

respectively as of December 31, 1996 MAFCO further alleges that such excess amounts are the responsibility of KREG KREG denies such liability

B MAFCO alleges that it has paid or received invoices for amounts due with respect to workers compensation claims relating to Procon International, Inc. ("Procon"), which invoices total approximately \$139,000 and \$118,500 MAFCO further alleges that such invoices are the responsibility of KREG under the Assignment and Assumption Agreement. KREG denies such liability

C. New Henley Holdings is the owner of record of 100,000 shares of common stock of Winfield Medical, formerly known as Winfield Industries ("Winfield") The Abex Parties allege that Abco is the beneficial owner of such shares. KREG denies that Abco has any legal or beneficial ownership of such Winfield shares, or that Abco assumed in connection with the 1992 transactions reflected in part in the Assignment and Assumption Agreement any beneficial interest in any other property owned by any of the KREG Parties as of the Effective Date.

D. Nichols Engineering and Research Corporation ("Nichols"), an indirect subsidiary of KREG, and/or one or more of the KREG Parties have been named in two environmental clean-up actions (1) a New Jersey state enforcement action for ground water remediation in Hillsborough, New Jersey, under NJPDES permit No. NJ0074713 ("Belle Mead"), and (2) a civil action

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entitled Svedala Industries, Inc. v. John Wills, Inc., et al , Superior Court of New Jersey, Docket No MRS L-3814-93 ("Svedala") KREG alleges that it has paid approximately \$1,185,299 through June 30, 1996 to respond to these two clean-up actions. KREG further alleges that MAFCO assumed liability for the Belle Mead and Svedala claims under the Assignment and Assumption Agreement MAFCO denies that it has any responsibility for the Belle Mead and Svedala claims

E KREG alleges that it has incurred approximately \$768,831 through June 30, 1996 in defending and settling claims generically described as follows: (1) M W Kellogg asbestos litigation, (2) Whiting asbestos litigation; (3) Signal Landmark construction defects litigation, and (4) Heat Research Corporation product liability litigation. KREG further alleges that such sums are the responsibility of MAFCO because they fall within the Henley Properties Inc. category of Uninsured Retention Liabilities (the "Henley Properties Category") set forth in Exhibit A to Schedule II of the Assignment and Assumption Agreement MAFCO denies that it has at least a portion of this liability

F. The items identified in parts "A" through "F" of this paragraph 2 are collectively referred to as the "Disputes "

2 MAFCO alleges that it has paid or received invoices as of December 31, 1996, for all but \$4,916,571 of the amount it is required to pay with respect to the Henley Properties Category

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3. The Parties believe that it is in their mutual interest to resolve amicably their differences with respect to the Disputes in order to avoid the uncertainty, expense, inconvenience and burden of protracted litigation, and, subject to the terms and conditions of this Agreement, to resolve any and all claims, causes of action and liabilities, known or unknown, that the Parties ever had, now have or hereafter