

Spectro Alloys Corp.
Response to EPA Complaint
November 3, 2004

The proposed penalty released by the EPA is a result of the new air emission standards for the secondary aluminum industry. These new standards went into effect on March 23, 2003. Spectro Alloys Corp. spent several million dollars on new equipment and control technology over the years prior to the effective date to ensure that we would not only meet the standard today, but stay in compliance throughout our future growth plan.

The majority of this penalty is the result of the initial compliance test on a new scrap drying plant we purchased and installed in 2003. The EPA allowed only 90 days from startup of the new plant to achieve compliance, a task that is difficult, if not impossible, with a plant of this size and complexity. The same regulation in similar industries allows a more appropriate 180 days for compliance on new emission sources.

The scrap drying plant was purchased from a company which contractually guaranteed that the system would meet the new EPA emission limits. Upon receiving results from the initial test we found that the new dryer was emitting dioxin above the limit. The manufacturer of the system came on-site immediately and made changes in the system to bring it into compliance. The ensuing compliance test showed dioxin emissions at 28% of the limit, significantly under the EPA limit. Our plant has since operated in full compliance with these new federal NESHAP emission limits.

Spectro Alloys Corp. is clearly committed to being a responsible corporate citizen as well as a leader in applying new technology to environmental compliance in our industry. Our capital investment in pollution control equipment, as well as our urgency in achieving compliance, has shown our commitment. We believe the proposed penalty is very unjust given the facts of the situation. We have already met with the EPA to discuss this matter and we will continue working toward a settlement that is more representative of the situation.