

ENFORCEABLE BOARD AGREEMENT

This Enforceable Board Agreement is entered into by and among Zeon Chemicals L.P. (Zeon), the Louisville Metro Air Pollution Control District (the District), and the Louisville Metro Air Pollution Control Board (the Board).

WHEREAS, as a participant in the West Louisville Air Toxics Study (WLATS) risk assessment process, Zeon has agreed to participate in voluntary measures to reduce 1,3-butadiene emissions consistent with the objectives of the WLATS Risk Management Plan; and

WHEREAS, Zeon has already completed the first project in its voluntary emission reduction program by ceasing production of one product by the end of 2003 and eliminating the associated annual emissions of ~2,600 lbs. of 1,3-butadiene, ~115 lbs. of acrylonitrile and ~15,660 lbs. of styrene; and

WHEREAS, in conjunction with these efforts, Zeon has agreed to implement additional voluntary measures pertaining to reduction of emissions of 1,3-butadiene at its Louisville facility;

NOW, THEREFORE, this Agreement reflects the commitment of Zeon and the approval of the District and the Board, to implement the following projects.

1. Project Descriptions

Zeon commits to review and study its operations to determine whether there are operating conditions, procedures, maintenance improvements, or new technology that could be implemented to reduce 1,3-butadiene (BD) emissions. In accordance with these commitments, Zeon has undertaken or will undertake the projects indicated in this Agreement.

Additionally, recognizing that the WLATS Risk Assessment Report also identified acrylonitrile (AN) as a Chemical of Potential Concern, Zeon's action steps to reduce emissions of this constituent are also indicated in this Agreement.

Further, concurrent with the reductions of 1,3-butadiene and acrylonitrile, Zeon will reduce emissions of the Hazardous Air Pollutant styrene. Therefore, styrene (STY) reduction benefits of these projects are also indicated.

| <u>PROJECT</u> | <u>EMISSION REDUCTIONS IN POUNDS PER YEAR</u> | | | <u>COMMENTS</u> |
|-----------------------|---|-----------|------------|---|
| | <u>BD</u> | <u>AN</u> | <u>STY</u> | |
| Reaction Improvements | 800 | 204 | 10 | 80% of reduction in 1Q04; 100% by 1Q05 |

| <u>PROJECT</u> | <u>EMISSION REDUCTIONS IN POUNDS PER YEAR</u> | | | <u>COMMENTS</u> |
|--|---|--------|--------|--|
| Improve Batch Recovery Process | 4,400 | — | — | \$500,000 investment; 80% of reduction in 1Q04; 90% by 1Q05; 100% by 4Q05 |
| Chemical Treatment | — | 31,333 | — | Subject to Customer Approval |
| Net Reduction (above projects) | — | — | — | |
| | 5,200 | 31,537 | 10 | |
| Net Reduction (including project listed on page one) | 7800 | 31,652 | 15,670 | |

The above figures represent estimated emissions that will not occur in the referenced and subsequent years as a result of the indicated project.

2. Project Explanations

Reaction Improvements – The process capability for controlling the conversion of raw material into product will be enhanced during 2004 by utilization of new proprietary technology (instrumentation) in the reactor area. By maintaining the combining ratio of primary raw materials closer to the ideal stoichiometric targets during polymerization, the duty placed upon the environmental control process will be lessened and therefore result in a reduction in downstream air emissions.

Improve Batch Recovery – Based upon proprietary technology developed by Zeon’s parent company, more automation, instrumentation and control of the batch process for recovery of 1,3-butadiene are planned for implementation at the Kentucky Plant in 2005. These capital improvements are designed to improve the effectiveness of the current recovery process and reduce downstream emissions.

Chemical Treatment – Proprietary technology has been developed for chemical treatment of an intermediate that converts residual materials, that are currently emitted to the atmosphere, into polymer. Plant trials were made in 2003 and Zeon’s customer has received samples for evaluation. If Zeon receives customer approval of the change to this product, chemical treatment will reduce air emissions because the intermediate is subsequently converted into finished goods.

3. Verification and Reporting

Zeon shall submit quarterly reports to the District on the implementation status of the projects identified in this Agreement. These reporting requirements will end when the projects are certified as fully implemented. The reports shall be certified by a responsible official, as defined in Regulation 2.16 *Title V Operating Permits* section 1.35, at the facility. This certification shall include the statement, “Based on information and belief formed after reasonable inquiry, I certify that the statements and information in this document are true, accurate and complete.” The District reserves its right to inspect the facility as provided in applicable law to verify compliance with Zeon’s commitments set forth in Paragraph 1.

4. Effect on Permits

Nothing in this Agreement affects, limits or waives any permitting requirement to which Zeon is subject. If any of the measures that Zeon has undertaken or will undertake in accordance with this Agreement are subject to any permit requirement under federal or state law or District regulations, such measures shall remain subject to such permitting requirements.

5. Legal Effect of the Agreement

Zeon agrees to fully implement the projects set forth in Paragraph 1 above.

Nothing in this Agreement shall constitute evidence of any admission of liability, law or fact, a waiver of any right or defense, or estoppel against the parties to this Agreement.

6. Reservation of Rights and Legal Remedies

Nothing in this Agreement affects, limits or waives the District’s legal rights, remedies or causes of action based on statutes, regulations or permit conditions within the jurisdiction of the District, and Zeon reserves its rights and defenses thereto. The District expressly reserves its right to seek enforcement of this Agreement or to take further action through administrative orders or other means at any time and to take any other action it deems necessary, including the right to order all necessary remedial measures and assess penalties for proven violations of applicable laws or regulations, and Zeon reserves its defenses thereto.

Nothing in this Agreement affects, limits or waives Zeon’s legal rights, including Zeon’s right to administrative or judicial review of any action by the District.

7. Unavoidable Delay

If Zeon’s performance of its obligations under this Agreement is delayed or prevented by any event arising from causes beyond Zeon’s control, Zeon will inform the District in writing within seven days after it becomes aware of any such event. The written notification to the District shall include: (1) the reason for the delay or prevention of performance; (2) the anticipated duration; (3) all actions

taken to prevent or minimize the delay or prevention of performance; (4) an explanation of why the delay or prevention of performance was unavoidable; (5) the steps Zeon will take to ensure that the performance of its obligations under this Agreement will be reinstated as early as practicable after cessation of the event causing the unavoidable delay; and (6) in the event of prevention of performance, a schedule for proposing an alternative project for reducing 1,3-butadiene emissions.

8. Amendments or Modifications

No modification or amendment to the terms or conditions of this Agreement shall be effective until reduced to writing and executed by Zeon, the District and the Board.

Agreed to by:

ZEON CHEMICALS L.P.

By: _____

Title: _____

Date: _____

Approved:

LOUISVILLE METRO AIR POLLUTION CONTROL BOARD

Dr. Karen Cassidy, Chair

Date: _____

LOUISVILLE METRO AIR POLLUTION CONTROL DISTRICT

Arthur L. Williams, Director

Date: _____