

**ADMINISTRATIVE ORDER AND CONSENT AGREEMENT BY AND BETWEEN
THE CITY OF PHILADELPHIA AND SPC CORPORATION**

This legally binding and enforceable Administrative Order and Consent Agreement (Agreement) is entered into by and between the City of Philadelphia, acting through its Department of Public Health, Air Management Services (City or AMS) and SPC Corporation (SPC), pursuant to Title 6 of the Philadelphia Code (Health Code), Title 10 of the Philadelphia Code, Title 3 of the Philadelphia Code (Air Management Code), the Pennsylvania Air Pollution Control Act (APCA), the Clean Air Act, and the respective regulations promulgated there to.

1. WHEREAS AMS is charged with enforcement of the Air Management Code, and the Air Management Regulations (AMRs) promulgated pursuant thereto, which incorporate certain state and federal regulations including provisions of the federal Clean Air Act, 42 U.S.C. §§ 7401-7671q., the National Emission Standards for Hazardous Air Pollutants (NESHAP), 40 C.F.R. pt. 61, the APCA, and 25 Pa. Code Chapter 124.

2. WHEREAS the City is authorized pursuant to the APCA, 35 P.S. §§ 4001-4015, to enforce its provisions and pursue remedies and fines as prescribed thereby, and is an approved program pursuant thereto.

3. WHEREAS AMS is charged with enforcement of certain sections of Title 10 of the Philadelphia Code (e.g. Phila. Code § 10-401 et. seq.), known as the Noise and Vibration Code, and the Noise and Vibration Regulation promulgated thereunder.

4. WHEREAS SPC is a Pennsylvania Corporation with offices at 143 Harding Avenue, Bellmawr, New Jersey.

5. WHEREAS SPC owns, and has operated at all times relevant to the Agreement, a metal recycling and shredding facility located at 2600 Penrose Avenue, Philadelphia, Pennsylvania (Facility).

6. WHEREAS AMS has issued Natural Minor Operating Permit No. N07-004 (NMOP) to the SPC for the Facility on July 14, 2008 that will expire on July 14, 2013.

7. WHEREAS SPC submitted an application to renew the NMOP for the Facility on August 28, 2012.

8. WHEREAS AMS and SPC previously entered into Administrative Order and Consent Agreements in 2006 and 2007 to resolve noise, fugitive emissions, and other issues at the Facility.

9. WHEREAS AMS received over thirty (33) complaints of explosions, and associated excessive sound, emanating from the Facility between November 2012 and March 2013. See Attached Noise and Vibrational Complaints from the Facility Between November 2012 and March 2013.

10. WHEREAS in December 2012, SPC retained additional quality assurance personnel to inspect and remove prohibited explosive materials from the scrap metal processed at the Facility in response to increased complaints of explosions and excessive sound.

11. WHEREAS AMS conducted surveillance, observed ten (10) explosive events / process upsets with the shredder at the Facility, and subsequently cited SPC for associated noise violations that occurred on January 25, January 26, January 27, January 29, February 2, and February 7 of 2013. See Attached Notices of Violation (NOVs) Nos. N13-0017, N13-0020, N13-0024, N13-0019, N13-0047, N13-0047, N13-0055, N13-0053, N13-0054, N13-0052, N13-0071, and N13-0090.

12. WHEREAS AMS observed and subsequently cited SPC for fugitive dust violations at the Facility that occurred on January 29, 2013. See Attached NOVs Nos. C13-0127 and C13-0202.

13. WHEREAS AMS conducted further inspections of the Facility on January 25, February 2, and February 21 of 2013.

14. WHEREAS AMS subsequently cited SPC for failing to report nine (9) of the ten (10) explosive events observed by AMS surveillance; for failing to install and maintain a properly designed shredder water suppression system; and for failing to install, maintain, and operate a shredder water deluge system as required by the NMOP. See Attached NOV Dated February 26, 2013.

15. WHEREAS SPC has timely filed administrative appeals with the City of Philadelphia Board of License and Inspection Review and requested an administrative hearing before the City of Philadelphia Health Commissioner disputing the factual allegations and legal bases of each of the above-referenced NOVs. See Attached SPC Appeals.

16. WHEREAS the City by and through AMS, and SPC have engaged in discussions to reach a mutually agreeable resolution and settlement of the aforementioned allegations of non-compliance, NOVs, inspections and penalties related thereto, and without any admission of fault or liability.

FINDINGS

17. Pursuant to the Noise and Vibration Code, specifically Phila. Code §§ 10-405(7), (9), and taking into consideration items recounted in Paragraphs 8, 9, and 11 of the Agreement, AMS hereby designates industrial scrap metal shredders, including but not limited to auto shredders, as sources that tend to create excessive noise and vibration. Accordingly, owners and operators of industrial scrap metal shredders within Philadelphia will be required to install or adopt abatement measures at least as effective as those contained in Paragraphs 19-29 of this Agreement.

THEREFORE, the City and SPC (collectively "Parties"), in consideration of the foregoing and the mutual promises contained herein, and intending to be legally bound, agree to the following:

DEFINITIONS

Unless otherwise defined herein, terms used in this Agreement shall have the meaning given those terms in the NESHAP, 40 CFR pt. 61, Clean Air Act, 42 U.S.C. §§ 7401-7671q., APCA, 35 P.S. §§ 4001-4015, the AMC, the Noise and Vibration Code, the Health Code, and the respective regulations promulgated thereunder.

THE CITY AND SPC AGREE TO THE FOLLOWING:

18. SPC agrees to withdraw all administrative appeals of the NOV's referenced in Paragraphs 9-15 of this Agreement.

19. SPC shall immediately have a minimum three (3) quality assurance personnel to inspect all incoming loads of scrap materials to be processed at the Facility, and to reject all potentially explosive materials as defined in NMOP § D.2.(d)(1)-(4).

20. SPC shall immediately have a minimum of three (3) quality assurance personnel to visually inspect and remove any prohibited explosive material outlined in NMOP § D.2.(d)(1)-(4) from material loaded into the shredder feed chute when the shredder is operated at the Facility.

21. SPC shall immediately operate the shredder foam suppression system during all shredding operations at the Facility. SPC shall keep the following records related to operation of the shredder foam suppression system:

- Total foam usage (gallons) and hours of shredder operation on a daily basis.
- Continuous recording of the volume of foam concentrate used, and the volume of water mixed with the foam concentrate during all shredder operations.

Such records shall be maintained at the Facility, and made available for inspection by AMS for a minimum of two (2) years.

22. SPC shall install sufficient heat trace and pipe insulation to prevent all supply lines that provide water or foam to the shredder from freezing by no later than one hundred and twenty (120) days after execution of this Agreement or by October 1, 2013, whichever is sooner.

23. SPC shall install thermocouples on the following shredder foam and water suppression components: 1) foam delivery line, 2) shredder top line, and 3) conveyor feed line. Temperature readings from the thermocouples, and the water flow rates in the shredder top and conveyor feed lines, shall be monitored continuously and recorded during all shredder operations. Such records shall be maintained at the Facility, and made available for inspection by AMS for a minimum of two (2) years by no later than one hundred and twenty (120) days after execution of this Agreement or by October 1, 2013, whichever is sooner.

24. SPC shall install an alarm and automatic lock out that will prevent shredder operation when any thermocouples, as provided for in Paragraph 23, report a temperature less than or equal to thirty five (35) Degrees Fahrenheit. Installation of the alarm and automatic lock out must be completed no later than one hundred and twenty (120) days after execution of this Agreement or by October 1, 2013, whichever is sooner.

25. SPC shall modify the deluge system to provide, at a minimum, two hundred (200) gallons of water per minute to the inlet of the shredder for sixteen point seven (16.7) minutes, and one hundred (100) gallons of water per minute to the exit of the shredder for sixteen point seven (16.7) minutes as required by the NMOP § D.2.(g) by no later than one hundred and twenty (120) days after execution of this Agreement or by October 1, 2013, whichever is sooner.

26. SPC shall retain an environmental consultant to evaluate the shredder water suppression and foam systems for compliance with NMOP §§ C.1., C.3., D.1., and D.2.(i)-(k). SPC must submit a report containing the consultant's evaluation of the water and foam suppression systems; recommendations for additional emission controls necessary to meet NMOP and applicable regulatory requirements including, but not limited to, 25 Pa. Code § 123.13(c)(1)(i) and AMR II § VII; and other upgrades to reduce the frequency of explosive events / process upsets to AMS for review no later than one hundred and twenty (120) days after execution of this Agreement or by October 1, 2013, whichever is sooner.

27. SPC shall retain an acoustic consultant to design a full enclosure around the shredder. Any such full enclosure must be designed to keep any metal ejected by the shredder from traveling beyond the Facility property line, and to ensure that noise generated during explosive events is: 1) no louder than five (5) dB above background level when measured at any occupied residential property, and 2) no louder than ten (10) dB above background level when measured at any non-residential property. See Phila. Code §§ 10-403(3)(a)-(b). Plans for construction of the full enclosure shall be submitted to AMS for no later than one hundred and twenty (120) days after execution of this Agreement or by October 1, 2013, whichever is sooner.

28. SPC shall retain a consultant to recommend various measures to prevent vibrations generated by operations at the Facility from exceeding 0.15 inches per second when measured at the Facility's property line. See Phila. Code § 10-403(11). SPC shall submit a report containing measures to prevent such vibrations to AMS for review no later than one hundred and twenty (120) days after execution of this Agreement or by October 1, 2013, whichever is sooner.

29. Following AMS review and approval, SPC shall implement recommendations generated pursuant to Paragraphs 26-28 of this Agreement. All recommendations, as approved by AMS, must be implemented at the Facility by no later than one hundred eight (180) days after execution of this Agreement or by December 1, 2013, whichever is sooner.

30. Until the requirements of Paragraphs 19-29 of this Agreement are completed, SPC shall not operate the shredder when the outdoor temperature, as measured by the National Weather Service at the Philadelphia International Airport (<http://www.weather.gov>, 19145 Zip Code), is less than or equal to 32 Degrees Fahrenheit.

31. Upon completion of all items set forth in Paragraphs 19-29 and upon demonstration that no Noise and Vibration Code violations occur by April 30, 2014, the requirements of Paragraphs 19-25 and the recommendations adopted pursuant to Paragraphs 26-29 of this Agreement shall be incorporated in any renewed NMOP that will be issued for the Facility. The demonstration shall include operation of the shredder when outdoor temperatures, as determined in Paragraph 30, drops below 32 Degrees Fahrenheit.

32. Subject to the provisions of Paragraphs 47, 48, and 50, the City agrees that SPC may continue to operate the Facility after the expiration date of the NMOP on July 14, 2013 in accordance with the conditions thereof, and the terms of this Agreement, until such time as the City issues a renewed NMOP for the Facility.

33. The provisions set forth in Paragraphs 22-29, and 31 shall apply only to the extent that SPC elects to continue operating the shredder at the Facility more than one hundred and twenty (120) days from the date of execution of this Agreement or October 1, 2013, whichever is sooner. Written notification of the cessation of shredder operation at the Facility must be provided to AMS no later than one hundred (100) days after execution of this Agreement or by September 10, 2013, whichever is sooner. This Agreement and the requirements therein shall not apply to other operations at the Facility that do not involve the shredder.

34. With exception for Paragraphs 35-40, this Agreement shall terminate upon the earlier of either: (1) the issuance of a new NMOP by the City to SPC; or upon cessation of shredder operations as provided in Paragraph 33.

35. SPC shall pay the City a total of twelve thousand four hundred and seventy dollars (\$12,470) for reimbursement of AMS investigatory costs.

36. Reimbursement provided under Paragraph 35 of this Agreement shall be delivered in accordance to the procedures set forth in Paragraphs 38-40 therein.

CIVIL PENALTY

37. SPC shall pay the City a civil penalty in the negotiated and agreed upon amount of six thousand five hundred thirty (\$6,530) dollars. Payment of said civil penalty shall be solely for purposes of settling civil penalties due for the alleged violations identified in this Agreement.

38. The reimbursement and civil penalty provided in Paragraphs 35 and 37 (e.g. \$19,000) of this Agreement shall be remitted to the City in three separate installment payments. The first and second installment payments, each in the amount of six thousand three hundred and thirty three (\$6333) dollars, shall be made no later than June 14, 2013, and August 14, 2013 respectively. The third and final installment payment in the amount of six thousand three hundred and thirty four (\$6334) dollars shall be made no later than November 14, 2013.

39. Said payment of the civil penalty set forth in Paragraphs 37-38 of this Agreement shall be in the form of a cashier's check or certified check payable to the "City of Philadelphia," and directed to the following:

Patrick K. O'Neill, Divisional Deputy City Solicitor
City of Philadelphia Law Department
Environmental & Regulatory Compliance Division
1515 Arch Street - 16th Floor
Philadelphia, PA 19102

40. A copy of any remittance, and any accompanying correspondence, required by Paragraphs 38-39 of this Agreement shall also be forwarded to:

Roger Fey, Chief
City of Philadelphia Department of Public Health
AMS, Facility Compliance & Enforcement Unit
321 University Avenue
Spelman Building – 2nd Floor
Philadelphia, PA 19104

41. A stipulated penalty in the amount of one thousand five hundred dollars (\$1500) per violation per day shall be assessed against SPC, and due to the "City of Philadelphia," within thirty (30) days of notification by the City to SPC for SPC's non-compliance with the terms of this Agreement. Delivery of said payment shall be consistent with the process set forth in Paragraphs 39-40 of the instant Agreement.

42. A stipulated penalty in the amount of five hundred dollars (\$500) shall be assessed against SPC for any violation of Noise and Vibration Code at the Facility that occurs after this Agreement is executed. Delivery of said stipulated penalty to the City shall be consistent with the process set forth in Paragraphs 39-40 of the instant Agreement.

43. A stipulated penalty in the amount of three thousand dollars (\$3000) shall be assessed against SPC for any failure to report the occurrence of any fire or explosion with the shredder on the Facility, as required by NMOP § D.6.(a), that occurs after this Agreement is executed. Delivery of said stipulated penalty to the City shall be consistent with the process set forth in Paragraphs 39-40 of the instant Agreement.

APPLICABILITY

44. This Agreement is intended to resolve the matters between the AMS and SPC set forth herein, and not any other matters.

45. Nothing herein shall relieve or excuse SPC's obligation to comply with all applicable laws, rules, regulations and/or permits. SPC understands that compliance with this Agreement does not,

in of itself, constitute compliance with the Clean Air Act, the APCA, the Air Management Code, the Noise and Vibration Code, or the respective regulations promulgated pursuant thereto.

46. This Agreement shall not prevent the City from issuing, reissuing, renewing, modifying, revoking, suspending, denying, terminating, or reopening any permit issued to SPC. SPC reserves its defenses thereto, except that SPC shall not use this Agreed Order as a defense.

47. This Agreement cannot be modified or amended, except by express written document executed by the Parties hereto for the purpose of such modification and/or amendment.

48. SPC hereby waives any right to appeal the terms of the instant Agreement.

49. This Agreement shall apply to and be binding upon SPC, its officers, agents, employees, contractors, successors, assigns and/or invitees, and SPC shall be responsible for any violation(s) of the instant Agreement, including those caused by, contributed to, or allowed by its officers, agents, employees, contractors, successors, assigns and/or invitees.

50. AMS reserves the right to seek additional enforcement remedies as may be necessary to ensure compliance with all applicable law and / or prevent any non-compliance with the instant Agreement, including but not limited to injunctive relief.

AUTHORIZATION

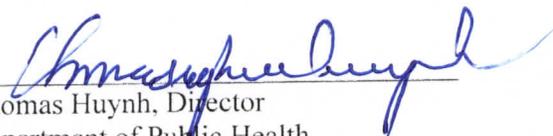
51. The undersigned representative(s) for each Party certifies that he or she is fully authorized by the Party to enter into the terms and conditions of this Agreement and to execute and legally bind that Party to the instant Agreement. By way of signing the instant Agreement, the respective parties accept, in full, the terms and conditions herein.

52. Signature by counsel signifies only that the Agreement has been signed by the Parties after consulting with their respective counsel.

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FOR THE CITY OF PHILADELPHIA:

Donald F. Schwarz, MD, MPH
Health Commissioner and Deputy Mayor for Health and Opportunity


Thomas Huynh, Director
Department of Public Health
Air Management Services

6/4/13
Date

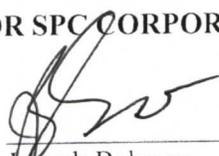
Shelley Smith, Esq.
City Solicitor


Patrick K. O'Neill, Esq.
Divisional Deputy City Solicitor
Environmental Division

6/3/2013
Date

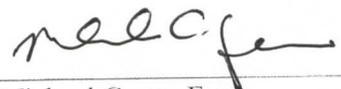
Dennis Yuen, Esq.
Assistant City Solicitor
Environmental Division

FOR SPC CORPORATION:


Joseph Balzano
Title: President

5.30.13
Date

COUNSEL FOR SPC CORPORATION:


Michael Gross, Esq.
Manko, Gold, Katcher, and Fox LLP

5.30.13
Date