

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
OFFICE OF THE DIRECTOR

In the matter of administrative proceedings)
against **ALLOY RESOURCE**)
CORPORATION, a company organized)
under the laws of the State of Michigan and)
doing business at 2281 Port City Industrial)
Boulevard in the City of Muskegon, County)
of Muskegon, State of Michigan)

AQD No. 31-2015

SRN: N7888

STIPULATION FOR ENTRY OF FINAL ORDER
BY CONSENT

This proceeding resulted from allegations by the Michigan Department of Environmental Quality (MDEQ), Air Quality Division (AQD) against Alloy Resource Corporation (Company), a Michigan corporation located at 2281 Port City Industrial Boulevard in the City of Muskegon, County of Muskegon, State of Michigan, with State Registration Number (SRN) N7888. The MDEQ alleges that the Company is in violation of Code of Federal Regulations (CFR) Title 40, Part 63, Subpart RRR, National Emission Standards for Hazardous Air Pollutants for Secondary Aluminum Production (NESHAP for Secondary Aluminum Production). Specifically, the MDEQ alleges that the Company has violated the NESHAP for Secondary Aluminum Production by failing to timely conduct required emission testing, failing to properly inspect capture/collection systems and failing to submit a required semiannual report. The MDEQ also alleges that the Company is in violation of Permit to Install (PTI) No. 340-07B Special Condition Numbers V.1, V.2 and II.1 for failure to timely conduct emission testing, failure to timely verify lime injection rates and exceeding the pound per hour aluminum throughput limit as cited herein and in the Violation Notice dated April 17, 2015. The Company and MDEQ stipulate to the termination of this proceeding by entry of this Stipulation for Entry of a Final Order by Consent (Consent Order).

The Company and MDEQ stipulate as follows:

1. The Natural Resources and Environmental Protection Act, 1994 PA 451 (Act 451), MCL 324.101 *et seq.* is an act that controls pollution to protect the environment and natural resources in this State.

2. Article II, Pollution Control, Part 55 of Act 451 (Part 55), MCL 324.5501 *et seq.* provides for air pollution control regulations in this State.

3. The MDEQ was created as a principal department within the Executive Branch of the State of Michigan pursuant to Executive Order 2011-1 and has all statutory authority, powers, duties, functions and responsibilities to administer and enforce all provisions of Part 55.

4. The Director has delegated authority to the Chief of the AQD (AQD Chief) to enter into this Consent Order.

5. The termination of this matter by a Consent Order pursuant to Section 5528 of Part 55 is proper and acceptable.

6. The Company and the MDEQ agree that the signing of this Consent Order is for settlement purposes only and does not constitute an admission by the Company that the law has been violated.

7. This Consent Order becomes effective on the date of execution (effective date of this Consent Order) by the AQD Chief.

8. The Company shall achieve compliance with the aforementioned regulations in accordance with the requirements contained in this Consent Order.

COMPLIANCE PROGRAM AND IMPLEMENTATION SCHEDULE

9. A. Flexible Group FGFURNANCES Requirements

1. Permit to Install (PTI) No. 340-07C and any subsequent permit revision shall be attached hereto as Exhibit A of this Consent Order.

2. On and after the effective date of this Consent Order, the Company shall comply with all requirements specified in PTI No. 340-07C Flexible Group FGFURNANCES or any subsequent permit revision to this emission unit during the term of this Consent Order.

B. NESHAP for Secondary Aluminum Production Requirements

1. The Company shall comply with all applicable provisions of the NESHAP for Secondary Aluminum Production as specified in PTI No. 340-07C or any subsequent permit revision during the term of this Consent order.

SUPPLEMENTAL ENVIRONMENTAL PROJECT

10. In addition to the settlement amount in this Consent Order, the Company agrees to undertake the Supplemental Environmental Project (SEP) described in Exhibit B which is attached, incorporated by reference, and made an enforceable part of this Consent Order. Performance of the SEP will benefit the environment and the Company agrees to implement the SEP in accordance with the details specified in Exhibit B and in accordance with the following terms and conditions below:

A. The total expenditure for the SEP shall not be less than \$108,000. All costs of the SEP shall be the responsibility of the Company. The Company certifies that any economic benefit, including tax abatement(s), tax credit(s), or similar tax relief, that the Company will realize as a result of the SEP(s) is detailed in Exhibit B. If the SEP is fully and completely implemented, to the extent that the actual expenditures for the SEP totals less than \$108,000, the Company shall pay to the MDEQ as a stipulated penalty, within thirty (30) days of submission of the SEP certificate of completion required in subparagraph H below, the difference between the actual expenditures and \$108,000. Payment of any stipulated penalty shall be made as outlined in Paragraph 14.

B. The plan included as Exhibit B contains schedules, including specific dates for the implementation of the SEP. The Company shall fully implement all aspects of the SEP within the specified schedules.

C. The Company further certifies that the Company has not received, and is not presently negotiating to receive, a credit for the SEP as part of any other enforcement action or any grant from the state, U.S. Environmental Protection Agency (U.S. EPA) or any other entity. The Company also certifies that the Company will not seek tax benefits premised on completion of the SEP.

D. Disputes between the MDEQ and the Company regarding the SEP costs, mitigation amounts, and fulfillment of the SEP obligations under Exhibits B are not subject to dispute resolution.

E. In the event the Company fails to fully and completely implement the SEP as provided herein to the reasonable satisfaction of the MDEQ, the MDEQ will provide written notice to the Company describing the nature of the deficiency. The Company shall have thirty (30) days from receipt of the notice to submit documentation to the AQD Grand Rapids District Supervisor demonstrating that the deficiency has been corrected. In the event the deficiency is not corrected to the satisfaction of the MDEQ, the Company will be notified and the Company shall be in violation of this Consent Order and required to pay a stipulated penalty of up to \$31,080.00 to the MDEQ within thirty (30) days of notification from the MDEQ. The amount of the stipulated penalty may be reduced or waived by the

MDEQ if the Company made good faith and timely efforts to complete the project. Payment of stipulated penalties under the terms of this paragraph shall satisfy the Company's obligation to complete the SEP(s) under this Consent Order. Payment of any stipulated penalty shall be made as outlined in Paragraph 14.

F. The Company agrees that any public statement, oral or written, making reference to the SEP shall include the following language: "This project was undertaken in connection with the settlement of an enforcement action taken by the MDEQ for violations of air quality law."

G. After the effective date of this Consent Order, until the completion of all activities specified in Exhibit B, the Company shall provide the AQD Grand Rapids District Supervisor with a progress report every three months. Each progress report shall include a description of the SEP activities the Company has completed in the prior three months.

H. No later than thirty (30) days after the completion of all activities specified in Exhibit B, the Company shall submit written certification of completion of the SEP to the AQD Grand Rapids District Supervisor demonstrating that all SEP activities specified in Exhibit B have been completed in accordance with the terms and conditions of this Consent Order and Exhibit B. The certification shall be accompanied by appropriate documentation (such as invoices, receipts, or tax statement) to verify the total expenditure made by the Company as a result of implementing the activities specified under Exhibit B. It shall be the sole determination of the MDEQ whether the Company has completely implemented the activities specified in Exhibit B of this Consent Order.

GENERAL PROVISIONS

11. This Consent Order in no way affects the Company's responsibility to comply with any other applicable state and federal, or local laws or regulations, including without limitation, any amendments to the federal Clean Air Act, 42 USC 7401 *et seq.*, Act 451, Part 55 or their rules and regulations, or to the State Implementation Plan.

12. This Consent Order constitutes a civil settlement and satisfaction as to the resolution of the violations specifically addressed herein; however, it does not resolve any criminal action that may result from these same violations.

13. Within thirty (30) days after the effective date of this Consent Order, the Company shall pay to the General Fund of the State of Michigan, in the form of a check made payable to the "State of Michigan" and delivered to the Michigan Department of Environmental Quality, Financial and Business

Services Division, Revenue Control, P.O. Box 30657, Lansing, Michigan 48909-8157, a settlement amount of \$10,360.00 which includes AQD costs for investigation and enforcement. To ensure proper credit, all payments made pursuant to this Consent Order shall include the Agreement Identification No. AQD40104 on the face of the check. This settlement amount is in addition to any fees, taxes, or other fines that may be imposed on the Company by law.

14. On and after the effective date of this Consent Order, if the Company fails to comply with paragraph 9.A.2 of this Consent Order, the Company is subject to a stipulated fine of up to \$1,000.00 per violation per day. On and after the effective date of this Consent Order, if the Company fails to comply with paragraph 9.B.1 of this Consent Order, the Company is subject to a stipulated fine of up to \$2,000.00 per violation per day. On and after the effective date of this Consent Order, if the Company fails to comply with any other provision of this Consent Order besides paragraph 10, the Company is subject to a stipulated fine of up to \$500.00 per violation per day. The amount of the stipulated fines imposed pursuant to this paragraph shall be within the discretion of the MDEQ. Stipulated fines submitted under this Consent Order shall be by check, payable to the State of Michigan within thirty (30) days of written demand and shall be delivered to the Michigan Department of Environmental Quality, Financial and Business Services Division, Revenue Control, P.O. Box 30657, Lansing, Michigan 48909-8157. To ensure proper credit, all payments shall include the Agreement Identification No. AQD40104-S on the face of the check. Payment of stipulated fines shall not alter or modify in any way the Company's obligation to comply with the terms and conditions of this Consent Order.

15. The AQD, at its discretion, may seek stipulated fines or statutory fines for any violation of this Consent Order which is also a violation of any provision of applicable federal and state law, rule, regulation, permit, or MDEQ administrative order. However, the AQD is precluded from seeking both a stipulated fine under this Consent Order and a statutory fine for the same violation.

16. To ensure timely payment of the settlement amount assessed in paragraph 13 and any stipulated fines assessed pursuant to paragraph 14 of this Consent Order, the Company shall pay an interest penalty to the State of Michigan each time it fails to make a complete or timely payment under this Consent Order. The interest penalty shall be determined at a rate of twelve percent (12%) per year compounded annually, using the full increment of amount due as principal, calculated from the due date specified in this Consent Order until the date that delinquent payment is finally paid in full. Payment of an interest penalty by the Company shall be made to the State of Michigan in accordance with

paragraph 14 of this Consent Order. Interest payments shall be applied first towards the most overdue amount or outstanding interest penalty owed by the Company before any remaining balance is applied to subsequent payment amount or interest penalty.

17. The Company agrees not to contest the legal basis for the settlement amount assessed pursuant to paragraph 13. The Company also agrees not to contest the legal basis for any stipulated fines assessed pursuant to paragraph 14 of this Consent Order, but reserves the right to dispute in a court of competent jurisdiction the factual basis upon which a demand by MDEQ of stipulated fines is made. In addition, the Company agrees that said fines have not been assessed by the MDEQ pursuant to Section 5529 of Part 55 and therefore are not reviewable under Section 5529 of Part 55.

18. This compliance program is not a variance subject to the 12 month limitation specified in Section 5538 of Part 55.

19. This Consent Order shall remain in full force and effect for a period of at least two (2) years. Thereafter, the Consent Order shall terminate only upon written notice of termination issued by the AQD Chief. Prior to issuance of a written notice of termination, the Company shall submit a request, to the AQD Chief at the Michigan Department of Environmental Quality, Air Quality Division, P.O. Box 30260, Lansing, Michigan 48909-7760, consisting of a written certification that the Company has fully complied with all the requirements of this Consent Order and has made all payments including all stipulated fines required by this Consent Order. Specifically, this certification shall include: (i) the date of compliance with each provision of the compliance program and the date any payments or stipulated fines were paid; (ii) a statement that all required information has been reported to the AQD Grand Rapids District Office District Supervisor; (iii) confirmation that all records required to be maintained pursuant to this Consent Order are being maintained at the facility; and, (iv) such information as may be requested by the AQD Chief.

20. In the event Alloy Resource Corporation sells or transfers the facility, with SRN N7888, it shall advise any purchaser or transferee of the existence of this Consent Order in connection with such sale or transfer. Within thirty (30) calendar days, the Company shall also notify the AQD Grand Rapids District Office Supervisor, in writing, of such sale or transfer, the identity and address of any purchaser or transferee, and confirm the fact that notice of this Consent Order has been given to the purchaser and/or transferee. As a condition of the sale, Alloy Resource Corporation must obtain the consent of the purchaser and/or transferee, in writing, to assume all of the obligations of this Consent Order. A copy of

that agreement shall be forwarded to the AQD Grand Rapids District Office Supervisor within thirty (30) days of assuming the obligations of this Consent Order.

21. Prior to the effective date of this Consent Order and pursuant to the requirements of Sections 5511 and 5528(3) of Part 55, the public was notified of a 30-day public comment period and was provided the opportunity for a public hearing.

22. Section 5530 of Part 55 may serve as a source of authority but not a limitation under which the Consent Order may be enforced. Further, Part 17 of Act 451 and all other applicable laws and any other legal basis or applicable statute may be used to enforce this Consent Order.

23. The Company hereby stipulates that entry of this Consent Order is a result of an action by MDEQ to resolve alleged violations of its facility located at 2281 Port City Industrial Boulevard in Muskegon, Michigan. The Company further stipulates that it will take all lawful actions necessary to fully comply with this Consent Order, even if the Company files for bankruptcy in the future. The Company will not seek discharge of the settlement amount and any stipulated fines imposed hereunder in any future bankruptcy proceedings, and the Company will take necessary steps to ensure that the settlement amount and any future stipulated fines are not discharged. The Company, during and after any future bankruptcy proceedings, will ensure that the settlement amount and any future stipulated fines remain an obligation to be paid in full by the Company to the extent allowed by applicable bankruptcy law.

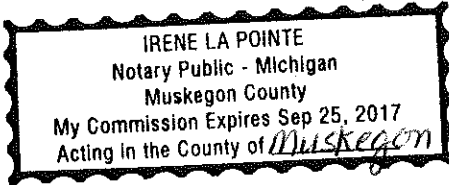
The undersigned certifies that he/she is fully authorized by the Company to enter into this Consent Order and to execute and legally bind the Company to it.

ALLOY RESOURCE CORPORATION

JENNIS FLANAGAN VP/Gen
Print Name and Title

[Signature] Date: 10-14-15
Signature

The above signatory subscribed and sworn to before me this 14 day of October, 2015.



Irene LaPointe
Notary Public
Irene LaPointe

Approved as to Content:

[Signature]
Lynn Fiedler, Chief
AIR QUALITY DIVISION
DEPARTMENT OF ENVIRONMENTAL QUALITY

Approved as to Form:

[Signature]
Neil Gordon, Section Head
ENVIRONMENTAL REGULATION SECTION
ENVIRONMENT, NATURAL RESOURCES,
AND AGRICULTURE DIVISION
DEPARTMENT OF ATTORNEY GENERAL

Dated: 10/27/15

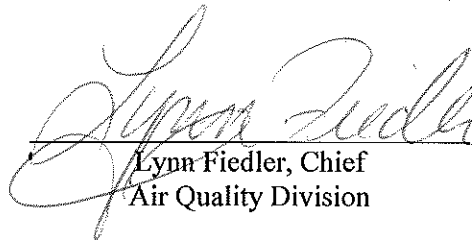
Dated: 10/20/15

FINAL ORDER

The Chief of the Air Quality Division having had opportunity to review the Consent Order and having been delegated authority to enter into Consent Orders by the Director of the Michigan Department of Environmental Quality pursuant to the provisions of Part 55 of Act 451 and otherwise being fully advised on the premises,

HAS HEREBY ORDERED that the Consent Order is approved and shall be entered in the record of the MDEQ as a Final Order.

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY


Lynn Fiedler, Chief
Air Quality Division

Effective Date: 10/27/15

Exhibit A

Permit to Install No. 340-07C

EXIHBIT B

Via Email & US Mail Only
KovalchickM@michigan.gov



July 1, 2015

Mike Kovalchick
Air Quality Division
Michigan Department of Environmental Quality
P.O. Box 30260
Lansing, MI 48909-7760

**Re: Alloy Resource Corp., SRN: N7888
Proposed Supplemental Environmental Project (SEP)
Enforcement Notice Dated May 15, 2015
Violation Notice, dated April 17, 2015**

Dear Mr. Kovalchick:

In accordance with our prior communications regarding Alloy Resource Corporation's (ARC) request to submit a proposed SEP relating to the above-noted violation notice, we ask that the Michigan Department of Environmental Quality (MDEQ) approve ARC's proposed SEP outlined below. The SEP submitted is part of an overall discussion regarding Consent Order language and extent of fines and penalties.

1. Name and Location of Entity Subject to the Enforcement Action

Alloy Resource Corporation, 2281 Port City Boulevard, Muskegon, Muskegon County, Michigan 49442.

2. Regulatory Information

As cited in the Violation Notice of April 17, 2015, the MDEQ alleges that ARC is in violation of 40 CFR Part 63, Subpart RRR, National Emission Standards for Hazardous Air Pollutants for Secondary Aluminum Production (Subpart RRR). Specifically, the MDEQ alleges that ARC violated Subpart RRR by failing to timely conduct required emission testing, failing to properly inspect capture/collection systems, and failing to submit a required semiannual report. The MDEQ also alleges that ARC is in violation of Permit to Install (PTI) No. 340-07B Special Conditions V.I and V.2, for failure to timely conduct emission testing, and failure to timely verify lime injection rates.

3. Project Name

Powdered Carbon Feed System for Pollution Control (Carbon Feed System); Supplemental Environmental Project for Alloy Resource Corporation, 2281 Port City Boulevard, Muskegon, MI 49442.

4. Project Manager

Dennis Flanagan
1985 East Laketon
Muskegon, MI 49442
(231) 683-1832
FAX: (231) 773-2038
dflanagan@alloyresourcescorp.com

5. DEQ Contact Person

None.

6. Geographical Area to Benefit from the Project

Muskegon County, with specific work to be performed at Alloy Resources Corporation, 2281 Port City Boulevard, Muskegon MI 49442.

7. SEP Categories

This proposal for a Carbon Feed System meets the following SEP Categories:

- *Pollution Reduction* This project is designed to reduce the discharge of pollutants by increasing the capture efficiency of the ARC baghouse pollution control system. The addition of a Carbon Feed System goes substantially beyond compliance with ARC's PTI 340-07B and Subpart RRR to further reduce the amount of pollution discharged to the environment.
- *Pollution Prevention* This project is designed to assess the potential for powdered carbon to improve ARC's manufacturing processes and operational procedures to reduce its negative impact on the environment and improve sustainability. The Carbon Feed System should prevent pollution by optimizing cleaner production.

- *Environmental Restoration and Protection* This project is designed to reduce pollutants that are not specifically cited in the applicable requirements and that may be present and impacting air quality in the Muskegon area. The addition of powdered carbon to the ARC baghouse pollution control system should capture pollutants that are not subject to the emission limits cited in PTI 340-07B or Subpart RRR.

8. Project Description

This SEP consists of the installation and testing of a powdered carbon feed system that will inject carbon into the ductwork that runs between the collection hoods at the melting furnaces and the baghouse filtration system. The carbon should adsorb or otherwise combine with potential pollutants, including organic and inorganic compounds, facilitating their capture by the baghouse filters and thereby be prevented from emitting to the environment. The carbon feed system will include a Brabender Technologie Model BBU-1100 Bulk Bag Unloader and Model FW80/5 Feeder and weighing system, with an Industrial Centrifugal Fan IRF 156/62 and assorted stand, ductwork, fittings and utility connections and controls.

For some technical background on this system see:

Engineering Analysis for Grooms Aluminum Processing, Alabama Air Division, June 3, 2015.

Effect of raw materials on emissions of polychlorinated dibenzo-p-dioxins and dibenzofurans from the stack flue gases of secondary aluminum smelters, Journal of Hazardous Materials, 2007.

9. Expected Environmental Benefits

The Carbon Feed System project will have a number of benefits to the environment and human health.

- Pollutants that might otherwise be emitted to the atmosphere and have a potentially adverse impact on human health and the environment will be captured by the ARC baghouse pollution control system and appropriately controlled in a manner that prevents adverse exposures. These pollutants will include organic and inorganic constituents only some of which are the subject of existing regulatory or permit limits and controls. Those that are subject to emission limits in ARC's PTI should be further reduced below the specified limits. Other constituents not subject to specified limits will be more efficiently captured and controlled in a manner that benefits human health and the environment.

- The installation and testing of the Carbon Feed System should help improve the sustainability of ARC's processes, allowing for cleaner production and more efficient operations. Engineering tests will be performed on the use of carbon to determine and calibrate methods to improve efficiency of the overall processes and the ability to enhance pollution control. The Carbon Feed System should allow ARC to institute long term procedural and engineered techniques that will result in cleaner, more efficient production.

As a result of these efforts, the Carbon Feed System will:

- Have a *Clear Benefit to the Public at Large* by reducing in quantity or type pollutants emitted to the atmosphere in the Muskegon area. Thereby enhance protections to human health and the environment.
- Be *Innovative* in the use of a new technology for pollution control and process management that will effectively reduce the release of pollutants to the environment, conserve natural resources and promote compliance.
- Result in *Pollution Prevention* by capturing and controlling pollutants in a manner that reduces their hazard, and reduces the use of natural resources by allowing for cleaner, more efficient production.
- Have beneficial *Multimedia Impacts* by capturing and controlling pollutants before their atmospheric discharge and subsequent fallout on land and water.
- Promote *Environmental Justice* by enhancing human health protection in the City of Muskegon and the nearby, greater Muskegon area. This vicinity includes significant low income and minority populations. Nationwide, many such populations have been found to be disproportionately exposed to higher risks to human health and the environment from pollution and overall environmental degradation.

10. Project Budget

- ARC is an S Corporation.
- Capital Costs (minimum; base contractor estimate not including utility and control connection, permits, etc.) = \$60,000
- Useful life of Capital Equipment (projected) = 12 years
- One-time, Non-Depreciable Costs = 0
- Annual Operation Costs (projected) = \$69,000

11. Project Schedule

Project implementation is expected to include site preparation and equipment staging beginning on July 6, with physical installation and related site work to be concluded in mid-July, initial system start-up in late July, and performance testing to be completed by the end of 2015. Process optimization will continue indefinitely.

12. Accounting

This section is not applicable since no third party will be involved in the project implementation.

13. Reporting

ARC will submit a report on the installation and initial testing of the Carbon Feed System by January 1, 2016. This report will include photographs, vendor invoices, and a statement regarding the efficacy and likely future use and optimization of the system.

14. Prior Commitments and/or Regulatory Requirements

No local, state or federal regulations or binding private commitments would require the implementation of this project or any part thereof.

15. Certification of Expenditures

Attached is a separate certification from ARC.

Please do not hesitate to further discuss.

Sincerely,

Jerry Garman

Jerry Garman, MPH
EHS Coordinator

Attachment 1 Certification of Expenditures

PC: Dennis Flanagan, Vice President/General Manager, ARC