

November 7, 2008

Most of you are aware of the current world wide shortage situation for raw acetonitrile (ACN). The supply has been even more drastically impacted during the past few weeks due to the ever decreasing supply of raw acrylonitrile.

This supply issue is the combined result of several developments in the global market, including:

- A major drop in acrylonitrile demand for plastics and fibers industries. Industrial grade ACN is a byproduct of the acrylonitrile manufacturing process. The acrylonitrile demand is down primarily due to the escalating cost of petroleum-derived propylene feedstock combined with severe economic downturns in the automotive (plastics and automotive textiles) and home construction (carpet fibers) industries.
- Increased demand for ACN in China, other Far East countries, and the Euro Zone, combined with the weak U.S. dollar, limiting the amount of ACN raw material available in those countries for export to the U.S.
- Other manufacturing areas (i.e. Japan) shut down production of acrylonitrile due to an overstock situation, causing an increased demand for imports to that country, adding to the supply constraint.
- Some US supply was also impacted for a period of time due to hurricanes in the Gulf regions.

Mallinckrodt Baker (MBI) has taken a number of measures aimed at minimizing the impact of the supply shortage on our customers. However, going forward, the prolonged nature of the short supply situation will now impact our service levels to our customers. Our current best estimate is that we will supply at approximately 30% allocation rate of prior purchases. We expect this situation to last at least through the 1st quarter of 2009.

We will continue to actively investigate additional options for mitigating the effects of the shortage. We also want to make it clear that we can not accept new business at this time so we can manage allocating our limited supply to existing customers.

Another unfortunate outcome of the above developments are the multiple significant increases in ACN raw material costs that acrylonitrile/ACN producers have passed through since the beginning of 2008. We will do everything possible to manage price increases, but cannot guarantee that a price increase won't be forthcoming.

We will continue to keep you informed regarding any changes in the status of the market and our ACN service levels. We appreciate your patience and understanding during this challenging period.

For additional information, please contact the MBI Customer Service Department at 908.859.2151.