

# EXHIBIT 17

STATE OF NEW YORK: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

In the Matter of the  
Violations of Article 19  
of the Environmental  
Conservation Law of the  
State of New York by:

ORDER ON  
CONSENT

File No.

TACONIC PLASTICS, LTD

R4-2000-0310-17

Respondent.

WHEREAS:

1. Pursuant to Environmental Conservation Law ("ECL") Article 19, the Department of Environmental Conservation ("Department") has jurisdiction over matters concerning air resources and pollution.

2. Respondent, Taconic Plastics, LTD, owns and operates a facility at 136 Coonbrook Rd., (P.O. Box 136), Petersburg, New York 12138 ("facility"). The facility is located in an ozone transport region.

3. The facility has a certificate to operate 10 air emission sources (Permit # 383400-0126) which was issued on May 1, 1990.

4. Department staff inspected the facility on November 24, 1999 and March 15, 2000 and found a coating line not included in the facility's permit ("new coating line"). Respondent is still operating the old coating line ("old coating line") which is included in the facility's permit.

5. The new coating line is connected to emission point # 0000D and it has no air pollution control equipment.

6. Regulations at 6 NYCRR 201-6.1(a) set forth the criteria for Title V applicability.

(a) Requirement for a Title V Facility Permit.  
Except as otherwise set forth herein, no person shall operate any of the following stationary sources without obtaining a Title V permit.

(1) Any major stationary source (as defined under Subpart 201-2);

(2) Any stationary source subject to a standard or limitation, or other requirement under the federal New Source Performance Standards (NSPS) in 40 CFR Part 60, et seq;

(3) Any stationary source including an area source, subject to a standard or other requirement regulating hazardous air pollutants under Section 112 of the Act, except that a source is not required to obtain a Title V permit solely because it is subject to regulations or requirements promulgated for the control of accidental releases of substances regulated under Section 112(r) of the Act;

(4) Any affected source; and

(5) Any stationary source in a category designated by the Administrator and added by the Department pursuant to rulemaking.

7. Regulations at 6 NYCRR 201-2.1(b) (21) (iii) (B) define a major stationary source of air pollutants that directly emits or has the potential to emit in an ozone transport region 50 tons or more per year of volatile organic compounds.

8. The new coating line has the potential to emit 327,624 pounds per year or approximately 183 tons of volatile organic compounds ("VOC") per year.

9. The facility became a major source as defined in 6 NYCRR 201-1(b) (21) (iii) with the installation of the new coating line.

Part 201-6.1(b)

10. Regulations 6 NYCRR 201-6.1(b) set forth the requirements to have a preconstruction permits before constructing a new stationary source subject to Title V:

(b) No person shall construct any new stationary source which will be required to obtain a Title V facility permit as described in (a) above before obtaining a permit from the Department. Such permits shall authorize both construction and operation in accordance with all applicable state and federal requirements.

11. Respondent constructed the new coating line in November 1998 without a preconstruction permit.

12. Respondent's construction of the new coating line without a preconstruction permit is a violation of 6 NYCRR 201-6.1(b).

Part 201-6.3(a)(3)

13. Regulations at 6 NYCRR 201-6.3(a)(3) provide that a Title V facility permit application must be filed with the Department within one year of the commencement of operation of new emission unit(s) or modified emission units at an existing stationary source which makes the source subject to Title V permitting.

14. Respondent's facility, which is a teflon coating facility, was required to have filed a Title V permit application by no later than January 1, 2000.

15. Respondent hasn't filed a Title V application for the facility.

16. Respondent violated 6 NYCRR 201-6.3(a)(3) by not filing a Title V application for the facility.

Part 228

17. Regulations at 6 NYCRR Part 228.3 (a) state that: "No person shall cause or allow the usage of coatings that exceed the allowable pounds of volatile organic compounds ("VOC") per gallon, minus water and excluded VOC at application specified in table 1 of section 228.7 and table 2 of section 228.8 of this Part, unless a coating system meeting the requirements of subdivision (d) of this section is utilized or unless control equipment meeting the requirements of subdivision (b) and (c) of this section is installed and operated.

18. The old and new coating lines are subject to a 2.9 lbs./gallon VOC limit as set forth in Table 1 of 6 NYCRR Part 228.7 for paper coating lines.

A. Old Coating Line

19. Department staff inspected the facility and obtained records of adhesive coating usage for the old coating line.

20. Based on Respondent's records, Respondent has violated the Part 228.7, 2.9 lbs./gallon VOC limit on the old coating line for 114 separate runs during 59 days in 1999 causing the discharge of 1180 pounds of VOC emissions in excess of allowable limits.

B. New Coating Line

21. The new coating line became subject to Part 228 upon its construction in November 1998.

22. Department staff inspected the facility and obtained records of adhesive coating usage for the new coating line.

23. Based on Respondent's records, Respondent has violated Part 228. 7, the 2.9 lbs./gallon VOC limit on the new coating line for 633 separate runs during 248 days from January 1999 through February 2000 causing the discharge of 8537 pounds of VOC emissions in excess of allowable limits.

Part 231-2.3 (a) and (b) Violations

24. Pursuant to 6 NYCRR 231-2.2 (b) (2), the regulations in 6 NYCRR 231.2 are applicable to the new coating line because its VOC annual potential to emit is greater than 50 tons per year.

25. Regulations at 6 NYCRR 231-2.3(a) prohibit the construction of an applicable emission source without a permit issued pursuant to Part 201.

26. Regulations at 6 NYCRR 231-2.3(b) prohibit the operation of an applicable emission source without obtaining emission offset credits. The emission offset credit of 1.15 to 1 is applicable to the new coating line.

27. Respondent has obtained neither a Part 201 permit nor emission offset credits for the new coating line.

28. Respondent violated 6 NYCRR 231-2.3(a) and (b) by constructing and operating the new coating line without a Part 201 permit and emission offset credits, respectively.

Part 231-2.7 (a) Violations

29. Regulations at 6 NYCRR 231-2.7(a) (2) require that "At an existing non-major facility, LAER shall be applied to control emissions of any nonattainment contaminant from each emission source which is part of a proposed source project which, by itself, has a project emission potential of any such nonattainment contaminant equal to or greater than the corresponding major facility size threshold in section 231-2.15 or 231-2.16 of this Subpart.

30. Respondent has not applied LAER on its new coating line which is a major source of VOCs.

31. Respondent violated 6 NYCRR 231-2.7(a) by not applying LAER on the new coating line.

Order on Consent R4-2140-99-01

32. Respondent was subject to Order on Consent R4-2140-99-01 which required, in part, that a stack test be performed on emission point #0000D.

Civil Penalties

33. Section 71-2103 provides that: "Except as provided in section 71-2113, any person who violates any provision of article nineteen or any code, rule or regulation which was promulgated pursuant thereto; or any order except an order directing such person to pay a penalty by a specified date issued by the commissioner pursuant thereto, shall be liable, in the case of a first violation, for a penalty not less than two hundred fifty dollars nor more than ten thousand dollars for said violation and an additional penalty of not to exceed ten thousand dollars for each day during which such violation continues..."

Waiver

34. Respondent affirmatively waives the right to notice and hearing in the manner provided by law and has consented to the issuing and entering of this Order and agrees to be bound by the terms, provisions and conditions contained herein.

NOW, having considered this matter and being duly advised, it is ORDERED THAT:

I. In respect of the aforesaid violations, a civil penalty in the amount of FOUR HUNDRED THOUSAND DOLLARS (\$400,000) is assessed against the Respondent for the above violation. ONE HUNDRED TWENTY THOUSAND DOLLARS (\$120,000) of civil penalty is suspended conditioned on Respondent's compliance with the Schedule of Compliance. Payment of the suspended penalty shall be due within fifteen (15) calendar days of the receipt by the Respondent of a notice of violation from the Department which sets out the violations of the Order. This provision shall not limit the Department's right to seek other remedies provided by law and the applicable regulations for violations of this Order on Consent and ECL Article 19 and regulations, respectively. Respondent reserves its right to request a hearing pursuant to 6 NYCRR 622 and any appeals allowed under the CPLR regarding any allegations contained in a notice of violation. The request for a hearing shall be made to the Regional Director within ten (10) calendar days of receipt of the notice of violation. Respondent shall pay TWO HUNDRED EIGHTY THOUSAND DOLLARS (\$280,000) of the civil penalty by certified check made payable to the Department of Environmental Conservation. The payment shall be made in accordance with the following schedule: (1) ONE HUNDRED FORTY THOUSAND DOLLARS (\$140,000) with the return of the signed Order; and (2) ONE HUNDRED FORTY THOUSAND DOLLARS (\$140,000) by January 31, 2001.

II. The attached Schedule of Compliance, the Best Management Practice Plan, the Environmental Compliance Evaluation System Plan, and any other document submitted pursuant to this Order and approved by the Department, are incorporated into and made part of this Order.

III. The effective date of this Order shall be the date the Department signs the Order.

IV. Payment of the above civil penalty and compliance with the terms and conditions of the Order is accepted in full settlement of the violations cited in this Order. This Order does not address any violations of State hazardous waste regulations or law. The Department shall not institute any action or proceeding for penalties or other relief for the violations described above for so long as Respondent (including trustees, officers, employees, successors and assigns) remains in compliance with this Order. Any failure by Respondent to comply fully with the terms of this Order may subject the Respondent to further enforcement action for the violations cited herein. Except for the continuing violations cited in this Order, compliance with this Order shall not excuse nor be a defense to charges of any violations of the ECL or any regulation or permit issued under the ECL, which may occur subsequent to the date of this Order.

V. Respondent shall not be in default of compliance with this Order to the extent that Respondent may be unable to comply with any provision of this Order because of the action of a national or local government body or court, an act of God, war, strike, riot or catastrophe as to which the negligence or willful conduct on the part of Respondent was not a proximate cause. Respondent shall provide notice to the Department in writing immediately upon obtaining knowledge of such event, and shall request an appropriate modification to this Order. Relief under this clause shall not be available to Respondent, with regard to a particular event, if Respondent fails to provide timely notice of such event. The Respondent shall have the burden of proving entitlement to relief under this clause.

VI. All reports and submissions herein required shall be made to the Region 4 Headquarters, Attention: Rick Leone, New York State Department of Environmental Conservation, 1150 North Westcott Road, Schenectady, New York 12306. All correspondence to Respondent shall be made to Respondent: Taconic Plastics, LTD, Attn: Joel Shorter, P.O. Box 69, Petersburg, New York 12138 by certified mail/return receipt.

VII. For the purposes of insuring compliance with this Order, and with applicable provisions of the ECL and regulations promulgated under the ECL, representatives of this Department shall be permitted access to the facility and to relevant records during reasonable hours, in order to inspect and/or perform such tests as may be deemed appropriate to determine the status of Respondent's compliance. Reasonable hours shall include, but not be limited to, any hours of production, painting or coating.

VIII. The provisions of this Order shall be deemed to bind Respondent. Respondent is responsible for ensuring that its officers, directors, agents, employees, contractors, successors and assigns, and all persons, firms and corporations acting under or for it, comply with the terms and conditions of this Order.

IX. The terms of this Order shall not be construed to prohibit the Commissioner of the Department or his duly authorized representative from exercising any Summary Abatement powers, either at common law or as granted pursuant to statute or regulations.

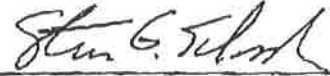
X. Respondent shall indemnify and hold the Department, the State of New York, and their representatives and employees harmless for all claims, suits, actions, damages, costs of every name and description arising out of or resulting from the fulfillment or attempted fulfillment of the provisions of this Order by Respondent, its directors, officers, employees, servants, agents, successors or assigns.

XI. If, for any reason, Respondent desires that any provisions of this Order be changed, Respondent shall make timely written application to the Department's Region 4 Regional Director setting forth reasonable grounds for the relief sought. No change or modification of this Order shall be made or be effective except as may be specifically set forth in writing by the Department.

XII. This Order on Consent's Schedule of Compliance supercedes the Schedule of Compliance in Order on Consent R4-2140-99-01. All other terms, conditions and provisions of Order on Consent R4-2140-99-01 remain in effect.

DATED: Rotterdam, New York  
August 18, 2000John P. Cahill  
Commissioner  
New York State Department of  
Environmental Conservation

By:

Steven S. Schassler  
Regional Director  
Region 4CONSENT BY RESPONDENT

Respondent hereby consents to the issuing and entering of this Order, waives its rights to notice and hearing herein and agrees to be bound by the provisions, terms and conditions contained herein.

By:

Title:

Date:

8/17/00

STATE OF NEW YORK  
COUNTY OF ALBANY

On this 17th day of August, 2000, before me personally came JAMES J. O'KEEFE, to me known, who being by me duly sworn did depose and say that he resides in Delmar, NY, that he is President of Taconic Plastics, LTD described in and which executed the foregoing instrument, and that he signed his name as authorized by said Corporation.

  
Notary PublicELIZABETH V. HAIGHT  
Notary Public, State of New York  
Qualified in Rensselaer County  
No. 01HA5081788  
Commission Expires July 14, 2001

SCHEDULE OF COMPLIANCE

I. Within 60 days of the effective date of this Order, Respondent shall install an incinerator and associated volatile organic compound (VOC) emission capture system on emission point 0000D to control the emissions of total VOCs. The VOC emission control system (incinerator and associated emission capture system) shall be capable of achieving an 85% overall removal efficiency.

II. Respondent shall cease using the new coating line until the installation, and operation of the emission control equipment required in Paragraph I. The Department authorizes operation of the new coating line upon installation and operation of the emission control equipment required in Paragraph I.

III. Within 60 days of the effective date of this Order, Respondent shall submit to the Department for approval a stack testing protocol ("protocol") to determine the compliance status with respect to the overall VOC removal efficiency requirement, and the Part 228.3 opacity limitation for emission point 0000D. The protocol shall contain a summary of the specific objectives of the stack testing program, pertinent information regarding the parties involved in the test program, process and emission source descriptions, a figure detailing the sample locations, process operating parameters and conditions, a description of the incinerator, the proposed sample collection and analysis methodologies, and pertinent quality assurance/equality control (QA/QC) measures to be followed.

IV. Within 45 days of Department approval of the stack test protocol for emission point 0000D, Respondent shall: (i) conduct the emission point 0000D stack test in accordance with the approved protocol; (ii) conduct the PTFE ovens stack test in accordance with the approved PTFE oven test protocol (dated October 1999) unless the protocol is amended upon consent of the Department and Respondent; and (iii) submit to the Department a written report(s) of the testing results. Respondent shall contact the Department at least 15 days prior to conducting the stack testing to arrange for Department staff to witness the tests.

V. Within 210 days of the effective date of this Order, Respondent shall submit either a Title V or state facility operating permit application prepared in accordance with 6 NYCRR Part 201. In addition to complying with the regulatory requirements for the permit application, Respondent shall include in the permit application stack testing results from the PTFE ovens (performed in accordance with the October 1999 protocol approved by the Department).

VI. A. Within 30 days of the effective date of this Order, Respondent shall retain an independent third party auditor (hereinafter the "Environmental Audit Consultant" or "EAC"), to assess compliance at the facility as of the date of such audit, with federal and state environmental laws, rules, regulations and permits.

B. The compliance audit shall be completed within 90 days of the effective date of this Order.

C. Within 45 days after the completion of audit activities at the facility, the Respondent shall deliver to the Department a written final Audit Report ("Audit Report") prepared by the EAC based upon the compliance audit. The Audit Report shall identify all instances of non-compliance with the state and federal environmental laws, rules, regulations and permits.

D. As part of the Audit Report, the EAC shall certify, when applicable, that the audited areas are in compliance with all statutory and regulatory requirements that were within the scope of the audit. For any instance of non-compliance that has been identified, the Respondent will develop and deliver within forty-five (45) days of the delivery of the Audit Report a plan for achieving or demonstrating compliance and a detailed time schedule for implementing the plan. The Department will review the plan to determine if it achieves compliance in an expeditious manner. Upon the approval of the schedule, Respondent shall comply with its requirements. The Department agrees not to seek any civil or administrative penalties from Respondent for any instances of non-compliance disclosed in the Audit Report, provided Respondent corrects each such condition in accordance with compliance schedule, unless Respondent had a legal obligation, independent of this Order, to report such noncompliance to the Department, the Department discovered such noncompliance independent of the audit after the effective date of the Order, or Respondent knowingly or intentionally violated a state law or regulation.

E. The Audit Report may be disclosed to third parties in accordance with the provisions of the Freedom of Information Law ("FOIL"). Respondent may pursuant to 6 NYCRR 616.7 assert "trade secret" or "proprietary information" claims on those portions of the Audit Report it deems subject to an exception from disclosure. The Department will notify the Respondent of any FOIL requests for the Audit Report.

VII. Within 30 days of the effective date of this Order, Respondent shall provide the Department with a copy of the facility's Best Management Practice Plan and Environmental Compliance Evaluation System Plan and shall comply with these documents. The plans shall be revised as necessary and any revisions shall be provided to the Department within ten (10) calendar days of implementation. Compliance with these plans will not be a defense to a violation of state environmental laws or regulations.