

DRAFT

April 5, 2007

Mr. Tom Eggert
Environmental Assistance Coordinator
Wisconsin Department of Natural Resources
101 South Webster – CO/7
P.O. Box 7921
Madison, WI 53707-7921

Dear Mr. Eggert:

RE: 2006 Annual Green Tier Report
MEGTEC Systems – De Pere Facility

In accordance with the “Contract for Superior Environmental Performance” between MEGTEC Systems and the Wisconsin Department of Natural Resources (WDNR), following is an annual report summarizing accomplishments and progress in meeting goals set forth in the contract. This report is being prepared pursuant to the “framework” for preparing an annual report, as adopted during a meeting of Green Tier participants on January 22, 2007.

Introduction

MEGTEC Systems signed a contract with WDNR to participate in the Green Tier program on October 3, 2005. In signing this contract, the facility became the first Tier 2 participant in the program. As part of this contract, the company agreed to implement certain environmental measures that are designed to produce superior environmental performance. These measures are described in Section D and in Appendix 3 of the contract. Progress made for each of the measures since entrance into the program is as follows:

- ◆ Remain a Small Quantity Generator by maintaining programs such as removing contents from used aerosol cans and recycling metal cans as scrap. *During 2006, MEGTEC Systems continued to remove remaining paint from aerosol cans after use and collect residual propellant in a charcoal filter system. Crushed cans are then recycled as scrap metal. The facility also continued efforts to reduce usage of solvent in the painting process during cleaning of spray guns. Reduction of solvent use in turn reduces overall generation of paint-related waste. Overall hazardous waste generation in 2006 was 10,215 pounds. This compares against 11,275 pounds generated in 2005.*
- ◆ Work towards Conditionally Exempt Small Quantity Generator status by substituting a less environmentally polluting cleaning solution for paint operations. *During 2006, the facility experimented with a substitute solvent for the current methyl ethyl ketone (MEK) that had the trade name EP-921. Compared to MEK, this solvent was very low*

in Volatile Organic Compounds (VOCs) at <0.1 % by weight and had a higher flash point than MEK. Therefore, it was believed that wastes from this material would not be considered a characteristic hazardous waste due to its lower flammability. The material was used on a trial basis and while it was partially successful, it was found that the paint solids would not settle out from the solvent during the recycling process. In 2007, MEGTEC Systems will continue to work with its vendor and others to find an effective substitute for MEK that will reduce generation of hazardous waste, emit less VOCs and also result in good paint quality on its product.

- ◆ Work with contractors and suppliers to develop environmentally preferable solutions to current products or practices. *Besides working with vendors to develop acceptable substitutes for current MEK usage as described above, the company has also worked with vendors to ensure it purchases the most environmentally friendly products available. For example, when replacing lighting in the plant, the facility makes sure the most energy efficient bulbs are being used.*
- ◆ Complete and implement our Portable Generator Operational Control Procedure by the end of 2005. *MEGTEC Systems has developed an operational control procedure to ensure rental and usage of portable generators are tracked and controlled by the facility. The procedure emphasizes certain aspects to ensure key personnel are aware of the arrival of such units on-site, the units are placed in locations where any spills or leaks could be contained and making sure employees are aware of their responsibilities for reporting any spills that might occur.*
- ◆ Customer Coating Removal. *MEGTEC Systems continues to work with customers that conduct trial runs in the Pilot Coater Laboratory to ensure all remaining product and wastes are removed from the site once the test is completed.*
- ◆ Coating usage restrictions that are greater than required by DNR permit or code and efforts to minimize paint used per month. *The current air permit requires that monthly coatings be restricted to 683 gallons per month. The company tracks usage on a monthly basis to ensure it is well below this level. During 2006, average monthly usage over the course of the year was 243 gallons.*
- ◆ Storing and reusing non-biodegradable materials. *The company has made sure various recycling containers for aluminum cans, plastic and paper are placed in convenient locations throughout the facility. The company has also instituted an employee carry-out program, where certain unused approved items can be taken home for individual use. This program was developed as another way to avoid disposal of unwanted items. All items must be safe for use and not contain hazardous substances.*
- ◆ Encouraging the top 300 suppliers to develop an Environmental Management System. *In February 2006, the facility mailed a letter to its suppliers describing its*

participation in ISO 14001 and the Green Tier program. The letter outlined some of the major requirements for maintaining an Environmental Management System (EMS) and listed some of the benefits of participating in such a program. The letter went on to encourage each supplier to consider implementation of some type of EMS and also indicated that all suppliers must comply with all relevant environmental regulations.

- ◆ Capture results of the Energy Conservation Green Belt project and implement appropriate and feasible transformations. *MEGTEC Systems has developed an operational control procedure to establish a policy for purchasing and utilizing efficient appliances within the facility. Under this procedure, the maintenance and purchasing departments work together to consider the energy efficiency of specific equipment to be purchased against other comparable alternatives. The purpose of the procedure is to promote reduction in energy consumption as well as to reduce costs.*
- ◆ Share opportunities or improved environmental performance that are identified as a part of our Environmental Management System processes. *Over the past year, MEGTEC prepared a letter that it sent to its top 300 suppliers to describe the commitment it has made by being registered to ISO 14001. In accordance with one element of its Contract, the company also plans to meet with stakeholders in the immediate community to describe its accomplishments and encourage participation in Green Tier and EMS.*

As you are aware, MEGTEC Systems has been working with an active EMS for several years. Therefore, implementing the various requirements of the Green Tier program was not viewed as presenting an undue hardship to the company. In fact, most of the elements of Green Tier were already being accomplished at MEGTEC Systems.

Environmental Performance

Improvements in Areas Regulated by WDNR

As described in the previous section, MEGTEC Systems has continued to make progress in reducing and minimizing the amount of hazardous waste generated at the facility. This has been accomplished through better aerosol can management, reduction in MEK usage through following certain procedures for cleaning paint spray guns and lines and requiring customers that use the Pilot coater Laboratory to remove unused product and wastes when they are completed with trial runs.

The facility also has a procedure to recover and reuse spent MEK in its spray gun and paint line cleaning process. Containers of MEK and paint solids are separated in a distillation process where recycled MEK is recovered and paint solids are generated as waste.

MEGTEC Systems will continue to seek ways in 2007 to reduce hazardous generation even further by conducting further research on acceptable MEK substitutes.

Improvements in Areas not Regulated by the WDNR

MEGTEC Systems continues to seek ways to improve its recycling program. The company has made sure various recycling containers for aluminum cans, plastic and paper are placed in convenient locations throughout the facility. The company has also instituted an employee carry-out program, where certain unused approved items can be taken home for individual use. This program was developed as another way to avoid disposal of unwanted items. All items must be safe for use and not contain hazardous substances.

Improvements in Voluntarily Restoring, Enhancing or Preserving Natural Resources

MEGTEC Systems has developed a new heat recovery product that is incorporated into its Regenerative Thermal Oxidizers (RTO) that received notice during an on-site visit from representatives for the Wisconsin Focus on Energy on December 22, 2006. The agency noted there is potential for \$340 million of recoverable energy in Wisconsin annually, and that these types of devices will help achieve that goal.

Data on Performance Indicators

The discussion above in the "Introduction" section describes the progress made in achieving objectives and targets for 2006.

Data on Generic Suite of Performance Indicators

Data on the generic suite of performance indicators as outlined in Appendix 4 of the Contract are documented on the "Annual Metrics Reporting" form included as Attachment 1 to this report.

Environmentally Innovative Practices

As noted above, as part of its product development process, MEGTEC Systems has incorporated energy efficient features in its RTO units. In one case study for a customer in Massachusetts, MEGTEC Systems designed a new heat recovery system and operating sequence that would run more efficiently without wasting energy. The Cleanswitch™ RTO unit installed for the customer's application resulted approximately 93% savings in natural gas usage.

EMS Audit

During 2006, Advanced Waste Management Systems, Inc. (AWM) conducted a third party surveillance audit on January 17-19, 2006 at the facility. The audit was conducted to the revised ISO 14001:2004 standard in accordance with audit objectives and scope identified prior to the audit. The audit team performed a summary review of Nonconformity, Corrective Action and Preventive Action, Internal Audits and Management Review as well as a detailed review of the following EMS elements:

- ◆ Environmental Policy
- ◆ Environmental Aspects
- ◆ Legal and Other Requirements
- ◆ Objectives, targets and Programs

- ◆ Resources, Roles, Responsibility and Authority
- ◆ Competence, training and Awareness
- ◆ Communication
- ◆ Documentation
- ◆ Control of Documents

In addition, the remaining elements of the standard were audited for conformance to the revised requirements of ISO 14001:2004.

During this audit, the auditors concluded that except for two minor nonconformances, MEGTEC Systems with in conformance with all elements that were covered during the audit. The minor nonconformances involved the following items:

- ◆ Environmental Policy Communication – Tracking Number MT-EA11-01 - This minor nonconformance was issued based on a finding that not all those working on behalf of MEGTEC were receiving environmental policy communications. The intended corrective action for this item was to develop a procedure regarding the decision-making process for communicating information to affected parties and determine who would be responsible for communicating this information. This procedure would be developed based on an established Objective and Target approved by the facility's Environmental Management Committee for 2006.
- ◆ Control of Documents – Tracking Number MT-EA11-02 – This minor nonconformance was generated due to the fact not all documents required by the MEGTEC EMS are being controlled. The example provided from the audit was a floor level procedure entitled “Maintenance Department – Waste Handling Procedures”. To address this item, the procedure was revised on February 15, 2006. The corrective action also indicated that other areas would be reviewed to ensure all procedures involving environmentally significant activities are kept up to date and are properly controlled.

During this audit, there were also three follow-up items from the previous EMS surveillance audit in 2005. These items are identified below, along with the status:

- ◆ Environmental Policy – Tracking Number MT-ER1-01 – This minor nonconformance was issued in January 2005 and indicated that the corporate Environmental Policy was not posted in accordance with a company procedure. During the 2006 audit, the policy was found to be posted in the reception area of the facility.
- ◆ EMS Documentation – Tracking Number MT-ER1-02 – This minor nonconformance issued in January 2005 indicated that although Environmental Policy and Procedure documents have been developed that describe the core elements of the management system, the procedures do not cover all the core elements. Examples were Environmental Policy, Objectives and Targets, Environmental Management Programs

and EMS Documentation. This issue was resolved during the 2006 audit through revision of the EHS Management System Manual. The revision date of the manual was November 2005.

- ◆ Emergency Preparedness and Response – Tracking Number MT-ER1-03 - This minor nonconformance issued in January 2005 stated that records were not available that would reflect Emergency Preparedness and Response procedures are being reviewed after the occurrence of an accident or emergency situation. The proposed corrective action for this finding was to revise the procedure to incorporate this aspect. The 2006 audit revealed that although corrective action was in progress, the revisions were not complete.

More recently, an EMS surveillance audit was performed in early 2007. This audit was also performed by AWM and was conducted on January 16-18, 2007. This audit was also conducted to the revised ISO 14001:2004 standard in accordance with objectives and scope identified prior to the audit. The audit reviewed 8 elements of the EMS, including:

- ◆ Legal and Other Requirements
- ◆ Operational Control
- ◆ Emergency Preparedness and Response
- ◆ Monitoring and Measurement
- ◆ Evaluation of Compliance
- ◆ Nonconformity, Corrective Action and Preventive Action
- ◆ Internal Audit
- ◆ Management Review

The results of this audit indicated that except for one minor nonconformance, all elements were in conformance with ISO 14001:2004 and procedures established by the facility. The one minor nonconformance was the following:

- ◆ Management Review – Tracking Number MT-EA12-01 – This minor nonconformance indicated that although there were no documented outside complaints, the minutes of the Annual Management Review did not cover external communications from external parties. To resolve this issue, a section was added to the Annual Environmental Review process for 2007 to include outside party communications. This could include comments, complaints and inquiries by external parties. This action will prompt inclusion of this item for the next management review.

In addition to the one minor nonconformance, the audit report included updated follow-up information on three other past findings:

- ◆ Environmental Policy Communication – Tracking Number MT-EA11-01 - Resolution of this minor nonconformance entailed development of a procedure to

ensure the Environmental Policy is communicated to all those working on behalf of MEGTEC. The finding was that development of this procedure was still in progress.

- ♦ Control of Documents – Tracking Number MT-EA11-02 – This minor nonconformance had to do with certain documents not being properly controlled in accordance with the facility's EMS. During this audit, it was found that the procedure noted during the previous audit now has uniform structure, is identified by title and has the date of revision. This minor nonconformance was resolved.
- ♦ Emergency Preparedness and Response – Tracking Number MT-ER-03 – This minor nonconformance was issued originally in January 2005 to reflect that records were not available to show procedures for this element were not being reviewed after occurrence of an accident or emergency situation. Subsequent to review during this audit, records showed the procedures were reviewed during a HAZMAT drill in June 2006, after a tornado drill in April 2006 and after a fire drill in October 2006. As a result, this minor nonconformance was resolved.

Public Participation Practices

One commitment under the Green Tier Contract was to develop and maintain an interested persons group to provide information to stakeholders who live, own a business or work within a reasonable proximity to MEGTEC Systems. The company was to meet with this group on a semi-annual basis to solicit public comments concerning participation under this Contract. MEGTEC Systems currently has identified stakeholders that should be a part of this group and has also drafted a letter of invitation to such stakeholders. The draft letter is currently being reviewed by the company's Environmental Management Committee. MEGTEC plans on implementing this process sometime in 2007.

Economic and Other Benefits of Participating in Green Tier

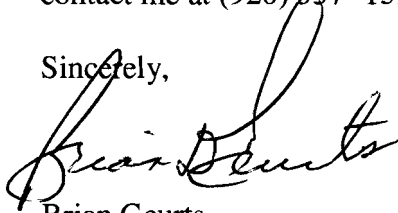
Participation in the Green Tier program has helped reinforce continued improvement through the company's ongoing participation in ISO 14001:2004. One benefit to the facility is to have one WDNR contact for all regulatory activities at the site. Having one contact allows MEGTEC to work through this individual to resolve issues before they become emergencies.

MEGTEC also participated in the Green Tier program to demonstrate to customers that it was an environmental leader. This was particularly important to the company in that it is a producer and marketer of pollution control equipment. The company believes that by establishing pollution prevention programs at its own facilities, this would encourage customer trust in the products it produces.

Mr. Tom Eggert
Wisconsin Department of Natural Resources
April 2, 2007
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If you have any questions regarding the above information in this report, please feel free to contact me at (920) 337- 1591.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Geurts". The signature is fluid and cursive, with a large loop at the end of the last name.

Brian Geurts
Plant Manager

cc: Randy Matty, Wisconsin Department of Natural Resources
Curtis Dungey, Foth Infrastructure & Environment

**WISCONSIN DNR GREEN TIER
ANNUAL METRICS REPORTING**

Period Covered: 2006

Company Name:	MEGTEC Systems
Facility Name:	De Pere
Address:	830 Prosper Road
City, State, Zip:	De Pere, WI 54115
Environmental Coordinator:	
Coordinator Phone:	
Coordinator E-Mail:	

Metric	Not Collected/ Not Available	Quantity	Units	Cost per Unit	Total	Period - if not Calendar Year
Demographics						
Sales		\$111,671,174	Dollars		\$111,671,174	
Profit or Loss		8	%		8	
Employees		420	Each		420	
Income Inequality Ratio	N/A		%		0	
Alternative Transportation Support	N/A				0	
Number of Employees Receiving Benefits ¹	N/A					
Total Purchases		\$14,317,200	Dollars		\$14,317,200	
In-State Purchases		98.56	%		98.56	
Raw Materials (Materials Altered during Process)						
Material A ²	N/A				0	
Material B (add rows as necessary)	N/A				0	
Total Raw Materials Purchased					0	
Geographics						
Total Land		23	Acres		23	
Non-Paved/Covered Land ³		5	%		5	
Water						
Municipal Water		1,708,300	Gallons	0.0058	\$9,954.14	
Well Water ⁴	N/A				0	
Phosphorus Discharge ⁵		0	lbs.		0	
Wastewater ⁶		1,708,300	Gallons	0.0058	\$9,954.14	
Air Emissions						

CO2 / Greenhouse Gases		675	lbs.		675	
Ozone-Depleting Substances ⁷		0	lbs.		0	
TRI Emissions ⁸		0	lbs.		0	
Total Air Emissions ⁹		29,111	lbs.		29,111	
Waste						
Solid Waste Disposed		186,080	lbs.		186,080	
Hazardous Waste		10,215	lbs.		10,215	
Recycled Solid Waste		156,660	lbs.		156,660	
Total Solid Waste		352,955	lbs.		352,955	
Percent Solid Waste Recycled		47	%		47	
Percent Solid Waste that is Hazardous		3	%		3	
Recycled Woodwaste		321,880	lbs.		321,880	
Mercury		0	lbs.		0	
Utilities						
Electricity		3,827,000	Kilowatt-Hours	0.069	\$262,479.84	
Natural Gas		104,720	therms	0.97	\$101,782.83	
Other Energy					0	
Renewable Energy		0	%		0	
Vehicles						
Passenger Automobiles ¹⁰		7	Each		7	
Light & Medium Trucks ¹⁰		3	Each		3	
Heavy Trucks		0	Each		0	
Industrial Trucks / Machinery		0	Each		0	
Alternative Fuel Vehicles					0	
Gasoline Used ¹⁰	N/A				0	
Diesel Fuel Used ¹⁰	N/A				0	
Alternative Fuels Used (Propane in forklifts) ¹⁰	N/A	2696	lbs.		2696	
Releases & Spills						
Number of Releases & Spills		0	Each		0	
Total Hazardous Materials Released		0	lbs.		0	

Notes:

1. All employees are eligible to receive benefits.
2. While much of the steel sheets that are received at the facility are altered, the facility does not specifically track this item.
3. Most of the property surrounding the facility is paved. This value represents an estimate of that amount that is unpaved.
4. All water used on-site comes from the City of De Pere. There are no private water wells on site.

5. Phosphorus is not used in cleaning equipment or in the wastewater treatment process. MEGTEC estimates that approximately 1,000 gallons per day is discharged from the wastewater treatment process. However, some incidental phosphorus may be discharged from soap in restrooms, etc.
6. The City of De Pere does not have separate water and sewer meters. Therefore, the City assumes the amount of water used is the same as the amount discharged into the sewer. The total charge of \$9,954.14 is for both water and sewer usage.
7. There are minimal ozone-depleting substances generated at the facility. While aerosol cans of paint are used at the facility, the propellants do not contain ozone-depleting substances. Remaining propellant is captured in carbon filters as cans are punctured and remaining paint is recovered. All air conditioning units are serviced using acceptable methods by certified maintenance technicians.
8. Total TRI air emissions are from year 2005 for the report submitted in 2006. The data for 2006 will be compiled and reported by July 2007. Although two metals exceeded the threshold for reporting based on throughput, there were no air emissions to report.
9. Total air emissions include the total emissions of all pollutants emitted based on the 2006 Air Emissions Inventory submitted to the WDNR as part of NR 438 reporting.
10. There are several pool vehicles that are used for company business. All vehicles are required to fuel at a certain location. Total fuel usage for 2006 was not available. The company currently does not use alternative fuels such as propane or electricity for street vehicles. All forklifts in the facility use propane.