

1

**POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT
MEETING NUMBER 2598 - THURSDAY - OCTOBER 19, 2006**

10

ENVIRONMENTAL DISPOSAL SYSTEMS, INC.

BY MR. DOYLE - SUPPORTED BY MR. BEST

WHEREAS, THE BOARD OF TRUSTEES OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT (THE "BOARD") IS IN RECEIPT OF AN OCTOBER 18, 2006 MEMORANDUM FROM F. LOGAN DAVIDSON OF F. LOGAN DAVIDSON (THE SPECIAL LEGAL COUNSEL) AND RONALD KING AND JOE TURNER, EACH OF CLARK HILL, PLC (THE SECONDARY SPECIAL LEGAL COUNSEL) (COLLECTIVELY, THE BOARD'S SPECIAL LEGAL COUNSELS), AND

WHEREAS, THE BOARD'S TRANSITION TEAM, CONSISTING OF THE BOARD'S GENERAL COUNSEL, SPECIAL LEGAL COUNSELS AND GARY GIUMETTI OF MCTEVIA & ASSOCIATES (THE BOARD'S ADVISOR), WERE PRESENT BEFORE THE BOARD THIS DATE, AND

WHEREAS, THE BOARD HAS CONSIDERED THE MATTERS RAISED IN THE BOARD'S SPECIAL LEGAL COUNSEL'S OCTOBER 18, 2006 MEMORANDUM AND DURING THE TRANSITION TEAM'S PRESENTATION, AND

WHEREAS, THE BOARD HAD A DISCUSSION IN "CLOSED SESSION" THIS DATE WITH RESPECT TO MATTERS OF ATTORNEY/CLIENT PRIVILEGE, THEREFORE BE IT

RESOLVED, THAT THE ENVIRONMENTAL DISPOSAL SERVICES, INC. (BORROWER) IS DEFAULT UNDER THE LOAN AND TRANSACTION DOCUMENTS, AND BE IT FURTHER

RESOLVED, THAT THE BOARD REJECTS THE REQUEST OF OR ON BEHALF OF MR. WICKLUND FOR A FULL RELEASE AND INDEMNIFICATION, AND BE IT FURTHER

RESOLVED, THAT THE BOARD HEREBY DIRECTS ITS SPECIAL LEGAL COUNSELS AND ADVISOR TO:

- 1. SEEK TO OBTAIN THE TRANSFER OR ASSIGNMENT OF THE BORROWER'S MDEQ LICENSE TO THE BOARD'S DESIGNEE**

ENVIRONMENTAL DISPOSAL SYSTEMS, INC.

- 2. MAINTAIN THE BOARD'S STATUS AS A LENDER AND SECURITY INTEREST HOLDER**
- 3. INITIATE APPROPRIATE PROCEEDINGS TO PROTECT THE INTERESTS OF THE RETIREMENT SYSTEM**
- 4. ACT CONSISTENT WITH THE BOARD'S DISCUSSION IN "CLOSED SESSION" THIS DATE WITH ITS SPECIAL LEGAL COUNSELS AND ADVISOR**

AND BE IT FURTHER

RESOLVED, THAT A COPY OF THIS RESOLUTION BE FORWARDED TO THE BORROWER, THE BOARD'S SPECIAL LEGAL COUNSELS AND THE BOARD'S ADVISOR:

Yeas - Trustees Bandemer, Beasley, Best, Christian, Doyle, Milton, Moore, Orzech, Stewart, Talabi and Chairman English - 11

Nays - None

ENVIRONMENTAL DISPOSAL SYSTEMS, INC.

- 2. MAINTAIN THE BOARD'S STATUS AS A LENDER AND SECURITY INTEREST HOLDER**
- 3. INITIATE APPROPRIATE PROCEEDINGS TO PROTECT THE INTERESTS OF THE RETIREMENT SYSTEM**
- 4. ACT CONSISTENT WITH THE BOARD'S DISCUSSION IN "CLOSED SESSION" THIS DATE WITH ITS SPECIAL LEGAL COUNSELS AND ADVISOR**

AND BE IT FURTHER

RESOLVED, THAT A COPY OF THIS RESOLUTION BE FORWARDED TO THE BORROWER, THE BOARD'S SPECIAL LEGAL COUNSELS AND THE BOARD'S ADVISOR:

Yeas - Trustees Bandemer, Beasley, Best, Christian, Doyle, Milton, Moore, Orzech, Stewart, Talabl and Chairman English - 11

Nays - None

2

10-24-2006 10:29AM FROM-

T-772 P.001/003 F-401

JENNIFER M. GRANHOUL
GOVERNORSTATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSINGSTEVEN E. CHESTER
DIRECTOR

October 20, 2006

CERTIFIED MAIL

Mr. Douglas F. Wicklund, President
Environmental Disposal Systems, Inc.
190 West Brown Street, Suite 200
Birmingham, Michigan 48009

Dear Mr. Wicklund:

**SUBJECT: Hazardous Waste Treatment and Storage Facility Operating License;
Environmental Disposal Systems, Inc. (EDS); MIR 000 016 055**

The Department of Environmental Quality (DEQ), Waste and Hazardous Materials Division (WHMD), issued EDS a hazardous waste treatment and storage facility operating license (License) for the above-referenced facility on December 27, 2005. The decision to issue the License was based on a review of the operating license application, the public participation process, and the requirements of Part 111, Hazardous Waste Management, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, and its administrative rules.

Facility Inspections and Operations

Based on the inspection conducted by WHMD staff on October 13, 2006, it appears that operations at the facility are not consistent with information in the application relative to the organization chart, job descriptions, and personnel training. As a result, the following issues have been noted:

1. There is not one specific person in each of the positions noted on Figure 2.110-2 in the operating license application. Rather, several persons are filling multiple positions at the facility. Specifically, one person is filling the positions of General Plant Manager, Deepwell Operator, Treatment Operator, and Environmental Control Supervisor; one person is filling the positions of Laboratory Supervisor, Quality Control Officer, and Laboratory Technician; and one person is filling the clerical position, as well as the waste shipment and manifest checker position.
2. Mr. Yaser Mahmoud, the General Plant Manager of record, is no longer employed by EDS. However, EDS has not provided the WHMD with information concerning the new General Plant Manager or demonstrated how this individual meets the requisite job requirements as identified in Figure 2.110-9 of the operating license application.

Mr. Douglas F. Wicklund

2

October 20, 2006

3. Section 2.110.3, Training Director, of the operating license application states that the training program will be conducted by Mr. Austin Marshall and Dr. Rick Harding. However, it is our understanding that these individuals are no longer employed by EDS.
4. Mr. Paul McConnell is the Deepwell Operator of record. However, he is not typically onsite but rather is available via telephone or other technology. Another individual appears to be filling that role onsite.

Response to Discrepancies and Submittal of Requested Information

The discrepancies noted above raise concerns regarding the facility's operations. The WHMD understands that turnover in personnel is a reality of doing business. However, EDS has an ongoing obligation to keep the WHMD informed of any changes at the facility that are not consistent with the operating license application upon which the License was based or with the License itself that may impact its operations. It is also the expectation for EDS to ensure proper coverage of the facility and to promptly fill vacant positions with appropriately experienced/educated personnel throughout the operating life of the facility. The WHMD believes that having different individuals filling certain positions is important for checks and balances with respect to facility operations and will minimize errors and improve quality assurance/quality control. To that end, EDS must submit the following information to Ms. Ronda L. Blayer, Hazardous Waste Section, WHMD, DEQ, P.O. Box 30241, Lansing, Michigan 48909-7741, within 15 days of receipt of this letter.

1. Updated versions of the personnel training program that was originally provided in Section 2.110 of the operating license application. This includes all of the text and figures (i.e., organization chart, job titles and duties for each position noted in the organization chart, job descriptions for each positions noted in the organization chart, and training requirements for each position noted in the organization chart). This information should be generic in nature and refer to the position and not a specific person.
2. A list of the persons currently holding each of the positions noted in the organization chart.
3. A demonstration as to how each of the persons holding each of the positions meets the requisite requirements for the position as noted in the applicable job description.
4. Updated information regarding the persons serving as the facility's Emergency Coordinator and Backup Emergency Coordinator and information for a minor License modification, if applicable.
5. The name of the person conducting the personnel training for the facility, the qualifications for this position, and a demonstration as to how the individual charged with conducting the personnel training meets these requirements.

Mr. Douglas F. Wicklund

3

October 20, 2006

Please be sure to include all positions in the requested information and be consistent from document to document, with respect to the name of the positions themselves.

Also, the letter transmitting the requested information shall include a certification statement consistent with Title 40 of the Code of Federal Regulations, Section 270.11(d), which is adopted by reference in the Part 111 rules.

The WHMD will review this information upon receipt and determine whether or not License modifications are warranted.

Obligation to Keep WHMD Informed

As noted above, EDS has an ongoing obligation to keep the WHMD informed of any changes at the facility that are not consistent with the operating license application upon which the License was based or with the License itself that may impact its operations. This includes the need to provide updated information and request modifications to the License, as appropriate.

Should you have any questions, please contact Ms. Blayer at 517-373-9548 or you may contact me.

Sincerely,


/s/

Steve Buda, Acting Chief
Hazardous Waste Section
Waste and Hazardous Materials Division
517-373-7924

- cc: Mr. Jim Syga, Deputy Director, DEQ
- Mr. George Bruchmann, DEQ
- Ms. Liane Shekter Smith, DEQ
- Mr. Larry AuBuchon/Mr. Tom Sampson, DEQ
- Ms. De Montgomery, DEQ
- Mr. Jack Schinderle, DEQ
- Ms. Ronda L. Blayer, DEQ
- Mr. Clay Spencer/Mr. David Slayton, DEQ
- Operating License File

3

10-20-06



ENVIRONMENTAL DISPOSAL SYSTEMS, INC.

199 W. Brown Street • Suite 200 • Birmingham, MI 48009 • Telephone (248) 642-4214 • Facsimile (248) 642-7122

CONFIDENTIAL BUSINESS INFORMATION

October 23, 2006

Members of the Board of Trustees
Policemen and Firemen Retirement System
2 Woodward Avenue, Room 908
Detroit, MI 48226

Re: EDS Citrin Drive Deepwell Facility
Romulus, MI 48174

Ladies and Gentlemen:

As it is my understanding that you want new management of this facility I am writing to you directly to reiterate our proposal previously made to your advisors to resolve this matter in order to keep this project alive; especially now when sales are finally starting to ramp-up.

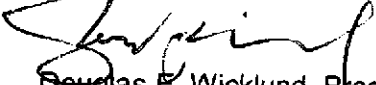
Environmental Disposal Systems, Inc. ("EDS") is willing to immediately assign all of the regulatory permits held by it to an entity of your choice in return for a Release and Indemnification Agreement against all potential third-party creditor claims related to this Project. The Release and Indemnification will not apply to any other project or enterprise (i.e., the EDS Brine Well, etc.).

In the interim, the Facility is about to close due to a lack of funds. If you agree that the Facility should remain open and avoid closure by the MDEQ and USEPA I request that you provide immediate additional funding for paying trade creditors whose services are essential to our regulatory compliance reporting (our air and ground water monitoring reports are due 11/1/06) along with payroll to the Romulus employees, taxes, security, utilities, insurance, etc. This amount is projected at \$92,945.90 (see attached schedule) and will cover the anticipated transition period ending November 1, 2006.

I am available to assist and cooperate fully in this transition.

Thank you for your consideration.

Sincerely Yours,



Douglas F. Wicklund, President

**REMUS JOINT VENTURE
IMPORTANT PAST DUE TRADE ACCOUNTS PAYABLE**

Accident Fund Insurance -Workman's comp.	207.70
AirQuality Specialist -MDEQ Air, Ground Water Monitoring Reports due 11-1-06	2,220.90
CIT Technology Fin. Serv. Inc.	500.00
Cryogenic Gases -On site Laboratory supplier	767.27
DTE Energy -Electric Bill (Past Due)	7,807.64
Filter Specialist, Inc. -Deepwell Filters	3,434.10
First Insurance Funding -Liability Insurance	5,249.00
Fluid Process Equipment -On site Laboratory supplier	2,000.00
GEOdynamic Industries -Waste Broker and Transporter	4,959.29
Great Northern Sentry Co. -Security Service	20,000.00
Hach Company -On site Laboratory supplier	6,000.00
Haviland Products, Inc. -Treatment chemicals	2,500.00
Midwest Analytical -New Profile Samples	4,800.00
Payroll (10/31/06) -Rob Messerschmidt -Karen Kapala -John Webb -Aaron Moody -Terrance Trevasant -Paul McConnell	17,500.00 (est.)

⇒ October 20, 2006 HOEA letter

vendors

- EDS is the operator who has contracted w/

- EDS has not been paid

- Mr. Wicklund

- plan for response to HOEA

RTI Labs 15,000.00
-Air, Ground Water Sample analyses
(needed for 11-1-06 MDEQ Reports)

TOTAL
\$92,945.90

4

OCT-27-06 15:30 FROM-

T-025 P 01/06 F-674

JENNIFER M. GRANHOLM
GOVERNORSTATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSINGSTEVEN E. CHESTER
DIRECTOR

October 25, 2006

CERTIFIED MAILMr. Douglas Wicklund
Environmental Disposal Systems, Incorporated
28470 Citrin Drive
Romulus Michigan 48174

Dear Mr. Wicklund:

SUBJECT: Well Leak and Injectate Loss, EDS 2-12 Well, Permit M453
Well Conditions, EDS 1-12 Well, Permit M452

I arrived on site at the Environmental Disposal Systems (EDS) Citrin Drive Facility at about 8:30 a.m. on October 23, 2006, to witness mechanical integrity tests of the disposal wells. Shortly after I arrived, Mr. Paul McConnell arrived. He advised that the No. 2-12 well had been in use since about 5 p.m., October 22, and would remain on line for the test. Mr. McConnell identified the injectate as "rinse water".

When I looked in at the No. 2-12 well house, there was a considerable leak in the injectate flow line. The leak was sufficiently severe and had lasted a sufficient time that the well cellar had filled; the injectate had collected inside the well house and spilled over the doorsill onto the ground, flowing in the direction of the underground sump. Shortly after, Mr. McConnell came to the well house and indicated that the wing valve gasket was the probable cause of the leak. He then entered the waste receiving/treatment building to see to shutting down the injection pump to the No. 2-12 well. He must have also notified the well operator on duty that a leak was occurring. He later indicated that the operator had been inside the receiving/treatment building and was not aware of the leak.

Following the shut down of the injection pumps, Mr. McConnell instructed the well operator to bring a portable pump and move the liquid from the well house and well cellar into the containment area of the north group of tanks in the injectate receiving/treatment building.

The gasket that failed is no more than a few years old at most; and in any case, the well itself has been in use only since December 2005. Please provide this office with the results of the investigation to determine why the gasket failed. If the results indicate that contact with injectate caused the failure, use of both wells will be suspended until it is demonstrated that a gasket not susceptible to degradation by the injectate is available and has been installed on both wells and at any other gasket-equipped connection inside the well houses.

If the investigation shows the leak was not due to gasket failure, please provide this office with the explanation for the failure. If the failure was due to other mechanical problems with the injectate flow line and/or valve, use of both wells will be suspended until the problem is corrected and this office is notified in writing that the corrective measures are in place or have been completed on both wells.

Mr. Douglas Wicklund
October 25, 2006
Page 2

Apparently the well operator is not required to or does not conduct regular visual inspections of the wells when they are in use. To prevent a recurrence of the situation described above, the following procedure will be implemented immediately.

When either of the disposal wells is being used, the well operator will conduct visual inspection of the well within five minutes of the time the pumping is initiated and will conduct visual inspection at least every half hour while the well is on line. ANY leak will be sufficient reason to discontinue use of the well until the leak is stopped. Additionally, the operator will keep a written log of inspections. The log will be kept for the life of the well and will be made available to the Office of Geological Survey (OGS) personnel on demand.

Additionally, a liquid detection system will be installed in the wells' cellars which will trigger audible and visual alarms if liquid accumulates in the cellars to a depth of five inches. If the alarm is triggered, use of the well will be stopped until the source of the liquid can be determined; and all liquid accumulated in the cellar is removed. Mr. Bruce Waldo (586-753-3856) of the OGS Southeast District Office is to be notified when the system is in place and operational.

It is not clear just what "rinse water" is. Please clarify in writing the nature of this injectate and whether all injection from 5 p.m. on October 22 was "rinse water". Unless "rinse water" is Romulus municipal water, please provide an analysis consistent with R 299.2312 of the administrative rules, Part 625, Mineral Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA). Please be advised that if the "rinse water" is anything other than municipal water, the procedure used to remove it from the well house and store it may be in violation of the Part 111, Hazardous Waste Management of the NREPA, operating license.

During the course of the mechanical integrity testing, Mr. McConnell advised that he "has a 75 percent time commitment" to another employer, although he is on call by EDS 24 hours daily. Since he is necessarily absent from the facility the majority of the time, it is imperative that the well operator have at least training, if not experience, in the operation and monitoring of the wells. It is not clear that the current well operator has such training or background. Please provide this office with a detailed description of the training and experience of the well operator, specifically in the area of deep injection well operation.

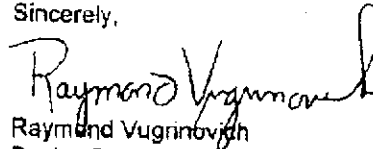
Additionally to perform a mechanical integrity test, it is necessary to isolate the annulus from the pump used to maintain the annulus/tubing pressure differential. The cellar of the No. 1-12 well was nearly filled with water, making it difficult—and unsafe—for the well operator to close the valve isolating the annulus from the annulus pressure system for the mechanical integrity test or for any other reason. Installation of the liquid detection/alarm system will eliminate the problem of water-filled cellars; but until it is installed, the cellars will be regularly pumped on a schedule that permits no more than five inches of water to accumulate. In addition, please submit your ideas concerning the source of this water and an explanation of why the cellar in the No. 1-12 well had accumulated so much water.

Mr. Douglas Wicklund
October 25, 2006
Page 3

I anticipate that the information requested above will be supplied by November 3, 2006, and the well cellar liquid detection/alarm system will be installed by November 30, 2006.

Please feel free to contact me if you have any questions.

Sincerely,



Raymond Vuginovich
Senior Geologist
Minerals and Mapping Unit
Office of Geological Survey
517-241-1532

cc: Ms. Ronda Blayer, DEQ
Mr. Steve Buda, DEQ
Mr. Thomas Sampson
Mr. Thomas Godbold, DEQ
Ms. Peg McComb-Elowski, DEQ
Mr. Walter Danyluk, DEQ
Mr. Bruce Waldo, DEQ

5

CLARK HILL
PLC
ATTORNEYS AT LAW

212 East Grand River Avenue
Lansing, Michigan 48906
Tel. (517) 318-3100 ■ Fax (517) 318-3099
www.clarkhill.com

Ronald A. King
Phone: (517) 318-3015
E-Mail: rking@clarkhill.com

October 27, 2006

VIA FACSIMILE AND E-MAIL

Mr. Douglas F. Wicklund
President
Environmental Disposal Systems, Inc.
199 West Brown Street, Suite 200
Birmingham, MI 48009

Re: *Meeting to Arrange Transfer of Operations*

Dear Mr. Wicklund:

This letter is in follow-up to the telephone conference earlier today involving you, Gary Giumetti and myself. Subsequent to that telephone conference, I contacted Michael Cruse and was advised that Warner, Norcross & Judd has terminated its relationship with Environmental Disposal Systems, Inc. ("EDS"). Mr. Cruse indicated that we should contact you directly with respect to developing a plan for transition of the Romulus EDS facility (the "Project") to an entity appointed by the Police and Fire Retirement System of the City of Detroit (the "Board"). To the extent you, individually, or EDS has retained other counsel, please provide the contact information for that counsel to Logan Davidson, Mr. Giumetti and myself immediately.

As we discussed earlier today, we expect to meet with you late Monday, October 30, 2006 or early Tuesday, October 31, 2006 to formulate an orderly transfer plan for the Project. At this meeting we expect to work out specific details for approaching the Michigan Department of Environmental Quality ("MDEQ") with respect to transfer of the Hazardous Waste Management Facility Operating License (the "License"), assignment of all assets of the Project, transfer of the real property and transition of EDS personnel, as appropriate. Specifically, we will expect you to execute an authorization permitting the appropriate parties to initiate contact with the MDEQ and EDS employees necessary to effectuate the transition. Additionally, Mr. Davidson has indicated that the documentation of the advance of funds approved by the Board on October 26, 2006, will be available at the meeting for execution.

As we also discussed, the Board has not addressed your request that arrangements be made to release and/or indemnify you and/or EDS with respect to any outstanding "trade" payables of EDS. During our telephone conference, you conditioned your participation in a meeting and cooperation with respect to transition on the Board making arrangements with

CLARK HILL_{PLC}

Mr. Douglas F. Wicklund
President
Environmental Disposal Systems, Inc.
October 27, 2006
Page 2 of 2

respect to the "trade" payable. We strongly recommend that you meet with us to work out the details of the transfer of the Project, irrespective of the Board's position on this issue at this time. Failure to develop an orderly transition plan will greatly limit the Board's options going forward.

Please contact Mr. Davidson, Mr. Giumetti or myself immediately to provide a time to meet on Monday or Tuesday. Plan to meet in the Detroit office of Clark Hill PLC at 500 Woodward Avenue, Suite 3500. In the interim, if you have any questions, please direct them to Mr. Giumetti.

Very truly yours,

CLARK HILL PLC

Ronald A. King

RAK:kmt

6

OCT-27-06 15:01 FROM-

T-025 P.05/06 F-674



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



STEVEN E. CHESTER
DIRECTOR

October 27, 2006

Mr. Douglas Wicklund
Environmental Disposal Systems, Incorporated
28470 Citrin Drive
Romulus Michigan 48174

Dear Mr. Wicklund:

SUBJECT: Well Leak and injectate Loss, EDS 1-12 Well, Permit M452
Well Conditions, EDS 2-12 Well, Permit M453

I arrived on site at the Environmental Disposal Systems (EDS) Citrin Drive Facility at about 2:00 p.m. on October 26, 2006, to conduct a routine inspection of the disposal wells. I was advised by the receptionist that Mr. Paul McConnell was not in, but that the plant manager, Mr. John Webb, would assist me.

At the No. 1-12 well house when Mr. Webb opened the door, we were forced to step away from the shed due to a very strong, pungent acid odor. I heard a hissing sound and through the open shed door observed a wet floor inside. Mr. Webb stepped in for a few seconds and indicated there was some sort of problem. He then went inside the treatment building for some tools and a facemask. During his absence, I observed what are apparently the effects of previous leakage on the north side of the No. 1-12 well house concrete base. I also observed dead vegetation adjacent to this area.

After donning breathing apparatus, Mr. Webb entered the No. 1-12 well house with some wrenches. The hissing/whistling sound inside the well house eventually ceased and when Mr. Webb re-appeared, he indicated that he could not stop the leak with the tools he had, stated that he "closed the valve", and that Double W Oilfield Services would be called out to correct the problem.

I advised Mr. Webb that the No. 1-12 well should not be utilized until it was repaired. As I would not enter the 1-12 well house, I asked that we go back to the No. 2-12 well so he could point out where leak on the 1-12 occurred. Mr. Webb pointed out that the leak was from the metal plate bolted on at the top of the wellhead.

At the No. 2-12 well house I observed stressed and/or dying grass in front of the well shed door. Mr. Webb advised that this was from the October 23, 2006 "brine" leak, observed by Mr. Ray Vugrinovich of our office, who, as you know, was told the injectate was "rinse water". Mr. Webb pointed out an O-ring removed from the flange at the base of the wellhead wing valve which he stated was the cause of the leak. I also observed several inches of liquid in the well cellar.

OCT-27-06 15:01 FROM-

T-025 P.06/06 F-674

Mr. Douglas Wicklund
October 27, 2006
Page 2

Pursuant to Rule 299.2389, please provide the Office of Geological Survey with a report detailing the cause of the failure in the No. 1-12 wellhead, and the nature of the injected fluid at the time of the failure, and your plan to restore mechanical integrity. Please send the report to Mr. Ray Vugrinovich with a copy to me. This report is to be submitted by November 3, 2006. The No. 1-12 well is not to be used until the problem is corrected, the well is inspected by Office of Geological Survey staff, and authorization to begin using the well is received from the Supervisor of Mineral Wells, or his authorized representative. Further, any fluids that may have collected in the cellar are to be removed and disposed of properly.

You may contact me if you have any questions.

Sincerely,



Walter Danyluk, Supervisor
Lansing, SE MI, and Kalamazoo Districts
Office of Geological Survey
517-335-6253

- cc: Mr. Steve Buda, DEQ
- Mr. Thomas Godbold, DEQ
- Mr. Raymond Vugrinovich, DEQ
- Mr. Bruce Waldo, Southeast Michigan District Office, DEQ

7



STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



JENNIFER M. GRANHOLM
GOVERNOR

STEVEN E. CHESTER
DIRECTOR

November 2, 2008

VIA E-MAIL AND FAX

Mr. Douglas F. Wicklund, President
Environmental Disposal Systems, Inc.
199 West Brown Street, Suite 200
Birmingham, Michigan 48009

Dear Mr. Wicklund:

SUBJECT: Letter of Warning and Suspension of Operations; Environmental Disposal Systems, Inc. (EDS); Site ID No. MIR 000 016 065

On October 28, 2008, and October 31, 2008, staff of the Department of Environmental Quality (DEQ), Waste and Hazardous Materials Division (WHMD), inspected EDS, located at 28470 Citrin Drive, Romulus, Michigan. The purpose of the inspection was to evaluate compliance with Part 111, Hazardous Waste Management, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA); Part 121, Liquid Industrial Wastes, of the NREPA; the corresponding requirements under Subtitle C of the federal Resource Conservation and Recovery Act of 1976, as amended; any administrative rules or regulations promulgated pursuant to these acts; and EDS's hazardous waste management facility operating license (License), which was issued on December 27, 2005.

This inspection was conducted in follow up to a leak discovered by staff of the DEQ, Office of Geological Survey (OGS), in well house 2-12 on October 23, 2008. Shortly after the conclusion of the WHMD inspection on October 28, 2008, a second release was observed by staff of the OGS in well 1-12.

As a result of the inspections, staff of the DEQ has determined that EDS is in violation of the following:

1. As required by License Condition II.A, EDS shall maintain and operate the facility to minimize the possibility of a fire, explosion, or any unplanned sudden or nonsudden release of hazardous waste or hazardous waste constituents to the environment, including air, soil, or waters of the state that could threaten human health or welfare or the environment. Pursuant to R 289.9203(1)(c), the water pumped into well 2-12 during the mechanical integrity test that leaked and was released into the well house, into the sump, and onto the ground is considered to be listed hazardous waste because it mixed with listed hazardous waste constituents previously injected into the well. Listed hazardous waste was also released as a result of the second leak that occurred in well 1-12. Therefore, EDS failed to maintain and operate the facility to minimize the possibility of an unplanned release of hazardous waste or hazardous waste constituents in violation of License Condition II.A. Because of this release, EDS is required to take the following actions:

Mr. Douglas F. Wicklund

2

November 2, 2006

- EDS is required to provide a cleanup of all areas impacted by the releases to include soil removal, sampling, power washing, and containment of generated cleaning fluids of the sump and surrounding areas. EDS must present a plan on how this will be accomplished.
 - EDS must seal all sumps and the containment buildings to prevent future release to the surrounding areas. EDS must present a plan on how this will be accomplished.
 - EDS must provide a detection system to identify malfunctions in the system that may result in a release. This is to include, at a minimum, liquid detection monitoring with automatic system shutoffs. EDS must present a plan on how this will be accomplished.
 - EDS must provide constant staff monitoring of the well during pumping operations, and a plan must be presented to address how this will be accomplished.
2. As required by License Condition II.L.6.a, EDS shall immediately report to the Chief of the WHMD any noncompliance with the License that may endanger human health or the environment, including, but not limited to, a release of hazardous waste or hazardous waste constituents to the environment. EDS failed to notify the WHMD of the release upon its detection for both releases in violation of License Condition II.L.6.a.
 3. As required by License Condition II.L.6.b, EDS shall follow up the verbal report referred to in violation 2, above, by providing a written report to the Chief of the WHMD and copies to the city of Romulus, the city of Taylor, and Wayne County within five days after the time the licensee becomes aware of the circumstances. To date, the DEQ has not received any such reports. Therefore, EDS is in violation of License Condition II.L.6.b. Please submit a copy of the now delinquent written report containing all of the information in License Condition II.L.6.(a)(i)-(iii) along with a description of the noncompliance and its cause; the periods of noncompliance (including exact dates and times); whether the noncompliance has been corrected and, if not, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance and when those activities occurred or will occur. (R 299.9521(1)(a), R 299.9607, and Title 40 of the Code of Federal Regulations, Section 270.30(i)(5), which is adopted by reference in R 299.11003)
 4. As required by License Condition IV.H.1, EDS shall remove spilled or leaked waste and accumulated precipitation from the tank system secondary containment within 24 hours of detection and manage it in accordance with the requirements of Part 111 of the NREPA, the Part 111 Rules, and the procedures in Attachment 10 of the License. During the inspection on October 31, 2006, staff of the WHMD was informed that the secondary containment has been receiving overflow from the Storm Water Run-Off Vault since the wells were shut down. Therefore, EDS is in violation of License Condition IV.H.1.
 5. As required by License Condition IV.H.2, EDS shall remove the contents of the Rinse Wastewater Vault and the Storm Water Run-Off Vault at least daily. During the inspection on October 31, 2006, staff of the WHMD was informed that both vaults were full and have not been pumped out since the wells were shut down. Therefore, EDS is in violation of License Condition IV.H.2.

In letters dated October 25, 2006, and October 27, 2006, the OGS has suspended use of the 1-12 and 2-12 disposal wells. The OGS has indicated that the leaks at both wellheads constitute losses of internal mechanical integrity as that term is defined in R 299.2303(i). In the event of a loss of mechanical integrity, R 299.2399 provides that injection shall not resume until the well demonstrates mechanical integrity. The OGS requires a written report of the

Mr. Douglas F. Wicklund

3

NOVEMBER 2, 2006

Investigation into the causes of the leaks to be submitted and reviewed by staff of the OGS. The OGS also states that until corrective measures are in place and an operational test of the wells, witnessed by staff of the OGS, has been successfully conducted, the suspension will continue in effect. Operation of the wells may only be started upon receipt of written authorization from the DEQ's Supervisor of Mineral Wells or an authorized representative of the Supervisor of Mineral Wells.

The authorization to accept delivery of waste for treatment and storage at the facility under Part 111 of the NREPA is contingent upon an authorized disposal well on site for the receipt of the waste. Accordingly, at least one of EDS's two injection wells must be operational and in compliance with Part 625, Mineral Wells, of the NREPA, and the federal Underground Injection Control Program permits in order for EDS to accept delivery of additional waste beyond that currently in storage at the facility. According to your October 29, 2006, letter to Ms. Ronda Blayer, Hazardous Waste Section, WHMD, operation of both wells at EDS has been halted. Based on this, EDS should have ceased receiving additional waste as of October 29, 2006. It is our understanding that you informed the DEQ that you had provided a fax to the DEQ on October 30, 2006, indicating that EDS would, in addition to shutting down the wells, cease receiving waste into the facility. However, staff of the WHMD did not receive this fax. EDS may not accept, process, or transmit waste to the point of discharge to the wells until the DEQ provides authorization to do so in writing. For purposes of testing the wells, EDS may transfer the city water currently stored on site to the wells. However, any leaks, spills, or other release of this material would be considered a release of listed hazardous waste.

EDS shall submit a certification for all repairs and a recertification of the facility's capability of treating, storing, and disposing of hazardous waste in compliance with Part 111 of the NREPA, as required under Condition I.E.1.g of the License and Section 11123(3) of Part 111.

At a minimum, your response to this letter shall explain the cause of the violations, action taken to correct the violations, what steps are being taken to prevent recurrence of the violations, and the duration of the violations, including whether the violations are ongoing. If the violations are not resolved by the date of your response, your response shall include a work plan that describes what equipment will be installed, what procedures will be implemented, what processes or process equipment will be shut down, or what other actions will be taken and by what dates these actions will take place to resolve the violations.

EDS shall immediately initiate the actions specified above and any other actions necessary to correct the cited violations. Additionally, EDS shall submit to the following address a response to this letter by no later than November 15, 2006:

Waste and Hazardous Materials Division
Southeast Michigan District Office
Department of Environmental Quality
27700 Donald Court
Warren, Michigan 48092-2793

This letter does not preclude, nor limit, the DEQ's ability to initiate any other enforcement action, under state or federal law, as deemed appropriate.

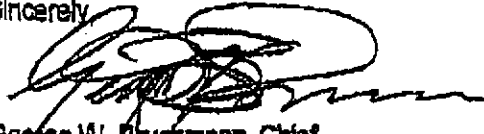
Mr. Douglas F. Wicklund

4

November 2, 2006

If you have any questions regarding this matter, please feel free to contact Mr. Thomas Sampson, Southeast Michigan District Office, WHMD, at 596-753-3849, or you may contact Ms. Blayer at 517-373-8548.

Sincerely



George W. Bruchmann, Chief
Waste and Hazardous Materials Division
517-373-9523

- cc: Mr. Steven E. Chester, Director, DEQ
- Mr. Stanley F. Pruss, Deputy Director, DEQ
- Mr. Jim Sygo, Deputy Director, DEQ
- Ms. JoAnn Merrick, Senior Executive Assistant to the Director, DEQ
- Ms. Carol Linteau, Legislative Liaison, DEQ
- Mr. Robert McCann, Press Secretary, DEQ
- Mr. Harold R. Fitch, DEQ
- Ms. Liene Shielder Smith, DEQ
- Mr. Steve Buda, DEQ
- Mr. John Craig, DEQ
- Mr. Lonnie Lee, DEQ
- Mr. Lawrence AuBuchon, DEQ
- Ms. Ronda Blayer, DEQ
- Mr. Walter Danyluk, DEQ
- Mr. Thomas Godbold, DEQ
- Mr. Thomas Sampson, DEQ
- Mr. Raymond Vugrinovich, DEQ

8

CLARK HILL
PLC
ATTORNEYS AT LAW

212 East Grand River Avenue
Lansing, Michigan 48906
Tel. (517) 318-3100 ■ Fax (517) 318-3099
www.clarkhill.com

Ronald A. King
Phone: (517) 318-3015
E-Mail: rking@clarkhill.com

January 22, 2007

VIA ELECTRONIC & U.S. MAIL

Ms. Leslie Patterson
Underground Injection Control Branch
U.S. EPA Region 5, WU-16J
77 West Jackson Boulevard
Chicago, IL 60604

Re: *Former Environmental Disposal System, Inc. Facility – 28470 Citrin Drive,
Romulus, Michigan – Transfer Documents*

Dear Ms. Patterson:

As I indicated in an email from last week, please find attached to this letter, documents which evidence the transfer of the real property and assets of the above-referenced facility to the designee of the Police and Fire Retirement System of the City of Detroit (the "Board"), RDD Investment Corp. ("RDD"). These documents are an executed Quit Claim Deed, Assignment of Permits, and an Acknowledgement and Assignment Agreement. The Board and RDD understand that certain permits cannot be assigned and transferred from a regulatory standpoint until approval is provided by EPA (or MDEQ in some cases). These attached documents provide RDD with the legal authority to request regulatory approval of transfers on behalf of EDS.

Notably, sections 4.d. and g. of the Acknowledgement and Assignment Agreement provide the Board (or its designee in this case) with the right to exercise all of the rights and powers of EDS with respect to the facility and, importantly, the right to act as attorney-in-fact for EDS for purposes of requesting any permit transfer. Further, EDS is under an affirmative obligation to cooperate with the Board and execute whatever documents are necessary to effectuate and transfer the licenses and permits (section 5.e.).

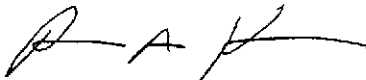
CLARK HILL_{PLC}

Ms. Leslie Patterson
Underground Injection Control Branch
January 22, 2007
Page 2

I trust this information will help clarify and/or answer any concerns related to the present status of the facility and RDD's authority to act on behalf of EDS with respect to the permit transfer. In the event you have any questions or concerns related to this matter, please do not hesitate to contact me.

Very truly yours,

CLARK HILL PLC



Ronald A. King

RAK:kmt

ASSIGNMENT OF PERMITS

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Environmental Disposal Systems, Inc., a Michigan corporation with offices at 199 W. Brown Street, Suite 200, Birmingham, MI 48009 ("EDS"), assigns and transfers to RDD Investment Corp., a Michigan corporation with its registered office located at 79 Alfred Street, Detroit, MI 48201 ("RDD"), all rights, title, and interest of EDS in the following licenses and permits associated with the facility located at 28470 Citrin Drive, Romulus, Michigan (collectively, the "Permits"):

1. United States Environmental Protection Agency RCRA Part A permit number MIR 000 016 055;
2. United States Environmental Protection Agency deepwell (UIC) permit number MI 163 1W C006;
3. United States Environmental Protection Agency deepwell (UIC) permit number MI 163 1W C007;
4. United States Environmental Protection Agency deepwell (UIC) permit number MI 163 1W C008;
5. United States Environmental Protection Agency deepwell (UIC) permit/application number MI 163 1W C009;
6. State of Michigan Department of Environmental Quality hazardous waste management facility construction permit, EPA Identification number MIR 000 016 055;
7. State of Michigan Department of Environmental Quality Hazardous Waste Management Facility Operating License, EPA Identification number MIR 000 016 055;
8. State of Michigan Department of Environmental Quality deepwell (UIC) permit number M452;
9. State of Michigan Department of Environmental Quality deepwell (UIC) permit number M453;
10. State of Michigan Department of Environmental Quality air quality permit number PTI 539 97B;
11. State of Michigan Department of Environmental Quality National Pollutant Discharge Elimination System (NPDES) permit number MI 05565;
12. State of Michigan Department of Environmental Quality storage tank registration/certification/permit/license numbers RT-10, PST-1-91084013;

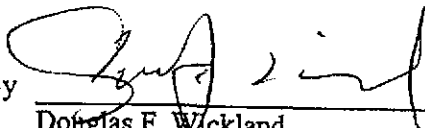
13. State of Michigan Department of Environmental Quality Wetlands Protection permit number 00 82 0015 P;
14. Wayne County Storm Water System permit number R01 385;
15. City of Romulus Soil Erosion permit number 80 047 99 0024 701; and
16. All other governmental permits, authorizations, approvals, exemptions, and licenses associated with the above items and/or related to the operation of the facility located at 28470 Citrin Drive, Romulus, Michigan, EPA Identification number MIR 000 016 055.

EDS further agrees to fully cooperate with RDD to facilitate and effectuate the transfer of the Permits and to seek and receive approval of the assignments and transfers by the appropriate governmental entities, and EDS consents to RDD, itself or through its designee(s), agent(s), attorney(s), and assign(s), communicating, directly and independently, with such governmental entities to effectuate the transfer of the Permits and to seek and receive approval of the assignments and transfers of the Permits.

The acceptance of any or all of these assignments or transfers shall in no way constitute an acceptance by the assignee or transferee of any obligations or liabilities of EDS, and shall not release EDS from any other obligations it may have to the Police and Fire Retirement System of the City of Detroit.

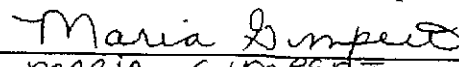
Dated this 7th day of November, 2006.

ENVIRONMENTAL DISPOSAL SYSTEMS
INC., a Michigan corporation

By 
Douglas F. Wickland
Its President

STATE OF MICHIGAN)
) ss.
COUNTY OF MACOMB)

Acknowledged before me this 7th day of NOVEMBER, 2006 by Douglas F. Wickland, President of Environmental Disposal Systems, Inc, a Michigan corporation, on behalf of the corporation.



MARIA GIMPERT
Notary Public, MACOMB County, Michigan
My commission expires: 5/13/2011
Acting in MACOMB County

QUIT CLAIM DEED

The Grantors, ROMULUS DEEP DISPOSAL LIMITED PARTNERSHIP, a Michigan limited partnership, with offices at 199 W. Brown Street, Suite 200, Birmingham, Michigan 48009, REMUS JOINT VENTURE, a Michigan joint venture, with offices at 199 W. Brown Street, Suite 200, Birmingham, Michigan 48009, and ENVIRONMENTAL DISPOSAL SYSTEMS, INC., a Michigan corporation, with offices at 199 W. Brown Street, Suite 200, Birmingham, Michigan 48009, quit claim to RDD INVESTMENT CORP., a Michigan corporation, with offices at 79 Alfred Street, Detroit, Michigan 48201, the following described premises situated in the City of Romulus, County of Wayne, and State of Michigan, to wit:

See Exhibit "A" attached hereto and made a part hereof

commonly known as 28470 Citrin Drive

Tax Parcel Number: 047-99-0024-703

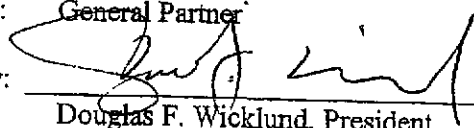
for the full consideration of the sum of One and 00/100 (\$1.00) Dollar.

Dated: November 7, 2006.

ROMULUS DEEP DISPOSAL LIMITED PARTNERSHIP, a Michigan limited partnership

By: Environmental Disposal Systems, Inc.

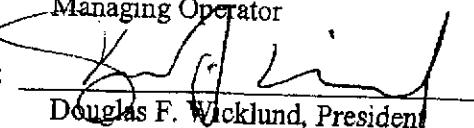
Its: General Partner

By: 
Douglas F. Wicklund, President

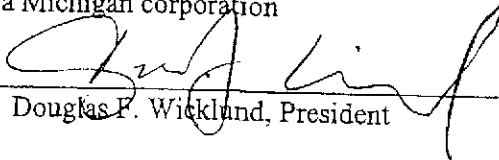
REMUS JOINT VENTURE, a Michigan joint venture

By: Environmental Disposal Systems, Inc.

Its: Managing Operator

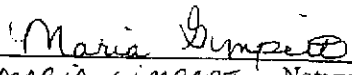
By: 
Douglas F. Wicklund, President

ENVIRONMENTAL DISPOSAL SYSTEMS,
INC., a Michigan corporation

By: 
Douglas F. Wicklund, President

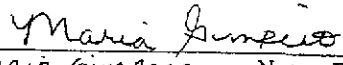
STATE OF MICHIGAN)
)ss.
COUNTY OF MACOMB)

The foregoing instrument was acknowledged before me this 7th day of November, 2006, by Douglas F. Wicklund, President of Environmental Disposal Systems, Inc., a Michigan corporation, on behalf of said corporation, the general partner of Romulus Deep Disposal Limited Partnership, a Michigan limited partnership, on behalf of said limited partnership.


MARIA GIMBERT, Notary Public
MACOMB County, Michigan
Acting in MACOMB County, Michigan
My Commission expires: 5/13/2011


STATE OF MICHIGAN)
)ss.
COUNTY OF MACOMB)

The foregoing instrument was acknowledged before me this 7th day of November, 2006, by Douglas F. Wicklund, President of Environmental Disposal Systems, Inc., a Michigan corporation, on behalf of said corporation, the Managing Operator of Remus Joint Venture, a Michigan joint venture, on behalf of the joint venture.


MARIA GIMBERT, Notary Public
MACOMB County, Michigan
Acting in MACOMB County, Michigan
My Commission expires: 5/13/2011

STATE OF MICHIGAN)
)ss.
COUNTY OF MACOMB)

The foregoing instrument was acknowledged before me this 7th day of November, 2006, by Douglas F. Wicklund, President of Environmental Disposal Systems, Inc., a Michigan corporation, on behalf of the corporation.


MARIA GIMBERT, Notary Public
MACOMB County, Michigan
Acting in MACOMB County, Michigan
My Commission expires: 5/13/2011

Drafted by:
F. Logan Davidson
79 Alfred Street
Detroit, Michigan 48201

Send subsequent tax bills to:
Grantee

Return to:
F. Logan Davidson
79 Alfred Street
Detroit, Michigan 48201

EXHIBIT "A"

Land situated in the City of Romulus, County of Wayne, State of Michigan being more particularly described as follows:

Parcel III:

Part of the South 1/2 of Section 12, Town 3 South, Range 9 East, City of Romulus, Wayne County, Michigan, described as follows: Commencing at the East 1/4 corner of said Section 12; thence South 89 degrees 37 minutes 20 seconds West, 70.00 feet along the East-West 1/4 line of Section 12, and South 01 degrees 25 minutes 15 seconds East, 210.45 feet and South 01 degrees 59 minutes 15 seconds West, 315.84 feet along the Westarly line of Inkster Road, as widened, and South 71 degrees 30 minutes 35 seconds West, 2105.00 feet along the Northerly line of Norfolk and Southern Railroad Company Right of Way (100 feet wide), to the point of beginning; thence continuing along the Northerly line of said Norfolk and Southern Railroad Company Right of Way, South 71 degrees 30 minutes 35 seconds West, 559.50 feet; thence South 88 degrees 52 minutes 15 seconds West, 98.96 feet; thence along the North-South 1/4 line of said Section 12, South 01 degrees 39 minutes 22 seconds East, 30.67 feet; thence along the Northerly line of said Norfolk and Southern Railroad Company Right of Way, South 71 degrees 36 minutes 55 seconds West, 514.08 feet; thence North 18 degrees 23 minutes 02 seconds West, 556.74 feet; thence along the Southerly line of the Detroit Industrial Expressway (I-94), North 71 degrees 37 minutes 00 seconds East, 1176.91 feet; thence South 18 degrees 23 minutes 02 seconds East, 555.66 feet to the point of beginning.

Easement benefitting Parcel III:

A 60 foot wide easement for ingress and egress, the Northerly line of which is described as follows: A part of the South 1/2 of Section 12, Town 3 South, Range 9 East, City of Romulus, Wayne County, Michigan, being described as beginning at a point located South 88 degrees 37 minutes 20 seconds West 70.00 feet and South 01 degrees 25 minutes 15 seconds East 210.45 feet and South 01 degrees 59 minutes 15 seconds West 61.68 feet from the East 1/4 corner of Section 12; thence North 88 degrees 00 minutes 44 seconds West 47.30 feet; thence North 49 degrees 43 minutes 07 seconds West 349.97 feet to the Southerly line of the I-94 Expressway; thence along said line South 71 degrees 37 minutes 00 seconds West 1966.53 feet to the point of ending.

Easement burdening Parcel III:

A part of the South 1/2 of Section 12, Town 3 South, Range 9 East, City of Romulus, Wayne County, Michigan, being described as beginning at a point located South 88 degrees 37 minutes 20 seconds West 70.00 feet and South 01 degrees 25 minutes 15 seconds East 210.45 feet and South 01 degrees 59 minutes 15 seconds West 315.84 feet and South 71 degrees 30 minutes 35 seconds West 2105.00 feet along the Northerly line of Norfolk and Southern Railroad Company Right of Way and North 18 degrees 23 minutes 02 seconds West 555.66 feet from the East 1/4 corner of Section 12; thence along the Southerly line of the I-94 Expressway, South 71 degrees 37 minutes 00 seconds West 1176.91 feet to the point of ending.

ACKNOWLEDGEMENT AND ASSIGNMENT

This Acknowledgement and Assignment (the "Agreement") is made this 7th day of November, 2006, by Environmental Disposal Systems, Inc., a Michigan corporation ("EDS"), Romulus Deep Disposal Limited Partnership, a Michigan limited partnership ("Romulus"), Remus Joint Venture, a Michigan joint venture ("Remus") (EDS, Romulus, and Remus sometimes collectively referred to as the "Borrowers"), and Douglas F. Wicklund, an individual ("Wicklund") (each a "Party" and collectively the "Parties").

WHEREAS, the Police and Fire Retirement System of the City of Detroit, a pension plan and trust established by the Charter and Municipal Code of the City of Detroit, Michigan (the "Lender"), as lender, and EDS, Romulus, and Remus, individually and collectively as borrower(s), have entered into certain transactions wherein money was advanced for the purchase, construction, and operation of the Facility, as documented in the Loan Documents;

AND WHEREAS, the Parties desire to acknowledge and recognize certain rights and obligations arising under the Loan Documents;

AND WHEREAS, the Parties have agreed that the Borrowers will transfer or assign title to the real and personal property that is subject to the Loan Documents to the Lender or the Lender's designee at the request of the Lender;

FOR GOOD AND VALUABLE CONSIDERATION, including but not limited to the terms and conditions set forth herein, the receipt and sufficiency of which are hereby acknowledged,

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Definitions. For purposes of this Agreement, and unless otherwise indicated, the following terms shall have the definitions set forth below:
 - a. EPA. "EPA" shall mean the United States Environmental Protection Agency and any of its divisions, bureaus, offices, agents, or representatives.
 - b. Event of Default. The term "Event of Default" shall have the meaning set forth in the Loan Documents.
 - c. Facility. The "Facility" shall mean the commercial liquid hazardous waste storage, treatment, and disposal facility located at 28470 Citrin Drive, Romulus, Michigan, sometimes referred to as the "Project" in the Loan Documents, and all equipment, personal property, and facilities related to the operation thereof or located on or in the Property.
 - d. Loan Documents. The "Loan Documents" shall be meant to include, but not be limited to, the following documents and agreements pertaining or relating to the Property or Facility, or the contemplated purchase or construction thereof, and to which the Lender and one or more of the other Parties hereto are parties:

- i) Loan and equity purchase commitment/agreement dated May 27, 1993, as modified and amended;
- ii) Promissory Note dated June 2, 1993, as modified and amended;
- iii) Mortgage and Security Agreement dated June 2, 1993, as modified and amended;
- iv) Security Agreement dated June 2, 1993 (granted by Romulus), as modified and amended;
- v) Security Agreement dated June 2, 1993 (granted by Rernus), as modified and amended;
- vi) Collateral Assignment of Permits dated June 2, 1993, as modified and amended;
- vii) Assignment of Options dated June 2, 1993, as modified and amended;
- viii) Mortgage and Security Agreement dated December 21, 1995 and recorded with the Wayne County Register of Deeds at Liber 28528 Page 205 on January 19, 1996, as modified and amended;
- ix) Loan commitment/agreement dated September 13, 2001, as modified and amended;
- x) Promissory Note dated September 13, 2001, as modified and amended;
- xi) Security Agreement: Assignment of All Permits and Licenses dated September 13, 2001;
- xii) Security Agreement: Assignment of Architect's Agreement and Plans and Specifications dated September 13, 2001;
- xiii) Security Agreement: Assignment of Engineer's Agreement dated September 13, 2001
- xiv) Mortgage dated September 13, 2001 and recorded with the Wayne County Register of Deeds at Liber 34926 Page 688 on October 5, 2001, as modified and amended; and
- xv) All loan documents related to the foregoing documents and transactions or referenced in the foregoing documents, any loan documents for additional draws, advances or extensions of additional loans from the Lender to the Borrowers, and/or any such documents hereafter entered into.

- e. MDEQ. "MDEQ" shall mean the Michigan Department of Environmental Quality and any of its divisions, bureaus, offices, agents, or representatives.
- f. Permits. The "Permits" shall mean the following licenses, permits, authorizations, exemptions, and approvals associated with the Facility and/or Property:
- i) EPA Resource Recovery and Conservation Act (RCRA) Part A permit number MIR 000 016 055;
 - ii) EPA deepwell (UIC) permit number MI 163 1W C006;
 - iii) EPA deepwell (UIC) permit number MI 163 1W C007;
 - iv) EPA deepwell (UIC) permit number MI 163 1W C008;
 - v) EPA deepwell (UIC) permit/application number MI 163 1W C009;
 - vi) MDEQ hazardous waste management facility construction permit, EPA Identification number MIR 000 016 055;
 - vii) MDEQ Hazardous Waste Management Facility Operating License, EPA Identification number MIR 000 016 055;
 - viii) MDEQ deepwell (UIC) permit number M452;
 - ix) MDEQ deepwell (UIC) permit number M453;
 - x) MDEQ air quality permit number PTI 539 97B;
 - xi) MDEQ National Pollutant Discharge Elimination System (NPDES) permit number MI 05565;
 - xii) MDEQ storage tank registration/certification/permit/license numbers RT-10, PST-1-91084013;
 - xiii) MDEQ Wetlands Protection permit number 00 82 0015 P;
 - xiv) Wayne County Storm Water System permit number R01 385;
 - xv) City of Romulus Soil Erosion permit number 80 047 99 0024 701; and
 - xvi) All other governmental permits, authorizations, approvals, exemptions, and licenses associated with the above items and/or related to the operation or possession of the Facility or Property.

- g. Property. The "Property" shall mean the real property described on the attached Exhibit A and all improvements, tenements, hereditament, and appurtenances thereon or thereunto belonging.
2. Acknowledgement of Obligations. EDS, Romulus, and Remus, individually and collectively, hereby expressly acknowledge that each of them is obligated, jointly and severally, under the Loan Documents, and that each of them are equally bound under each of the instruments comprising the Loan Documents.
3. Acknowledgement of Default. EDS, Romulus, and Remus, individually and collectively, hereby expressly acknowledge that Events of Default have occurred under the Loan Documents and have not been timely cured, to the extent that an opportunity to cure is provided for in the Loan Documents, triggering the rights of the Lender thereunder to the remedies set forth therein. The Events of Default include, but are not limited to, the following:
- a. The substantial change in the existing and prospective financial condition or worth of the Borrowers, which is materially adverse to the Lender's rights under the Loan Documents;
 - b. The Borrowers' failure to cause the Facility and Property to be operated at all times; and
 - c. The temporary closure of the Facility.
4. Acknowledgement of Rights Upon Event of Default. EDS, Romulus, and Remus, individually and collectively, hereby expressly acknowledge that as a result of the occurrence of an Event of Default, the Lender, itself or through its designee(s), agent(s), attorney(s), or assign(s), has and is entitled to exercise, at its election, the rights and remedies set forth in the Loan Documents, including, but not limited to, the following:
- a. The right to enter upon and take immediate and exclusive possession of the Facility and Property;
 - b. The right to hold, store, use, operate, manage, and control the Facility and Property and to conduct the business thereof;
 - c. The right to perform such construction, make all necessary and proper maintenance, repairs, renewals, replacements, additions, and improvements to an on the Facility and Property, and purchase or otherwise acquire additional fixtures, equipment, and personal property;
 - d. The right to manage and operate the Facility and Property and exercise all the rights and powers of EDS, Romulus, or Remus, on their behalf or otherwise, with respect to the same;
 - e. The right to enter into agreements with others to exercise the powers of the Lender with respect to the Facility and Property;

- f. The right to collect the rents, income, and other benefits of or related to the Facility or Property; and
 - g. The right to act as attorney-in-fact for EDS, Romulus, and Remus and to demand, receive, and enforce all rights of EDS, Romulus, or Remus under the Permits, and to do any and all acts in the name of EDS, Romulus, or Remus under the Permits or in its own name with the same force and effect as if done by EDS, Romulus, or Remus.
5. Cooperation and Non-Interference. EDS, Romulus, Remus, and Wicklund, individually and collectively, hereby expressly agree to reasonably cooperate with the Lender and/or the Lender's designee(s), agent(s), attorney(s), and assign(s), to effectuate and facilitate the exercising of any right or remedies of the Lender under the Loan Documents, including but not limited to:
- a. allowing the Lender and/or the Lender's designee(s), agent(s), attorney(s), and assign(s) access to the Facility and Property;
 - b. providing the Lender and/or the Lender's designee(s), agent(s), attorney(s), and assign(s) with all requested documentation and information related to the operation of the Facility and Property;
 - c. expressly authorizing third-parties, including the EPA and MDEQ, to release information to and communicate with the Lender and/or the Lender's designee(s), agent(s), attorney(s), and assign(s) in accordance with the Lender's rights and remedies under the Loan Documents;
 - d. executing, contemporaneously with the execution of this Agreement, an assignment conveying all of Borrowers' right, title and interest in the Permits to RDD Investment Corp., a Michigan corporation (the "Assignment of Permits"). The Assignment of Permits shall be in a form substantially similar to Exhibit B.
 - e. executing such additional acknowledgements, instruments, agreements, or documents as may be necessary to carry out or effectuate any transfer or assignment of the Permits, should such a request be made by the Lender and/or the Lender's designee(s), agent(s), attorney(s), and assign(s);
 - f. executing such additional acknowledgements, instruments, agreements, or documents as may be necessary to carry out or effectuate any transfer or assignment of title to the Facility, Property, or any equipment, assets, or personal property of any sort related to the operation of the Facility, should such a request be made by the Lender and/or the Lender's designee(s), agent(s), attorney(s), and assign(s);
 - g. not interfering with the possession or operation of the Facility or Property by the Lender and/or the Lender's designee(s), agent(s), attorney(s), and

assign(s), should such a right be exercised by the Lender and/or the Lender's designee(s), agent(s), attorney(s), and assign(s); and

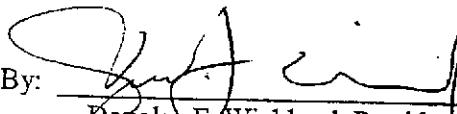
- h. executing such additional acknowledgements, instruments, agreements, or documents as may be necessary or reasonably requested by the Lender and/or the Lender's designee(s), agent(s), attorney(s), and assign(s) to effectuate or facilitate the exercising of any of the Lender's rights under the Loan Documents.
6. Assignment and Transfer of Title. EDS, Romulus, Remus, and Wicklund, individually and collectively, hereby transfer and assign all of their individual and collective right, title, and interest in the Facility, Property, and any equipment, assets, or personal property of any sort related to the operation of the Facility, to RDD Investment Corp., a Michigan corporation, and further agree to execute such acknowledgements, instruments, agreements, or documents as may be requested by the Lender or RDD Investment Corp. to carry out or effectuate such transfer or assignment. To effectuate the conveyance of the Property to the RDD Investment Corp., the Borrowers, shall, contemporaneously with the execution of this Agreement, execute and deliver to the Lender a quit claim deed to the Property in recordable form acceptable to the Lender and substantially similar to Exhibit C (the "Quit Claim Deed").
7. No Effect on Loan Documents. Nothing in this Agreement shall constitute a waiver by the Lender in any way of any of its rights under any of the Loan Documents and Borrowers expressly acknowledge and agree that, irrespective of any provision of this Agreement or the assignments, conveyances, and transfers provided for herein:
 - a. The Loan Documents remain fully enforceable according to their terms and conditions;
 - b. No conveyance, transfer, or assignment pursuant to or in furtherance of this Agreement extinguishes or diminishes in any way the debt or liens represented by or created pursuant to the Loan Documents; and
 - c. No conveyance document executed or delivered pursuant to this Agreement, including the Quit Claim Deed, is in lieu of foreclosure under the Loan Documents.
8. No Assumption of Liability. Nothing in this Agreement shall constitute an assumption by the Lender or of RDD Investment Corp. of any liabilities or obligations of any other Party hereto.
9. Miscellaneous.
 - a. This Agreement shall be binding upon the Parties and their permitted assigns or successors in interest.
 - b. The paragraph headings are solely for convenience, and shall not be used to effect or interpret the terms or intent of this Agreement.

- c. This Agreement shall be governed in all respects by the laws of the State of Michigan.
- d. In the interpretation of this Agreement, it shall be construed as if it were drawn jointly or by all parties hereto and no inference or presumption shall be made or drawn either for or against any party hereto by virtue of who might have prepared this document or any portion hereof.
- e. This Agreement may be executed in several counterparts and by facsimile, each of which will be deemed an original but all of which will constitute one and the same.

IT IS SO AGREED.

ENVIRONMENTAL DISPOSAL SYSTEMS, INC., a Michigan corporation

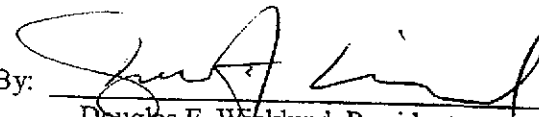
Date: November 7, 2006

By: 
Douglas F. Wicklund, President

ROMULUS DEEP DISPOSAL LIMITED PARTNERSHIP, a Michigan limited partnership

Date: November 7, 2006

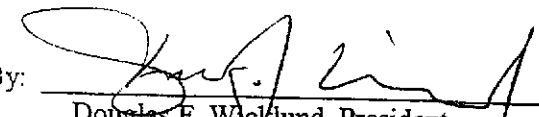
By: Environmental Disposal Systems, Inc.
Its: General Partner

By: 
Douglas F. Wicklund, President

REMUS JOINT VENTURE, a Michigan joint venture

Date: November 7, 2006

By: Environmental Disposal Systems, Inc.
Its: Managing Operator

By: 
Douglas F. Wicklund, President

DOUGLAS F. WICKLUND

Date: November 7, 2006

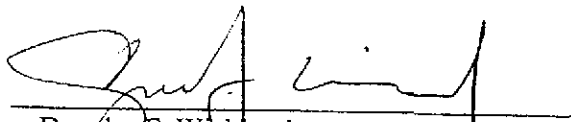

Douglas F. Wicklund

EXHIBIT "A"

Land situated in the City of Romulus County of Wayne State of Michigan being more particularly described as follows:

Parcel III:

Part of the South 1/2 of Section 12, Town 3 South, Range 9 East, City of Romulus, Wayne County, Michigan, described as follows: Commencing at the East 1/4 corner of said Section 12; thence South 89 degrees 37 minutes 20 seconds West, 70.00 feet along the East-West 1/4 line of Section 12, and South 01 degrees 25 minutes 15 seconds East, 210.45 feet and South 01 degrees 59 minutes 16 seconds West, 315.84 feet along the Westarly line of Inkster Road, as widened, and South 71 degrees 30 minutes 35 seconds West, 2105.00 feet along the Northerly line of Norfolk and Southern Railroad Company Right of Way (100 feet wide), to the point of beginning; thence continuing along the Northerly line of said Norfolk and Southern Railroad Company Right of Way, South 71 degrees 30 minutes 35 seconds West, 559.50 feet; thence South 88 degrees 52 minutes 16 seconds West, 98.96 feet; thence along the North-South 1/4 line of said Section 12, South 01 degrees 39 minutes 22 seconds East, 30.67 feet; thence along the Northerly line of said Norfolk and Southern Railroad Company Right of Way, South 71 degrees 36 minutes 55 seconds West, 514.08 feet; thence North 18 degrees 23 minutes 02 seconds West, 556.74 feet; thence along the Southerly line of the Detroit Industrial Expressway (I-94), North 71 degrees 37 minutes 00 seconds East, 1176.91 feet; thence South 18 degrees 23 minutes 02 seconds East, 555.66 feet to the point of beginning.

Easement benefitting Parcel III:

A 60 foot wide easement for ingress and egress, the Northerly line of which is described as follows: A part of the South 1/2 of Section 12, Town 3 South, Range 9 East, City of Romulus, Wayne County, Michigan, being described as beginning at a point located South 88 degrees 37 minutes 20 seconds West 70.00 feet and South 01 degrees 25 minutes 15 seconds East 210.45 feet and South 01 degrees 59 minutes 16 seconds West 63.68 feet from the East 1/4 corner of Section 12; thence North 88 degrees 00 minutes 44 seconds West 47.30 feet; thence North 49 degrees 43 minutes 07 seconds West 349.97 feet to the Southerly line of the I-94 Expressway; thence along said line South 71 degrees 37 minutes 00 seconds West 1966.53 feet to the point of ending.

Easement burdening Parcel III:

A part of the South 1/2 of Section 12, Town 3 South, Range 9 East, City of Romulus, Wayne County, Michigan, being described as beginning at a point located South 88 degrees 37 minutes 20 seconds West 70.00 feet and South 01 degrees 25 minutes 15 seconds East 210.45 feet and South 01 degrees 59 minutes 16 seconds West 315.84 feet and South 71 degrees 30 minutes 35 seconds West 2105.00 feet along the Northerly line of Norfolk and Southern Railroad Company Right of Way and North 18 degrees 23 minutes 02 seconds West 555.66 feet from the East 1/4 corner of Section 12; thence along the Southerly line of the I-94 Expressway, South 71 degrees 37 minutes 00 seconds West 1176.91 feet to the point of ending.

EXHIBIT B
Assignment of Permits

ASSIGNMENT OF PERMITS

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Environmental Disposal Systems, Inc., a Michigan corporation with offices at 199 W. Brown Street, Suite 200, Birmingham, MI 48009 ("EDS"), assigns and transfers to RDD Investment Corp., a Michigan corporation with its registered office located at 79 Alfred Street, Detroit, MI 48201 ("RDD"), all rights, title, and interest of EDS in the following licenses and permits associated with the facility located at 28470 Citrin Drive, Romulus, Michigan (collectively, the "Permits"):

1. United States Environmental Protection Agency RCRA Part A permit number MIR 000 016 055;
2. United States Environmental Protection Agency deepwell (UIC) permit number MI 163 1W C006;
3. United States Environmental Protection Agency deepwell (UIC) permit number MI 163 1W C007;
4. United States Environmental Protection Agency deepwell (UIC) permit number MI 163 1W C008;
5. United States Environmental Protection Agency deepwell (UIC) permit/application number MI 163 1W C009;
6. State of Michigan Department of Environmental Quality hazardous waste management facility construction permit, EPA Identification number MIR 000 016 055;
7. State of Michigan Department of Environmental Quality Hazardous Waste Management Facility Operating License, EPA Identification number MIR 000 016 055;
8. State of Michigan Department of Environmental Quality deepwell (UIC) permit number M452;
9. State of Michigan Department of Environmental Quality deepwell (UIC) permit number M453;
10. State of Michigan Department of Environmental Quality air quality permit number PTI 539 97B;
11. State of Michigan Department of Environmental Quality National Pollutant Discharge Elimination System (NPDES) permit number MI 05565;
12. State of Michigan Department of Environmental Quality storage tank registration/certification/permit/license numbers RT-10, PST-1-91084013;

13. State of Michigan Department of Environmental Quality Wetlands Protection permit number 00 82 0015 P;
14. Wayne County Storm Water System permit number R01 385;
15. City of Romulus Soil Erosion permit number 80 047 99 0024 701; and
16. All other governmental permits, authorizations, approvals, exemptions, and licenses associated with the above items and/or related to the operation of the facility located at 28470 Citrin Drive, Romulus, Michigan, EPA Identification number MIR 000 016 055.

EDS further agrees to fully cooperate with RDD to facilitate and effectuate the transfer of the Permits and to seek and receive approval of the assignments and transfers by the appropriate governmental entities, and EDS consents to RDD, itself or through its designee(s), agent(s), attorney(s), and assign(s), communicating, directly and independently, with such governmental entities to effectuate the transfer of the Permits and to seek and receive approval of the assignments and transfers of the Permits.

The acceptance of any or all of these assignments or transfers shall in no way constitute an acceptance by the assignee or transferee of any obligations or liabilities of EDS, and shall not release EDS from any other obligations it may have to the Police and Fire Retirement System of the City of Detroit.

Dated this ___ day of _____, 2006.

ENVIRONMENTAL DISPOSAL SYSTEMS
INC., a Michigan corporation

By _____
Douglas F. Wickland
Its President

STATE OF MICHIGAN)
) ss.
COUNTY OF _____)

Acknowledged before me this ___ day of _____, 2006 by Douglas F. Wickland, President of Environmental Disposal Systems, Inc, a Michigan corporation, on behalf of the corporation.

Notary Public, _____ County, Michigan
My commission expires: _____
Acting in _____ County

EXHIBIT C
Quit Claim Deed

QUIT CLAIM DEED

The Grantors, ROMULUS DEEP DISPOSAL LIMITED PARTNERSHIP, a Michigan limited partnership, with offices at 199 W. Brown Street, Suite 200, Birmingham, Michigan 48009, REMUS JOINT VENTURE, a Michigan joint venture, with offices at 199 W. Brown Street, Suite 200, Birmingham, Michigan 48009, and ENVIRONMENTAL DISPOSAL SYSTEMS, INC., a Michigan corporation, with offices at 199 W. Brown Street, Suite 200, Birmingham, Michigan 48009, quit claim to RDD INVESTMENT CORP., a Michigan corporation, with offices at 79 Alfred Street, Detroit, Michigan 48201, the following described premises situated in the City of Romulus, County of Wayne, and State of Michigan, to wit:

See Exhibit "A" attached hereto and made a part hereof

commonly known as 28470 Citrin Drive

Tax Parcel Number: 047-99-0024-703

for the full consideration of the sum of One and 00/100 (\$1.00) Dollar.

Dated: November _____, 2006.

**ROMULUS DEEP DISPOSAL LIMITED
PARTNERSHIP**, a Michigan limited partnership

By: Environmental Disposal Systems, Inc.
Its: General Partner

By: _____
Douglas F. Wicklund, President

REMUS JOINT VENTURE, a Michigan joint
venture

By: Environmental Disposal Systems, Inc.
Its: Managing Operator

By: _____
Douglas F. Wicklund, President

**ENVIRONMENTAL DISPOSAL SYSTEMS,
INC., a Michigan corporation**

By: _____
Douglas F. Wicklund, President

STATE OF MICHIGAN)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of November, 2006, by Douglas F. Wicklund, President of Environmental Disposal Systems, Inc., a Michigan corporation, on behalf of said corporation, the general partner of Romulus Deep Disposal Limited Partnership, a Michigan limited partnership, on behalf of said limited partnership.

_____, Notary Public
_____, County, Michigan
Acting in _____ County, Michigan
My Commission expires: _____

STATE OF MICHIGAN)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of November, 2006, by Douglas F. Wicklund, President of Environmental Disposal Systems, Inc., a Michigan corporation, on behalf of said corporation, the Managing Operator of Remus Joint Venture, a Michigan joint venture, on behalf of the joint venture.

_____, Notary Public
_____, County, Michigan
Acting in _____ County, Michigan
My Commission expires: _____

STATE OF MICHIGAN)
)ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of November, 2006, by Douglas F. Wicklund, President of Environmental Disposal Systems, Inc., a Michigan corporation, on behalf of the corporation.

_____, Notary Public
_____, County, Michigan
Acting in _____ County, Michigan
My Commission expires: _____

Drafted by:
F. Logan Davidson
79 Alfred Street
Detroit, Michigan 48201

Send subsequent tax bills to:
Grantee

Return to:
F. Logan Davidson
79 Alfred Street
Detroit, Michigan 48201

EXHIBIT "A"

Land situated in the City of Romulus, County of Wayne, State of Michigan being more particularly described as follows:

Parcel III:

Part of the South 1/2 of Section 12, Town 3 South, Range 9 East, City of Romulus, Wayne County, Michigan, described as follows: Commencing at the East 1/4 corner of said Section 12; thence South 89 degrees 37 minutes 20 seconds West, 70.00 feet along the East-West 1/4 line of Section 12, and South 01 degrees 25 minutes 18 seconds East, 210.45 feet and South 01 degrees 59 minutes 16 seconds West, 315.84 feet along the Westerly line of Inkster Road, as widened, and South 71 degrees 30 minutes 35 seconds West, 2105.00 feet along the Northerly line of Norfolk and Southern Railroad Company Right of Way (100 feet wide), to the point of beginning; thence continuing along the Northerly line of said Norfolk and Southern Railroad Company Right of Way, South 71 degrees 30 minutes 35 seconds West, 559.50 feet; thence South 88 degrees 52 minutes 16 seconds West, 98.96 feet; thence along the North-South 1/4 line of said Section 12, South 01 degrees 39 minutes 22 seconds East, 30.67 feet; thence along the Northerly line of said Norfolk and Southern Railroad Company Right of Way, South 71 degrees 36 minutes 55 seconds West, 514.08 feet; thence North 18 degrees 23 minutes 02 seconds West, 556.74 feet; thence along the Southerly line of the Detroit Industrial Expressway (I-94), North 71 degrees 37 minutes 00 seconds East, 1176.91 feet; thence South 18 degrees 23 minutes 02 seconds East, 555.66 feet to the point of beginning.

Easement benefitting Parcel III:

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9



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 5

77 WEST JACKSON BOULEVARD
CHICAGO, IL 60604-3590

NOV 20 2006

REPLY TO THE ATTENTION OF:
WU-16J

CERTIFIED MAIL 7001 0320 0005 8933 5363
RETURN RECEIPT REQUESTED

Douglas F. Wicklund, President
Environmental Disposal Systems, Inc.
28470 Cirin Drive
Romulus, Michigan 48174

Notice Of Noncompliance

Re: Well #1-12 and Well #2-12, Wayne County, Michigan; Underground Injection Control (UIC) Permit Numbers MI-163-1W-C007 and MI-163-1W-C008

Dear Mr. Wicklund:

This letter is to notify you that Environmental Disposal Systems, Inc. (EDS) is in noncompliance with the conditions of its federally issued UIC permits. On November 2 and 3, 2006, inspectors from the United States Environmental Protection Agency (U.S. EPA) inspected the EDS facility in Romulus, Michigan. The purpose of that inspection was to determine EDS's compliance with the Safe Drinking Water Act, 42 U.S.C. 300f, *et. seq.*, and with the conditions of EDS's federally issued UIC permits.

Section I(E)(9)(a) of your UIC permits requires, among other things, that EDS retain records of all monitoring information, including all calibration and maintenance records and all original chart recordings for continuous monitoring instrumentation. Section I(E)(8)(b) of your UIC permits requires, among other things, that you allow U.S. EPA representatives access to any records that must be kept under the conditions of the permits. During the November 2-3, 2006 inspection, no calibration records or original chart recordings for continuous monitoring instrumentation were available to U.S. EPA inspectors. The failure to allow access to these records is a violation of Section I(E)(8)(b) of your permits.

Section I(E)(6) of your UIC permits requires you to, at all times, properly operate and maintain all facilities and systems of treatment and control and related appurtenances that are installed or used to achieve compliance with the conditions of your UIC permits, including adequate staffing and training. During the inspection conducted by U.S. EPA on November 2-3, 2006, your staff indicated that only one part-time employee, who works approximately 10 hours per week at EDS, has experience in well operations. This level of staffing is inadequate to properly operate and maintain the EDS facility as required by your UIC permits. U.S. EPA inspectors also noted large discrepancies in the readings of the gauges that are used to monitor the injection pressure and annulus pressure. These discrepancies indicate improper maintenance and/or non-calibration of the gauges. In addition, three separate leaks at or adjacent to the well head have been documented in inspections conducted by MDEQ on October 23 and October 26, and by U.S. EPA and by MDEQ on November 2, 2006. U.S. EPA considers this series of leaks to be evidence of a failure to properly operate and maintain the facility.

- 2 -

You are under an obligation by MDEQ to address these leaks, as described in the enclosed letter to EDS from MDEQ dated November 2, 2006.

Within 10 days of receipt of this letter EDS must take actions to ensure that records of all monitoring information, including all calibration and maintenance records and all original chart recordings for continuous monitoring instrumentation, are complete and available to U.S. EPA representatives conducting inspections, as required under Section I(E)(8)(b) of your UIC permits.

To return to compliance with the requirement to operate and maintain the facility properly, EDS may not inject unless a trained operator is on site during the injection activity, in accordance with Section II(B)(4) of EDS's UIC permits. Furthermore, EDS must demonstrate proper operation and maintenance of the EDS facility by completing the following actions, or by submitting a schedule for their completion, within 10 days of receipt of this letter:


1. Ensure that all staff associated with operating the injection wells complete all required training and that the training records are updated.
2. Properly calibrate all gauges that measure the operating conditions that are limited by the UIC permits.
3. Submit a signed certification of the completion of the above activities, in accordance with 40 Code of Federal Regulations (CFR) Part 144.32(d).

You should be aware that violations of the Safe Drinking Water Act and Underground Injection Control regulations are subject to civil administrative penalties of not more than \$11,000 per day of violation up to a maximum administrative penalty of \$157,500. Such violations are also subject to civil and criminal judicial actions, which may include civil penalties of not more than \$32,500 per day of violation and criminal penalties of not more than three years imprisonment and fines in accordance with Title 18 of the United States Code.

We are extending to you the opportunity to have a conference with the U.S. EPA in order to discuss any information you believe that the Agency should consider pertinent to these violations. U.S. EPA will schedule a follow-up inspection to assess your implementation of the corrective action measures that are outlined in this letter, and other requirements of your permits, in December, 2006.

If you have any questions about this Notice Of Noncompliance please contact Leslie Patterson at (312) 886-4904.

Sincerely yours,


for Jo Lynn Traub
Director, Water Division

Enclosure

cc: Charles Brown, TSA, Inc.
Mr. Jim Sygo, MDEQ
Mr. Harold R. Fitch, MDEQ



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 5

77 WEST JACKSON BOULEVARD
CHICAGO, IL 60604-3580

NOV 20 2006

REPLY TO THE ATTENTION OF:
WU-16J

CERTIFIED MAIL 7001 0320 0005 8933 5356
RETURN RECEIPT REQUESTED

Douglas F. Wicklund, President
Environmental Disposal Systems, Inc.
28470 Citrin Drive
Romulus, Michigan 48174

Request For Information

Re: Well #1-12 and Well #2-12, Wayne County, Michigan; Underground Injection Control Permit Numbers MI-163-1W-C007 and MI-163-1W-C008

Dear Mr. Wicklund:

On November 2 and 3, 2006, inspectors from the United States Environmental Protection Agency (U.S. EPA) inspected the Environmental Disposal Systems, Inc. (EDS) facility in Romulus, Michigan. This letter requests information that EDS must provide to U.S. EPA under the conditions of its underground injection control (UIC) permits, permit numbers MI-163-1W-C007 and MI-163-1W-C008.

Section I(B)(7) of your permits requires you to furnish to U.S. EPA any information U.S. EPA requests to determine whether cause exists for modifying, revoking and reissuing, or terminating your permits, or to determine compliance with your permits. By this letter, U.S. EPA is requesting the following information within 10 business days of receipt of this letter:

1. Describe, in detail, EDS'S current level of facility staffing, including job titles, employee names, job descriptions, and training requirements. Please provide records of completed training for employees that have worked at the facility from January of 2006 to the present.
2. Describe, in detail, any changes in staffing that have occurred since EDS'S facility began operating in January of 2006.
3. Identify the EDS employees who were at the facility during the leaks described in the enclosed November 2, 2006 letter from the Michigan Department of Environmental Quality (MDEQ) to EDS, and during the November 2, 2006 leak witnessed by Region 5 UIC inspectors. Please include the specific hours and dates that each employee was present.
4. Identify the former and current EDS employees you consider to be "trained operators" such that the person's presence on site during operation of the wells meets the

- 2 -

- requirements of Section II(B)(4) of your UIC permits. Describe, in detail, the training that, in your view, qualifies each employee for this duty.
5. Describe, in detail, the circumstances of each leak described in the November 2, 2006 MDEQ letter, and the leak witnessed on November 2, 2006 by Region 5 UIC inspectors, including the source and nature of the fluid that comprised each leak.
 6. Describe, in detail, the procedures EDS will use to notify U.S. EPA in the event of any permit noncompliance that may endanger health or the environment in accordance with Section I(E)(12)(d)(1) of the UIC permits.
 7. Provide to U.S. EPA copies of all well calibration records and original chart recordings for continuous monitoring instrumentation required under Section I(E)(9)(a) of your UIC permits. These records were unavailable for review during the November 2 and 3, 2006 inspection. Describe, in detail, the procedures EDS will use to ensure that records are available to U.S. EPA inspectors in the future.
 8. Describe, in detail, why the well calibration records and original chart recordings were not available during the November 2-3, 2006 inspection.
 9. Describe, in detail, why the two injection pressure gauges on the wellhead of Well 1-12 showed injection pressures that differed by 47 psi during the November 2, 2006 inspection. The manual gauge and digital gauge read 375 and 327, respectively.
 10. Describe, in detail, why the two annulus gauges on the wellhead of Well 1-12 showed annulus pressures that differed by 58 psi during the November 2, 2006 inspection. The manual gauge and digital gauge read 570 and 512, respectively.
 11. State whether the annulus system of each well includes a site gauge and, if so, describe its location.
 12. Describe, in detail, the source and composition of the "rinse water" that leaked from the wellhead of Well 2-12 on October 23, 2006.
 13. Describe, in detail, any change in facility ownership or operational control of the EDS facility at 28470 Citrin Drive, Romulus, Michigan.

You may, under 40 C.F.R. Part 2, Subpart B, assert a business confidentiality claim covering all or part of the information, in the manner described in 40 C.F.R. § 2.203(b). We will disclose the information covered by a business confidentiality claim only to the extent and by means of the procedures at 40 C.F.R. Part 2, Subpart B. You must make any request for confidentiality when you submit the information since any information not so identified may be made available to the public without further notice.

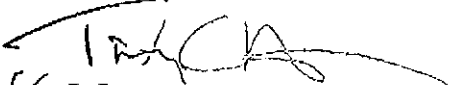
This request is not subject to the Paperwork Reduction Act, 44 U.S.C. § 3501 et seq., because it seeks collection of information from specific individuals or entities as part of an administrative action or investigation.

You should send your response to:

Leslie Patterson, Underground Injection Control Branch
U.S. EPA Region 5, WU-16J
77 West Jackson Boulevard
Chicago, IL 60604

Failure to comply fully with this request for information is a violation of Section I(E)(7) of your permits and may subject EDS to an action under the enforcement provisions of the Safe Drinking Water Act, 42 U.S.C. § 300h-2. You must certify your response to this request for information, in accordance with Section I(E)(11) of your permits and with 40 C.F.R. § 144.32(d). If you have any questions about this information request please contact Leslie Patterson at (312) 886-4904.

Sincerely yours,


Jo Lynn Traub
Director, Water Division

Enclosure

cc: Charles Brown, TSA, Inc.
Mr. Jim Sygo, MDEQ
Mr. Harold R. Fitch, MDEQ

10



STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR



STEVEN E. CHESTER
DIRECTOR

November 28, 2006

CERTIFIED MAIL

Mr. Douglas F. Wicklund, President
Environmental Disposal Systems, Inc.
199 West Brown Street, Suite 200
Birmingham, Michigan 48009

RECEIVED

DEC 04 2006

CLARK HILL PLC

Dear Mr. Wicklund:

SUBJECT: Second Letter of Warning and Notice of Noncompliance; Environmental Disposal Systems, Inc. (EDS); MIR 000 016 055

This correspondence is in follow up to the Michigan Department of Environmental Quality (MDEQ), Waste and Hazardous Materials Division (WHMD), October 20, 2006, letter regarding facility operations and personnel and the November 2, 2006, Letter of Warning and Suspension of Operations, and the Office of Geological Survey (OGS) October 25, 2006, and October 27, 2006, letters regarding the leaks and injectate loss associated with EDS 2-12 Well and EDS 1-12 Well, respectively. This correspondence also reflects the results of the joint inspection conducted by the WHMD and OGS on November 22, 2006. Each of the referenced letters clearly specified deadlines by which the information requested therein was to be submitted to the MDEQ. To date, EDS has not submitted any of the information requested. As such, the WHMD is issuing a Second Letter of Warning to EDS pursuant to Part 111, Hazardous Waste Management, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), and the administrative rules promulgated pursuant thereto, and the OGS is issuing a Notice of Noncompliance to EDS pursuant to Part 625, Mineral Wells, of the NREPA.

WHMD Second Letter of Warning

On December 27, 2005, the MDEQ issued EDS a hazardous waste management facility operating license (License). A list of the outstanding License violations that must be addressed along with the other information that was previously requested is enclosed. EDS's response shall, at a minimum, explain the cause of the violations, the action taken to correct the violations, what steps are being taken to prevent recurrence of the violations, and the duration of the violations, including whether the violations are ongoing. If the violations are not resolved by the date of your response, the response shall include a work plan that describes what equipment will be installed, what procedures will be implemented, what processes or process equipment will be shut down, or what other actions will be taken and by what dates these actions will take place to resolve the violations. EDS shall immediately initiate the actions specified above and any other actions necessary to correct the cited violations.

November 28, 2006

EDS shall submit its response to this Second Letter of Warning and any associated information to both of the following staff by no later than **December 14, 2006**:

Mr. Thomas Sampson
Environmental Quality Analyst
Waste and Hazardous Materials Division
Southeast Michigan District Office
Michigan Department of Environmental Quality
27700 Donald Court
Warren, Michigan 48092-2793

Ms. Ronda Blayer
Environmental Engineering Specialist
Hazardous Waste Section
Waste and Hazardous Materials Division
Michigan Department of Environmental Quality
P.O. Box 30241
Lansing, Michigan 48909-7741

The letter transmitting EDS's response and the requested information shall include a certification statement consistent with Title 40 of the Code of Federal Regulations, Section 270.11(d), which is adopted by reference in the Part 111 rules.

OGS Notice of Noncompliance

By letters of October 25, 2006, and October 27, 2006, EDS was given several instructions regarding well operation and monitoring and instructed to provide OGS with certain information regarding well operation and the leaks observed by OGS personnel. A list of the instructions and the information requested is enclosed. EDS's response shall provide the requested information and implement the instructions of those letters. If the instructions cannot be implemented by the date of EDS's response, EDS shall provide a work plan that describes what equipment will be installed, what procedures will be implemented, what processes or process equipment will be shut down, or what other actions will be taken and by what dates these actions will take place to the meet OGS requirements.

EDS shall submit its response to this letter regarding OGS requirements and any associated information to both of the following staff by no later than **December 14, 2006**:

Mr. Walter Danyluk
District Supervisor
Office of Geological Survey
Michigan Department of Environmental Quality
P.O. Box 30242
Lansing, Michigan 48909-7742

Mr. Raymond Vuginovich
Geology Specialist
Office of Geological Survey
Michigan Department of Environmental Quality
P.O. Box 30256
Lansing, Michigan 48909-7756

Continued Suspension of Treatment and Storage Operations and Injection Well Operations

Pursuant to previous correspondence, all hazardous waste treatment operations at the facility and all use of the injection wells at the facility shall continue to be suspended for the reasons set forth in the WHMD's November 2, 2006, letter and the OGS's October 25, 2006, and October 27, 2006, letters, respectively. The MDEQ reiterates that operation of the hazardous waste treatment operations and operation of the wells may only resume upon receipt of written authorization from the MDEQ.

Obligation to Keep the WHMD and OGS Informed

It warrants repeating that EDS has an ongoing obligation to keep the WHMD and OGS informed of any changes at the facility that are not consistent with the License application upon which the License was based or with the License itself that may impact its operations, or with the OGS

November 28, 2006

requirements associated with the wells, respectively. This includes the need to provide updated information and request modifications to the License, as appropriate.

Deadline for Response

EDS shall provide its response and the information requested herein by **December 14, 2006**.


Failure to provide a timely and adequate response to this letter may result in escalated enforcement under state or federal law, as deemed appropriate.

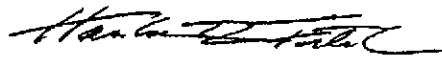
MDEQ Contact Information

If you have any questions regarding the Second Letter of Warning, please feel free to contact Mr. Sampson at 586-753-3849 or Ms. Blayer at 517-373-9548, or you may contact Mr. George W. Bruchmann.

Questions regarding the OGS requirements may be directed to Mr. Raymond Vugrinovich, Minerals and Mapping Unit, OGS, at 517-241-1532, or you may contact Mr. Harold R. Fitch.

Sincerely,


George W. Bruchmann, Chief
Waste and Hazardous Materials Division
517-373-9523


Harold R. Fitch, Chief
Office of Geological Survey
517-241-1548

Enclosures

- cc/enc:
- Mr. Ronald A. King, Clark Hill PLC
 - Mr. Paul Wonsack, RDD Operations, LLC
 - Ms. Dana Rzeznik, U.S. Environmental Protection Agency, Region 5
 - Mr. James Stropka, Department of Attorney General
 - Mr. Steven E. Chester, Director, MDEQ
 - Mr. Stanley F. Pruss, Deputy Director, MDEQ
 - Mr. Jim Sygo, Deputy Director, MDEQ
 - Ms. JoAnn Merrick, Senior Executive Assistant to the Director, MDEQ
 - Ms. Carol Linteau, Legislative Liaison, MDEQ
 - Mr. Robert McCann, Press Secretary, MDEQ
 - Ms. Ronda Blayer, MDEQ
 - Mr. Thomas Sampson, MDEQ
 - Mr. Walter Danyluk, MDEQ
 - Mr. Raymond Vugrinovich, MDEQ

**Environmental Disposal Systems, Inc.,
Office of Geological Survey List of
Conditions Requiring Correction and Other
Requested Information**

November 28, 2006

October 25, 2006 Letter

By letter of October 25, 2006, Environmental Disposal Systems, Inc. (EDS), was directed to do the following by November 3, 2006:

1. Provide to the Office of Geological Survey (OGS) the results of an investigation to determine why the gasket on the No. 2-12 Well failed, or, if the investigation shows the leak was not due to gasket failure, an explanation for the failure.
2. Implement a procedure whereby when either of the disposal wells is being used, the well operator will conduct visual inspection of the well within five minutes of the time the pumping is initiated and will conduct visual inspection at least every half hour while the well is on line. Any leak will be sufficient reason to discontinue use of the well until the leak is stopped. Additionally, the operator will keep a written log of inspections. The log will be kept for the life of the well and will be made available to the OGS personnel on demand.
3. Clarify, in writing, the nature of liquid described as "rinse water" lost via the leak observed on October 23, 2006, and whether all injection from 5 p.m. on October 22, 2006, was "rinse water." Unless the "rinse water" is Romulus municipal water, provide an analysis consistent with R 299.2312 of the administrative rules promulgated under Part 625, Mineral Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.
4. Provide to the OGS a detailed description of the training and experience of the well operator, specifically in the area of deep injection well operation.
5. Identify the source of the water that had accumulated in the cellar of the No. 1-12 Well and an explanation of why the cellar in the No. 1-12 Well was allowed to accumulate so much water.

In the same letter, EDS was instructed, by November 30, 2006, to install a liquid detection system in the wells' cellars that will trigger audible and visual alarms if liquid accumulates in the cellars to a depth of five inches. If the alarm is triggered, use of the well will be stopped until the source of the liquid can be determined; and all liquid accumulated in the cellar is removed. Mr. Bruce Waldo, OGS, Southeast Michigan District Office, is to be notified at 586-753-3856 when the system is in place and operational.

October 27, 2006 Letter

By letter of October 27, 2006, EDS was required to do the following by November 3, 2006:

1. Provide to the OGS a report detailing the cause of the failure in the No. 1-12 wellhead, observed on October 26, 2006, and the nature of the injected fluid at the time of the failure, and plans to restore mechanical integrity.
2. Remove and properly dispose of any liquids that may have collected in the cellar of the No. 1-12 Well.