

CONTRACT FOR SUPERIOR ENVIRONMENTAL PERFORMANCE WITH LUCAS–MILHAUPT, INC.

This Contract for Superior Environmental Performance is entered into by the State of Wisconsin through its Department of Natural Resources (WDNR) and LUCAS–MILHAUPT, Inc. on September 28, 2007.

I. INTRODUCTION

- A. The State of Wisconsin is committed to providing a healthy and sustainable environment, to promoting the movement toward zero waste, and to protecting and enhancing the resources of the state for this generation and for generations that follow.
- B. The Department believes that entering into a Contract with LUCAS–MILHAUPT will produce environmental performance beyond what can be accomplished under existing law.
- C. The Environmental Results Act §.299.83 Wis. Stats. (commonly known as the Green Tier law) authorizes the WDNR to enter into a Contract to sustain and expand a Green Tier applicant's superior environmental performance.
- D. LUCAS–MILHAUPT has implemented an Environmental Management System (EMS), and the WDNR has determined that the EMS is in conformance with the standards for environmental management systems issued by the International Organization for Standardization (ISO) and that the EMS is appropriate to the nature, scale and environmental impacts of LUCAS–MILHAUPT's operations.
- E. The WDNR has reviewed LUCAS–MILHAUPT's proposal for superior environmental performance and has determined that the co-benefits identified in this Contract are proportional to the environmental benefits arising from LUCAS–MILHAUPT's performance under this Contract.

Therefore, in order to produce continuous improvement in the state's environment, economy and quality of life, the WDNR and LUCAS–MILHAUPT agree to work cooperatively under the terms of this Contract in order to achieve the goals laid out in this Contract.

II. OVERVIEW

A. **Definitions.** As used in this Contract:

“State” and “State of Wisconsin” means the State of Wisconsin, acting through the Department of Natural Resources.

“WDNR” means the Wisconsin Department of Natural Resources.

LUCAS–MILHAUPT means LUCAS–MILHAUPT, Inc. operating at 5656 S Pennsylvania Ave., in Cudahy.

B. **Environmental Management System (EMS).**

LUCAS–MILHAUPT agrees to implement and maintain their EMS for the life of this Contract. Their commitment to implementing and maintaining their EMS includes commitments to the following:

1. LUCAS–MILHAUPT agrees to make documentation of their EMS available, upon request, to the WDNR for review.
2. LUCAS–MILHAUPT agrees to have an outside environmental auditor (approved by the WDNR) conduct an annual EMS audit, and to provide their findings to the WDNR in the annual report described in section IV.B.
3. LUCAS–MILHAUPT agrees to submit to the WDNR written reports from each future management review of the EMS within 30 days after the review.
4. LUCAS–MILHAUPT agrees to provide the WDNR timely notice of EMS audits, and to invite the WDNR to observe the audit. The WDNR recognizes that the Department benefits when authorized representatives of the Department accompany the contractor during such audit activities. These benefits include, but are not limited to, affording the Department a better understanding of the facility and evaluating the relative effectiveness of the EMS. In consideration for these benefits, the Department agrees that it will not seek enforcement nor refer the matter to other State or federal departments or agencies for enforcement of any noncompliance matters discovered by the Department as a result of its participation provided LUCAS–MILHAUPT complies with the reporting requirements under s. 299.83(6m)(a).
5. LUCAS–MILHAUPT agrees to review its EMS at least annually, and to provide to the WDNR an annual identification of objectives and targets. LUCAS–MILHAUPT agrees that its EMS will develop objectives and targets consistent with the definition of superior environmental performance found in §299.83(1)(g).

C. Annual Compliance Audit

1. LUCAS–MILHAUPT agrees to conduct an annual audit of compliance with environmental requirements that are applicable to the facility.
2. LUCAS–MILHAUPT agrees to provide the WDNR timely notice of any compliance audit, and to invite the WDNR to observe the audit. The WDNR recognizes that the Department benefits when authorized representatives of the Department accompany the contractor during such audit activities. These benefits include, but are not limited to, affording the Department a better understanding of the facility and evaluating the relative effectiveness of the EMS. In consideration of these benefits, the Department agrees that it will not seek enforcement nor refer the matter to other State or federal departments or agencies for enforcement of any noncompliance matters discovered by the Department as a result of its participation in such audit provided LUCAS–MILHAUPT complies with the reporting requirements under s. 299.83(6m)(a).
3. LUCAS–MILHAUPT agrees to provide the compliance audit results to the WDNR.
4. If violations are found during an audit, LUCAS–MILHAUPT agrees to provide to the WDNR a description of measures that will be taken to prevent future violations. These measures may include changes to the underlying Environmental Management System.

D. Superior Environmental Performance

1. As part of LUCAS–MILHAUPT’s application for a Tier 2 Contract, LUCAS–MILHAUPT has demonstrated a history of superior environmental performance. This demonstration is attached as Appendix 1.
2. In addition, LUCAS–MILHAUPT commits to sustain the environmental gains that have been made to date, and to implementing the measures described in Appendix 2 that are designed to produce superior environmental performance. These measures include eliminating the use of ISOPAR G (a VOC), installing an aqueous strip degreaser, minimizing or eliminating the generation of hazardous waste by investigating the possibility of recovering metals from the waste, and reducing the number of plastic pails generated by the formulated products area.

III. DEVELOPING AN INTERESTED PERSONS GROUP

- A. LUCAS–MILHAUPT commits to maintaining an interested persons group to provide a process to increase transparency and trust in this Tier 2 contract. The

interested persons group will consist of persons who live, own a business or work within a reasonable proximity to LUCAS–MILHAUPT, or who otherwise have an interest in the workings of this Contract. The parties will work together on the composition of the interested persons group.

- B. LUCAS–MILHAUPT will meet with this group on a semi–annual basis to solicit public comments concerning participation under this Contract. A representative from LUCAS–MILHAUPT will take notes during these meetings. These notes will be compiled into minutes that summarize the information discussed at each meeting. Interested group members will have an opportunity to approve or suggest corrections to the minutes at the next meeting. Once approved by the interested persons group, a copy of the minutes will be filed at the LUCAS–MILHAUPT offices and a copy of the minutes will be posted on LUCAS–MILHAUPT’s website for public viewing.
- C. The parties will review the Interested Persons Group after one year. If LUCAS–MILHAUPT has taken reasonable steps to secure participation in the Interested Persons Group, and has been unable to generate interest in this group, the parties shall consider other options, including suspending the Interested Persons Group.

IV. SPECIFIC COMMITMENTS

- A. LUCAS–MILHAUPT agrees to submit results of each audit of its Environmental Management System, and each compliance audit done to the WDNR. If a non–conformance or non–compliance is found during either audit, and if LUCAS–MILHAUPT seeks to avail itself of the protections under the Deferred Civil Enforcement provision of Green Tier (§. 299.83(6m)(d)), the notification must precede WDNR’s discovery of the non–compliance. In addition, steps should be taken as soon as possible to correct the non–compliance and to amend the EMS so as to prevent a re–occurrence of the non–compliance.
- B. LUCAS–MILHAUPT also agrees to notify the WDNR within 24 hours of any non–compliance discovered outside of the auditing process. If LUCAS–MILHAUPT seeks to avail itself of the protections under the Deferred Civil Enforcement provision of Green Tier (§. 299.83(6m)(d)), the notification must precede WDNR’s discovery of the non–compliance. Steps should be taken as soon as possible to correct the non–compliance and to amend the EMS so as to prevent a re–occurrence of the non–compliance.
- C. LUCAS–MILHAUPT will submit an annual report to the WDNR by March 1st for the preceding calendar year (beginning with calendar year 2007) summarizing

accomplishments, and any non-conformances and non-compliances discovered during the preceding year. This annual report shall also provide data on the generic suite of measures that is attached as Appendix 4.

- D. Following receipt of the annual report, the parties will discuss what will be tracked and reported in the following year. The specifics will link to the objectives set for the year, and any corrective actions that become necessary following an audit.
- E. LUCAS-MILHAUPT will use its best efforts to bring both suppliers and customers together at least annually in a strategic discussion regarding reacting to and progressively leading in areas such as producer responsibility, design for the environment, and sustainability.
- F. In those instances where LUCAS-MILHAUPT is operating at a level beyond what is required under law or permit, LUCAS-MILHAUPT agrees to maintain their level of performance.

V. DEPARTMENT OF NATURAL RESOURCES' COMMITMENTS

- A. In exchange for LUCAS-MILHAUPT fulfillment of their obligations under this Contract (including the obligation to disclose any non-conformance or non-compliance found during an audit), the WDNR will not seek to bring any civil action, issue any order or seek any judgment nor refer the matter to other State or federal departments or agencies for enforcement related to the environmental responsibilities covered under this Contract against LUCAS-MILHAUPT.
- B. If a non-conformance or non-compliance that is reported to the WDNR under IV.A. or B. is not completely corrected, or similar violations occur in the future, the WDNR may, after providing an opportunity for the parties to talk, issue a letter of non-compliance (LON), a notice of non-compliance (NON) or a notice of violation (NOV) with or without terminating this contract. In order to determine whether a second event that would trigger a LON, NON or NOV is a continuation of an uncorrected earlier event, the WDNR shall examine the corrective actions taken by the participant and determine whether they were reasonably designed and implemented.
- C. The WDNR will provide a single point of contact within the agency to LUCAS-MILHAUPT during the life of this Contract.
- D. The WDNR authorizes the use of the Environmental Results Program logo on written materials promoting the covered facility(s) or activities and agrees to work with LUCAS-MILHAUPT on producing an annual press release that describes LUCAS-MILHAUPT participation in the Green Tier program.

VI. GENERAL PROVISIONS

- A. Enforcement. This Contract is governed by Wisconsin law.
- B. This Contract intends to parallel, to the extent possible, the timing laid out in any existing permits.
- C. Amendment. This Contract may be amended only in writing by the principals to this agreement or their successors. An Amendment of this Contract may require an additional public notice requirement after the parties have negotiated the new language. If the Amendment is a technical amendment, no additional public notice will be required. If the Amendment contains substantive additions to, or changes to the Contract, the parties agree that the WDNR will provide an additional public notice and may provide an additional public information meeting.
- D. Construction. This Contract will be binding, during its effective period, on the parties hereto but is not intended to confer any rights, remedies or obligations upon any other persons.
- E. Activities Covered Under this Contract. LUCAS–MILHAUPT commits to comply with all current applicable environmental requirements. Any provisions of permits or approvals covered by this Contract that are not specifically superseded by this Contract shall remain in effect.
- F. Access to Records. For the purposes of interpreting, understanding or assessing compliance with the Contract, and subject to any legally recognized privilege and reasonable notice, the WDNR; 1) will be permitted access during office hours to inspect and request copies of any records or documents related to the Contract, and 2) may interview directors, officers, employees, and agents of LUCAS–MILHAUPT regarding any matters related to the Contract, subject to the reasonable convenience of LUCAS–MILHAUPT, and without restraint or interference from LUCAS–MILHAUPT.
- G. Effectiveness and length of contract. This Contract shall be effective upon signature of both parties and will remain in effect for five (5) years, and it may be extended for periods of up to five (5) years upon the mutual agreement of the parties.
- H. Termination. If LUCAS–MILHAUPT fails to fulfill its obligations under this Contract in a timely or proper manner, or violates any of its provisions, the WDNR may terminate this Contract by giving thirty (30) days written notice of termination, specifying the alleged violations, and the effective date of the termination. It shall not be terminated if, upon receipt of the notice, LUCAS–

MILHAUPT promptly cures the alleged violation prior to the end of the thirty (30) day period. LUCAS–MILHAUPT reserves the right to appeal any decision of the WDNR pursuant to this paragraph as provided for under § 227.52, Wis. Stats., or any other applicable law.

If the State fails to fulfill its obligations under this Contract in a timely or proper manner, or violates any of its provisions, LUCAS–MILHAUPT shall have the right to terminate this Contract by giving thirty (30) days written notice of termination, specifying the alleged violations, and the effective date of the termination. It shall not be terminated if, upon receipt of the notice, the State promptly cures the alleged violation prior to the end of the thirty (30) day period.

- I. Warranty of Authority. Each of the persons signing below represents and warrants that he has the authority to execute this Contract on behalf of the party for which he signs.

**Contract for Superior Environmental Performance
between
LUCAS-MILHAUPT, Inc.
and
Wisconsin Department of Natural Resources**

IN WITNESS WHEREOF, the parties by their signatures shall cause this contract to be in effect until September 28, 2012.

Signed for and on behalf of: STATE OF WISCONSIN
DEPARTMENT OF NATURAL RESOURCES



By: /s/ Matthew J. Frank Date: 09/28/07
Matthew J. Frank
Secretary

Signed for and on behalf of: LUCAS-MILHAUPT, Inc.



By: /s/ Joseph F. Mockus Date: 09/28/07
Joseph F. Mockus
President

Appendix 1

Lucas Milhaupt is currently certified to the ISO 14001–2004 standard and their EMS system runs parallel with their safety program. Many of their employees are actively involved in their safety and environmental programs and have helped achieve environmental objectives.

Lucas Milhaupt accomplished several significant objectives over the last few years. They were able to eliminate their last Hazardous Air Pollutant (HAP) (Perchloroethylene) as well as many other VOCs. As a result, no “Air Emissions” report has been required since 2003.

Lucas Milhaupt switched to citric acid to clean parts, and in 2007 they expect to lower VOCs even more by installing an aqueous cleaning system for their “Strip System.”

Lucas Milhaupt also added a new filtration system that filters about 80% of their process water before discharge to the Milwaukee Metropolitan Sewage District. The remaining 20 % of their process water is treated in their evaporator and the sludge is sent out as a waste.

From a waste minimization viewpoint they have been able to maintain “Small Quantity” generator status since 2003, even though production has increased over 50 % during that period. This is mainly due to the fact that they are continuously looking at ways to reduce their waste.

Lucas Milhaupt also looked at other environmentally friendly alternatives. They added a chiller to help cool their furnace so as to minimize the use of city water.

Finally, they installed electronic ballasts along with Alto Fluorescent bulbs throughout the plant. T12 bulbs were replaced with T8’s. Last year they installed 40 new light fixtures and bulbs in part of their facility. That resulted in a 50% reduction in energy usage from 16,900 watts to 8,400 watts.

Appendix 2

1. To greatly reduce or eliminate the use of Isopar G (a VOC) in our “Strip Bulk” area. We will accomplish this by installing an aqueous strip degreaser in the area.
2. Reduce or eliminate the Hazardous Waste we presently send out from our evaporation. We will do this by investigating the possibility of sending it out for refining (metal recovery).
3. To reduce the number of plastic pails currently being sent out as a waste in our formulated products area.

Appendix 3

The following Indicators are proposed for all Green Tier participants. In addition to this Generic List, it is expected that other indicators/metrics will come out of your Environmental Management System and would be used to document accomplishments. This Generic List is meant to help [name of company] and the WDNR document the relative success of the program.

Environmental Indicators

Some of the environmental indicators are already provided to the WDNR. You would not be asked to report this information again if you have already reported it.

1.1 Water

- 1.1.1 Total water use
- 1.1.2 Total amount of phosphorous released into water
- 1.1.3 Total waste water produced

1.2 Air Emissions

- 1.2.1 Total greenhouse gas emissions
- 1.2.2 Total emissions of ozone-depleting substances
- 1.2.3 Total air emissions

1.3 Waste

- 1.3.1 Total solid waste produced
- 1.3.2 Total percentage of material ending up as waste
- 1.3.3 Amount/percentage of waste that is hazardous
- 1.3.4 Amount of mercury lost or released into the environment
- 1.3.5 Amount/percentage of waste recycled

1.4 Energy

- 1.4.1 Total energy used, listed by source
- 1.4.2 Amount/percentage of energy from renewable resources

1.5 Transportation

- 1.5.1 Total fuel consumption
- 1.5.2 Amount/percentage of vehicles using alternative fuels

1.6 Spills

- 1.6.1 Number of spills
- 1.6.2 Total amount of hazardous substances released due to spills

1.7 Land Use

- 1.7.1 Total amount of land owned and percentage that is permeable (not paved or covered)

1.8 TRI

- 1.8.1 Total TRI emissions

Economic Metrics

2.1 Total sales – revenue brought in from annual sales before subtracting any costs.

2.2 Profit or loss – Quantify the profit or loss during the most recent fiscal year

2.3 Workforce changes – number of people employed, and the change over the previous year (using Jan 31 as the baseline date)



Social Metrics

3.1 Amount provided to support alternative transportation options for employees

3.2 Income inequality – the multiple between lowest paid employee and highest paid employee

3.3 Percent of purchases made from companies in the state

Appendix 4

Green Tier Logo Guidelines



1. Logo standards

a. Purpose of the Logo Standards:

- To make proper logo use easier in the array of printed materials that represent the Green Tier Program.
- The logo must not be used in a way that is misleading, likely to adversely affect the interests of the Green Tier Program or bring the program into disrepute.

b. Terms of Usage:

- The logo will only be used in respect to approved products or companies participating* in the Green Tier Program and will not be used/associated directly or indirectly in respect to any other product or company.
- The Green Tier logo can be used (in accordance with the conditions for use) in a Green Tier participant's advertising, point of sales material, direct marketing campaigns and letterheads to capitalize on media and consumer interest in environmental issues, and will be a powerful tool to differentiate a Green Tier organization from non-Green Tier competitors.
- Under no circumstances shall the name or logo be used in a manner that would imply DNR endorsement of the company or its products and/or services.
- The DNR oversees proper use of the name and logo. This includes monitoring the use of the mark by program participants, and directly contacting those facilities that are using it improperly or without authorization. Consequences of misusing the mark include the possible revocation of a facility's membership in the Green Tier program.

* Participation in the Green Tier program means entering into a Tier 1 agreement, a Tier 2 contract, or a charter. Participation does not include signatories to a charter.

- The DNR is the sole owner of the name and logo, and their use must be explicitly approved by the DNR.
- In no case should the name or logo be used in conjunction with a commercial product or advertisement without the express advance approval, in writing, of the DNR. This includes, but is not limited to, meeting materials (bags, note pads, announcements, etc).
- Use of the name and logo is granted only while the facility remains in good standing with the performance requirements.
- Special care should be taken to avoid unnecessary, unlimited distribution of the logo in electronic format because abuses and misuses can easily occur.
- Use of the logo at a facility: the logo may be used at a facility to designate that it meets the performance requirements and the DNR has accepted the facility as a participant in the Green Tier program. A multi-facility owner or company may use the logo as an indicator of membership in the program only for those Wisconsin facilities accepted into the Green Tier Program.
- Use of the name and logo for general education: the name and logo may be used for general education purposes.
- The name and logo may be used to tell the public about the Green Tier Program and a facility's participation. This includes any printed materials such as facility-specific letterhead, brochures, newsletters, annual reports, facility websites and other materials in print or electronic media.
- The DNR must approve any major educational or promotional campaigns featuring the Green Tier name or logo prior to final production or printing.
- Anyone who misuses the mark will be contacted by phone. A reasonable amount of time will be given to correct the error(s) at the DNR's discretion. The amount of time will be dependent on the medium in which the violation appears and the severity of the violation. Follow-up will be conducted to ensure the error(s) have been corrected. Failure to correct error(s) may result in termination from the program or legal action.

2. Typography

- a. The size of the logo may vary. The Green Tier logo must not appear less than 1.25" w x 1.75' h. The logo may be resized, but must maintain the same proportions.
- b. The font type of the disclaimer must be visible at a minimum 2.5 point type size.
- c. The logo shall not be altered, cut apart, or separated in any way.

- d. The proportions of all components of the logo, both type and visual, must not be altered in any way.
- e. The Green Tier logo has been created to be as adaptable as possible to suit a variety of layouts and uses without losing the integrity of the design.

3. Logo Colors

- a. Logo Colors – Pantone 124 – Yellow; Pantone 348 – Green, and Black.

4. Logo Compliance Checklist

- Do you have permission to use the logo?
- Is the logo used in its entirety?
- Are the logo colors used correctly?
- Has the logo been reproduced at an appropriate size for good legibility?
- Is the logo displayed in a straightforward manner?
- Has the logo been reconfigured in any way?

The law reads: A participant... of the program may use an Environmental Results Program logo selected by the department on written materials produced by the participant.

Note re: Trademark

The name and logo are not registered trademarks of the DNR at this time. Should either the name “Green Tier” or logo become trademarked, following are some guidelines.

- The registration symbol ® must be used the first time the name and logo appears in material.
- The ® symbol should always be superscript.
- There should not be space between the name and the ® symbol.
- The ® symbol should be repeated with each chapter title or web page.

Contact Information:

For further information please contact:

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