



**MINERS AND MANUFACTURERS OF MANGANESE GREENSAND**

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To Our Valued Customers,

By the end of next month, Inversand Company will be permanently reducing production of manganese greensand. This action is being taken for two main reasons:

1. Demand for manganese greensand is declining because of the availability of our enhanced water filtration product, GreensandPlus, which outperforms manganese greensand with only a modest price premium to the customer.
2. Continuation of large production levels of manganese greensand would incur major costs in terms of environmental fines for exceeding our permitted water usage and discharge limits and/or major capital expenditures to improve our waste treatment system.

During the time of highest demand for manganese greensand, while attempting to meet the demand, we operated our mine at Sewell, New Jersey at full capacity and routinely exceeded our discharge permit and ground water use limits. This was a business decision on our part, and we understood that we would be assessed fines by the New Jersey Department of Environmental Protection. At the same time, we knew that this situation could not continue indefinitely. This led to the development and introduction of GreensandPlus.

With demand for GreensandPlus (which has been on the market for three years) on a rapid rise, demand for manganese greensand has naturally been slowing as an increasing number of customers switch over to GreensandPlus. Under these circumstances, even though we are no longer operating the manganese greensand processing plant at full capacity, we are still exceeding our water usage and discharge limits.

### **The Options We Face**

This leaves us three alternatives:

1. Continue to operate the plant at the current levels and incur even larger fines. The State of New Jersey could shut the plant down or increase the amount of the fines if we do not demonstrate a good-faith effort to meet the discharge limits.
2. Commit to some very expensive capital improvements in our waste treatment system. However, with the demand for manganese greensand decreasing as GreensandPlus takes over more of the market, we do not feel we will recover this investment as production decreases over the coming years.
3. The last option is to permanently reduce production to the point that we can meet our permits, avoid future fines, and avoid expensive capital improvements.

We feel the third option is the best approach for two reasons. First, in the coming months we expect that the demand for manganese greensand will continue to decline as more and more customers switch to GreensandPlus. Second, all options will increase the cost to produce manganese greensand, but option 3 will result in the smallest increase.

### **Most Customers Will Switch to High-Performance GreensandPlus**

Going forward under option 3, we are anticipating that we will be able to supply only our largest distributors of manganese greensand. They are customers that have consistently purchased over 12,000 cubic feet of material a year for the past several years. All other customers are either already using GreensandPlus or will be switched to it when production is reduced. There may be occasions when some excess production is available. If you have a case where GreensandPlus cannot be used for some reason, contact our office for a schedule of when and how much material will be available. We will attempt to accommodate the request. Of course, given the superior benefits of GreensandPlus, we anticipate that even these large distributors will eventually switch over.

GreensandPlus has been on the market for three years. Over that period, it has been proven to perform as well, and in most cases, better than manganese greensand. There were some initial problems with the amount of dust in the media which had to be backwashed out before placing it in service; however, those problems were addressed over a year ago by adopting a change in the manufacturing process. In every case, customers have been pleased with the performance of GreensandPlus, so there should be no reluctance to substitute it for manganese greensand or any other iron and manganese removal media.

GreensandPlus is stocked in Philadelphia and Western Ohio. Shipments can be made in a matter of days from stock. For truckload quantities, we can either ship from stock, or if time permits, we can drop-ship directly from Brazil at a reduced freight cost.

Our price list for GreensandPlus dated 11-05-04 remains in effect. If you do not have a copy, please contact our office, and we will provide you with one. If you are interested in drop shipments of truckload quantities, please contact Vivian Augustine (vaugustine@inversand.com) in our office for a quotation.

As always, we very much appreciate your business over the years. We know that when demand was high, you had to endure long lead times to obtain our product, and we thank you for your loyalty. We took the steps necessary to improve the availability of manganese greensand. That has resulted in our being able to offer you a better product, with timely shipment, at a competitive price. I am sure that you will be more than satisfied with the performance of GreensandPlus.

Very truly yours,  
INVERSAND COMPANY



Kenneth M Sayell  
Vice President - Sales