit.
3. U.S.E.P.A. has proposed revisions to the national emissions standards for vinyl chloride. If such revisions are adopted, an enhanced leak detection procedure and program will be required at the plant.
4. Under Section 112 of the Clean Air Act and regulations issued pursuant thereto, DiversiTech has entered into administrative orders with Region V, U.S.E.P.A. as follows: EPA-5-81-A-39; EPA-5-82-A-6; EPA-5-83-A; EPA-5-80-A-11; EPA-5-82-A(a)-7. DiversiTech believes that it has met the requirements of these orders, and will provide copies of such orders at VYGEN's request.

WATER

1. The plant has operated under NPDES Permit No. 31F00006 FD. DiversiTech does not believe the plant capable, without modification, of meeting Residual Vinyl Chloride Monomer (RCVM) effluent emission standards proposed by either the U.S.E.P.A. or the Ohio EPA under proposed Permit No. 31F00006 GD. Requirements applicable to transfer of NPDES Permit No. 31F00006 FD are set forth in paragraph 19 of the attached Exhibit A. Notification has been sent to the Ohio EPA of transfer of ownership (copy attached). A joint meeting was held with representatives of DiversiTech General, representatives of VYGEN and the Ohio EPA and a program has been proposed, subject to final issuance by the Ohio EPA, which contemplates issuance of a temporary permit and a program to improve the compliance of the plant over approximately a 20-month period.
2. Other considerations under proposed Permit No. 31F00006 GD may concern lead testing and monitoring of rain overflow.

SOLID WASTE

1. It was reported to a member of GenCorp's Law Department on June 12, 1985 by Assistant U.S. Attorney Richard Lillie of the Northern District of Ohio, that the criminal investigation concerning improper clean-up of the Olin site has been completed and that no criminal charges concerning the site will be forthcoming.

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2. Fields Brook is a stream which flows through the property on which the plant is located. It has been listed on the National Priorities List as a Superfund site, and DiversiTech has received notice from U.S.E.P.A. regarding its potential involvement.

It is the belief of DiversiTech General that no significant environmental damage to this site resulted from its operation of the Ashtabula facility.

Under an Agreement between DiversiTech General and VYGEN Corporation, DiversiTech has agreed to indemnify VYGEN, subject to the limitations of such Agreement, for losses VYGEN may incur resulting from DiversiTech's ownership and operation of its Ashtabula facility.

Sincerely,

Howard S. Wheeler
Vice President

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