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May 26, 2016

VIA E-MAIL and U.S. MAIL

Mr. George Adams
NC DEQ
Inactive Hazardous Sites Branch
610 East Center Avenue, Suite 301
 Mooresville, NC 28115

Re: Response to April 11, 2016 Request for a Work Plan
1515 West Academy Street, Cherryville, NC
Former Knitronics Textile Facility (the "Site")
NONCD0002787

Dear George:

As you know, this law firm represents Mohican Mills, Inc. ("Mohican"), the current property owner of the above-referenced Site, and its parent company, Fab Industries Corp. ("Fab"). This letter responds to your April 11, 2016 letters to Mohican and Fab in which the Inactive Hazardous Sites Branch ("IHSB") requested Mohican and Fab to prepare a work plan that complies with the items outlined in your January 18, 2016 Notice of Request for Remedial Investigation.

As discussed over the phone and further discussed herein, Mohican and Fab do not believe they are responsible parties under the Inactive Hazardous Sites Response Act ("IHSRA") for several reasons. However, you and I have had a couple of conversations regarding IHSB's request for Mohican and Fab to perform this work. You stated you would be willing to work with Mohican and Fab in a staged-approach and provide flexibility if Mohican and Fab cooperated. We also discussed the impact if the Site is granted eligibility into the Brownfields Program and you allowing the Brownfields Program to take the lead for the on-site issues. With all those things in mind, Mohican is willing to take a staged-approach to working with you to further investigate the Site. Fab and Mohican are reserving all their rights and are not waiving any rights, substantive or procedural, or defenses as to IHSB's request.

As an initial matter, I had asked for an extension of time for Fab and Mohican to respond to your deadline of May 26, 2015 as I have been out with a neck and shoulder injury. You

agreed that an extension would be allowed until June 17, 2015 but I would appreciate your confirmation. My understanding is that for this initial work you are requesting responses to the initial Phase I site questions.

Responsibility Under IHSRA

While Fab and Mohican are willing to cooperate within a flexible arrangement for further investigation, Fab and Mohican do not agree that they are responsible parties under NCGS §130A-310.7 of the IHSRA. Fab nor Mohican Mills actually operated at the Site and thus could not have “discharged” any hazardous substances. A responsible party under §130A-310.7 is a person who actually discharges hazardous substances at the site. Secondly, it is unclear when the discharge(s) occurred. Your letter states in numbered paragraph (5) that Dawn Gottschalk, an agent with an insurance company evaluating a claim from Fab, reported to you that a PCE release occurred from a leaking tank at the site in the 1980s. We have researched this allegation and found no evidence of any such PCE release. In fact, according to our information, Ms. Gottschalk’s allegation is that the small No. 6 fuel oil release that occurred in the 1980s, as reported in due diligence reports, somehow contained PCE. We are unaware of how that is even possible and thus dispute this allegation.

Further, your numbered paragraph (2) states that Fab Industries, Inc. purchased Travis Knits (1) in 1979 (formerly known as Knitronic and/or Harbor Knits who merged and became Travis Knits). An important point is that Fab Industries, Inc. acquired Travis Knits (1) via bankruptcy. This is reported in the company history article contained in your research and supported by Fab Industries Corp.’s management. While we have not been able to locate the bankruptcy records, it is not certain that Fab Industries, Inc. took any liabilities from Travis Knits (1) in the bankruptcy. We do know from a former employee, however, that Travis Knits (1), prior to its acquisition by Fab Industries, Inc., utilized a PCE tank to store PCE for its PCE washing equipment. When Fab Industries, Inc. acquired Travis Knits (1), the former employee said the PCE washing equipment was not being used at the time of acquisition and that Fab Industries, Inc. had the PCE tank and equipment removed. Thus, it is not clear that Fab Industries, Inc. acquired any environmental liabilities of Travis Knits (1) and as such, Fab Industries, Inc., and Travis Knits (2) (which Fab Industries, Inc. acquired), would not be liable for acts or omissions of Travis Knits (1) related to their former PCE tank and washing equipment. Finally, even if Travis Knits (2) emerged from bankruptcy with environmental liabilities, or Fab Industries, Inc. took on their liabilities, the IHSRA is not retroactive and only applies after 1987.

Additionally, the IHSRA provides an innocent landowner defense for a bona fide purchaser who acquires the site without knowledge or without a reasonable basis for knowing that hazardous disposal had occurred. When Fab Industries, Inc. acquired the site via its parent SSJJJ’s purchase of the assets of Fab Industries, Inc., there was no indication in the phase I or phase II from S&ME that there were any releases of chlorinated solvents at the site. Additionally, a 2003 Offering Memorandum describing Fab, Industries Inc.’s business stated it was not aware of any material regulatory or environmental issues (2003 Offering Memo

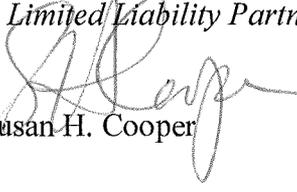
previously provided on a CD). Thus, Fab Industries Corp. has an innocent landowner defense as well.

We appreciate your cooperation and work on this matter, and if you have any questions, please do not hesitate to give me a call.

Very truly yours,

WOMBLE CARLYLE SANDRIDGE & RICE

A Limited Liability Partnership


Susan H. Cooper

SHC/ngb

cc via e-mail: James Sitterly
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