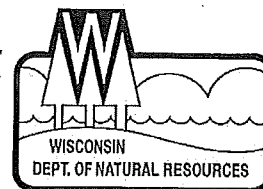


State of Wisconsin
DEPARTMENT OF NATURAL RESOURCES
Waukesha Service Center
141 NW Barstow St
Waukesha WI 53188

Scott Walker, Governor
Cathy Stepp, Secretary
Telephone 608-266-2621
Toll Free 1-888-936-7463
TTY Access via relay - 711



June 22, 2015

Steve Balistreri
SBI Acquisition Company, LLC
375 Bishop's Way, Suite 222
Brookfield, WI 53005

Subject: Clarification of Environmental Liability
Schaefer Brush - 1101 South Prairie Ave., Waukesha, WI
Tax Parcel ID #: WAKC1335-944
BRRTS #: 02-68-563736 & 07-68-563737

Dear Mr. Balistreri:

The purpose of this letter is to provide you with clarifications regarding the environmental liability regarding the Schaefer Brush facility located at 1101 South Prairie Ave, Waukesha, Wisconsin ("the Property"). The Department of Natural Resources ("Department") has agreed to provide you with a letter clarifying the environmental liability associated with contaminants detected at the Property and respond to your specific concerns.

Summary Determination

Hazardous substance discharges have occurred on the Property. Schaefer Brush Mfg. Co., Inc. is the owner of the Property and therefore is responsible for the contamination under s. 292.11, Wis. Stats. Schaefer Brush Mfg. Co., Inc. has agreed to conduct a remedial action on the Property. The Department has reviewed the lease and the assets purchase described in your request and agrees to exercise its enforcement discretion and not require SBI Acquisition Company, LLC, to investigate or cleanup the known contamination at the Property if the conditions described in this letter are satisfied.

Request

On May 20, 2015, Jessica Franklin from Godfrey & Kahn, S.C., requested on your behalf that the Department address the environmental liability that SBI Acquisition Company, LLC, may have related to any existing contamination at the Property as lessee and potential purchaser. According to the request, the Property is owned by Schaefer Brush Mfg. Co., Inc. As you indicated in a June 5, 2015 email, SBI Acquisition Company, LLC, has now changed its name to Schaefer Brush Manufacturing, LLC. Also stated in the June 5 email, Schaefer Brush Mfg. Co., Inc. has now changed its name to 1101 Gage, Inc. Because your request and the lease referred to the companies as SBI Acquisition Company, LLC ("SBI") and Schaefer Brush Mfg. Co., Inc., this letter will refer to the companies by these names. The Department received the \$700 fee for providing assistance, as required by s. NR 749.04(1), Wis. Admin. Code.

In order for the Department to make this determination the following documents were submitted for review:

- Technical Assistance and Environmental Liability Clarification Request Form (Form # 4400-237) and Cover Letter – submitted by Jessica Franklin from Godfrey & Kahn, S.C., dated May 20 2015 with attachments.
- Email from Jessica Franklin to Michael Prager dated June 5, 2015, subject "RE: Tenant Liability Clarification Request - SBI Acquisition Company, LLC [GK-Active.FID2177693]"
- "Industrial Property Lease" (unsigned and not dated) between Schaefer Brush, Mfg Co., Inc., and SBI Real Estate Company, LLC.

- Phase I Environmental Site Assessment Report, Schaefer Brush, prepared by Joseph Pospichal and Kenneth Wein from Key Engineering Group, March 23, 2015
- Phase II Environmental Assessment Report, Schaefer Brush, prepared by Dave Lennon and Kenneth Wein from Key Engineering Group, May 12, 2015

Lease and Asset Purchase

The "Industrial Property Lease" between Schaefer Brush, Mfg Co., Inc. (Schaefer Brush), and SBI Real Estate Company, LLC. (SBI) is attached hereto as Attachment A. The lease describes the respective responsibilities for environmental issues at the leased Property. The lease was signed on June 1, 2015. Section XVIII of the lease states that SBI would have the option and obligation to purchase the Property after Schaefer Brush completes the remediation and receives a closure letter from the Department. Section XIX of the lease states the parties' responsibilities in connection with the environmental condition of the Property. These sections generally provide that Schaefer Brush would hold SBI harmless for any issues associated with historic hazardous substances discharges on the Property.

In addition, your request stated that SBI is planning a one-time asset purchase from Schaefer Brush. Your request also states that there is not and will not be any corporate relationship between SBI and Schaefer Brush and they will not and have not owned each other's stock and will not and do not have a common parent company. It is our understanding that SBI is planning to use the Property, buildings and equipment for brush manufacturing similar to the operations of Schaefer Brush.

Summary of Environmental Conditions

Based on information available to the Department it appears the Property was historically a telephone manufacturer between the 1950's and 1980's. During this time, it is most likely that various chemicals and petroleum compounds were used in the manufacturing, however no records have been submitted to the Department to document the handling or disposal of any chemicals (or petroleum compounds) used in the manufacturing of the telephones. The Property is listed on the Department of Agriculture, Trade and Consumer Protection (DATCP) Storage Tank Database for multiple Closed/Removed underground storage tanks. A 1993 RCRA audit referenced groundwater contamination; however, no details (or analytical results) from the audit have been provided to the Department. The May, 2015 Phase II Environmental Assessment did confirm soil and groundwater impacts on the Property, specifically chlorinated compounds in the groundwater. There are multiple sites within the immediate area of the Property that could potentially be contributing to the groundwater impacts; however additional sampling is necessary to reach that determination. Based on the results from the Phase II Assessment, the Department has created a new ERP site (BRRTS # 02-68-563736) at the Property and has sent a responsible party letter to Schaefer Brush requesting them to initiate a site investigation and remedial action as required under s. 292.11, Wis. Stats., and the Wis. Admin. Code, NR 700 Rule Series.

Liability Determination

This section of the letter will clarify the Department's position on environmental liability associated with the Property for SBI, the lessee and the potential purchaser of the Property.

Investigation and Remediation Liability

The Wisconsin Hazardous Substance Spill Law, s. 292.11, Wis. Stats., commonly called the Spills Law, requires those who cause, possess or control a hazardous substance discharge to "take the actions necessary to restore the environment to the extent practicable and minimize the harmful effects from the discharge to the air, lands or waters of this state." Section 292.55, Wis. Stats., authorizes the Department to issue clarification letters concerning liability for environmental pollution.

The data summarized above indicates that one or more hazardous substance discharges have occurred on the Property. As described above, Schaefer Brush has agreed to take required actions to investigate and remediate the Property in accordance with the Spills Law. However, you should be aware that the Spills Law imposes liability on anyone who possesses or controls contaminated property where hazardous substances were

discharged to the environment. This liability exists even if another person, such as a prior owner or tenant caused the contamination. Whenever possible, the Department requires the person who caused the hazardous substance discharge to take the appropriate response actions. However, if these persons cannot be located or are unable to conduct the required investigation and remedial action, the owner of the property is responsible for taking the appropriate actions.

For this Property, the Department agrees to work with Schaefer Brush, the responsible party and current Property owner, to respond to the hazardous substance discharges on the Property. As long as Schaefer Brush continues their progress towards finishing the environmental cleanup and obtaining case closure the Department does not intend to seek monetary contribution or action from SBI. The Department has reviewed the terms of the lease agreement between SBI, as tenant, and Schaefer Brush, as landlord, and determined that no action will be required of SBI under the Spills Law, as tenant under the lease agreement, conditioned on compliance with the following standards of performance:

- SBI must provide Schaefer Brush and any other responsible party, their consultants and Department personnel with reasonable access to the Property for the purposes of conducting any necessary environmental assessment or remediation activities.
- SBI or its representatives, agents or contractors, must comply with all applicable local, state and federal laws that apply if they conduct any excavation, storage, treatment, or disposal of contaminated soils, groundwater, or other materials on the Property.
- SBI must minimize, to the extent practicable, the placement of any structures in areas of the Property impacted by environmental contamination or construction of buildings that would restrict remedial work to be conducted.
- SBI must comply with the requirements of Wis. Stats. 292.11, and the Wis. Admin. Code NR 700 rule series for the discharge of any hazardous substances that may be caused by SBI.

Liability after Case Closure

As described above, the Department has not yet issued a closure letter for this Property and additional work is required. Schaefer Brush has agreed to take appropriate actions to obtain a closure letter and SBI will purchase the Property after the closure letter is issued. The Department issues what is commonly referred to as a case closure letter once the site investigation and cleanup have been completed. It indicates that the Department has determined that no further environmental response action is necessary at the site for the reported releases, based upon the information available to the Department at that time. The Department can only require further action to address a previously closed case if certain criteria are met, including if information regarding the site or facility conditions indicates that contamination on or from the site or facility poses a threat to public health, safety, welfare or the environment, or if the property owner has not complied with the continuing obligations applied in the closure approval (s. NR 727.13, Wis. Adm. Code). Approximately 17,000 clean-up cases have been closed by the Department, but fewer than 50 have been reopened in the past 15 years.

Thus, before the Department can require further action to address residual contamination in existence at the time that the site (i.e., the area of contamination at the Property that was the subject of the closure letter) was closed, the Department must make a determination that information meets the reopening criteria and that further action is required.

Future Property Development

If SBI is planning any construction or development on the Property, the Department recommends that SBI discuss proposed actions and construction plans with the Department, to avoid causing a discharge to the environment or the creation of a hazard to public health, safety, and the environment. In addition, if residual contaminated soil is excavated in the future, you should sample and analyze the excavated soil to determine if contamination remains. If sampling confirms that contamination is present, you will need to determine whether the material is considered

solid or hazardous waste and ensure that any storage, treatment or disposal is in compliance with applicable standards and rules. Should any new contamination be discovered, the Property owner will be required to report to the Department and take all appropriate actions under ch. NR 700, Wis. Admin Code.

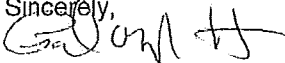
Conclusion

Please understand that this letter clarifies SBI's liability related to residual contamination on the Property based only on the information presently available to the Department. This letter was written specifically for SBI and is not transferrable to another person. Also, the Department has made no determination concerning the presence or absence of hazardous substance discharges other than those identified in the reports provided. In the future, if the Department becomes aware of new information concerning the contamination referenced above, or the presence of other contaminants on the Property not previously identified, the Department will need to evaluate that data to determine if response actions may be required. SBI would be responsible for any future discharges of a hazardous substances caused by SBI.

The Bureau for Remediation and Redevelopment Tracking System (BRRTS) identification number for this activity is shown at the top of this letter. The Department tracks information on all determinations such as this in a Department database, "BRRTS on the Web," that is available on the Internet at <http://dnr.wi.gov/topic/Brownfields/clean.html>.

The Department hopes that this letter helps clarify what known areas of contamination on the Property may require further environmental response action under Wisconsin law, and who is responsible for conducting these actions. If you have any questions about this letter please contact Michael Prager at (608)261-4927 or michael.prager@wisconsin.gov or the project manager James Delwiche at (262)574-2145 or by email at jim.delwiche@wisconsin.gov.

Sincerely,



Pam Mylotta
Supervisor, Southeast Region
Remediation and Redevelopment Program

cc: Jessica Franklin, Godfrey and Kahn, S.C.
SER Case File