

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY
OFFICE OF THE DIRECTOR

In the matter of administrative proceedings
against **LEAR CORPORATION**, a company,
organized under the laws of the State of
Michigan and doing business at 505 Hoover
Street in the City of Farwell, County of Clare,
State of Michigan

AQD No. 2022-12

SRN: B7294

STIPULATION FOR ENTRY OF FINAL ORDER
BY CONSENT

This proceeding resulted from allegations by the Michigan Department of Environment, Great Lakes, and Energy (EGLE), Air Quality Division (AQD) against Lear Corporation (Company), a corporation organized under the laws of the State of Michigan and doing business at 505 Hoover Street, City of Farwell, County of Clare, State of Michigan, with State Registration Number (SRN) B7294. EGLE alleges that the Company is in violation of Mich Admin Code, R 336.1213 (Rule 213) and R 336.1702 (Rule 702); and the conditions of Renewable Operating Permit (ROP) No. MI-ROP-B7294-2018. Specifically, EGLE alleges that the Company exceeded the volatile organic compound (VOC) emission limit from the Foam Lines (FGFOAMLINES) for five (5) months in 2019; exceeded the VOC content limit for the mold release; failed to verify the VOC content, water content, or density of the mold release agent using the proper method; failed to receive written approval from the AQD to use the manufacturer's formulation data for the mold release agent; failed to submit the correct reporting period dates for the July 1 – December 21, 2017, semi-annual monitoring and deviation report; failed to timely submit the 2017 annual ROP compliance certification; and failed to timely submit the July 1 – December 21, 2017, and the January 1 – June 30, 2019, semi-annual monitoring and deviation reports, as cited herein and in the Violation Notices dated April 9, 2018, December 19, 2019, September 27, 2019, and April 5, 2021. The AQD alleged in a VN dated April 15, 2021, that the Company exceeded the VOC emission limit from the Foam Lines (FGFOAMLINES) for five (5) months in 2019. On August 17, 2021, the Company provided information demonstrating that the VOC emission limit from FGFOAMLINES was not exceeded and the error was due to incorrect calculations that included totes of release agent that were not used at the facility. The Company and EGLE stipulate to the termination of this proceeding by entry of a Stipulation for Entry of a Final Order by Consent (Consent Order).

The Company and EGLE stipulate as follows:

1. The Natural Resources and Environmental Protection Act (NREPA) 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 the NREPA (Part 55), MCL 324.5501 *et seq.*, provides for air pollution control regulations in this State.
3. Executive Order 2019-06 renamed the Michigan Department of Environmental Quality as EGLE, and EGLE has all statutory authority, powers, duties, functions, and responsibilities to administer and enforce all provisions of Part 55 and Part 115.
4. The EGLE Director has delegated authority to the Director of the AQD (AQD Director) to enter into this Consent Order.
5. The termination of this matter by a Consent Order pursuant to Section 5528 of Part 55, MCL 324.5528, is proper and acceptable.
6. The Company and EGLE 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 Director.
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. Permit
 - A. On and after the effective date of this Consent Order, the Company shall comply with the VOC emission limit of 60.0 tpy as specified in FGFOAMLINES, Condition I.2 of MI-ROP-B7294-2018, as amended.
 - B. On and after the effective date of this Consent Order, the Company shall comply with the VOC material limit of 6.15 lb VOC/gal as specified in FGFOAMLINES, Condition II.1 of MI-ROP-B7294-2018, as amended.
 - C. On and after the effective date of this Consent Order, the Company shall determine the VOC content, water content, and density of any mold release agent as specified in FGFOAMLINES, Condition V.1 of MI-ROP-B7294-2018, as amended.

D. On and after the effective date of this Consent Order, the Company shall timely submit the certification of compliance, as specified in General Condition No. 20 of MI-ROP-B7294-2018, as amended.

E. On and after the effective date of this Consent Order, the Company shall timely submit accurate semi-annual monitoring and deviation reports, as specified in General Condition No. 23 of MI-ROP-B7294-2018, as amended.

SUPPLEMENTAL ENVIRONMENTAL PROJECT

10. In addition to the civil fine in this Consent Order for the violations alleged in the Violation Notice, the Company agrees to undertake the Supplemental Environmental Project (SEP) described in Exhibit A 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 A and in accordance with the following terms and conditions:

A. 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 is detailed in Exhibit A.

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

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, United States Environmental Protection Agency, or any other entity. The Company also certifies that the Company will not seek tax benefits following completion of the SEP.

D. In the event the Company fails to fully and completely implement the SEP as provided herein to the reasonable satisfaction of EGLE, EGLE 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 EGLE demonstrating that the deficiency has been corrected. In the event the deficiency is not corrected to the satisfaction of EGLE, then EGLE will notify the Company, and the Company shall be in violation of this Consent Order and will be required to pay a stipulated penalty of \$31,907.00. The amount of the stipulated penalty may be reduced or waived by EGLE if the Company made good faith and timely efforts to complete the SEP. Payment

of a stipulated penalty under the terms of this subparagraph shall satisfy the Company's obligation to complete the SEP under this Consent Order. Payment of any stipulated penalty shall be made as outlined in paragraph 14.

E. 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 EGLE for violations of air quality law."

F. No later than thirty (30) days after the completion of all activities specified in Exhibit A, the Company shall submit written certification of completion of the SEP to the AQD Bay City District Supervisor demonstrating that all SEP activities specified in Exhibit A have been completed in accordance with the terms and conditions of this Consent Order and Exhibit A. The certification shall be accompanied by appropriate documentation (such as invoices, receipts, or tax statements) to verify the total expenditure made by the Company as a result of implementing the activities specified under Exhibit A, and to the extent possible, documentation supporting the quantification of benefits associated with the SEP and an explanation of how such benefits were measured or estimated. It shall be the sole determination of EGLE whether the Company has completely implemented the activities specified in Exhibit A 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, federal, or local laws or regulations, including without limitation, any amendments to the federal Clean Air Act, 42 USC 7401 *et seq.*, 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 mailed to the Michigan Department of Environment, Great Lakes, and Energy, Accounting Services Division, Cashier's Office, P.O. Box 30657, Lansing, Michigan 48909-8157, a settlement amount of \$10,636.00, which includes the AQD costs for investigation and enforcement. This total settlement amount shall be paid within thirty (30) days after the effective date of this Consent Order. To ensure proper credit, all payments made pursuant to this Consent Order shall

include the "Payment Identification Number AQD40285" on the front of the check and/or in the cover letter with the payment. 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, 9.B, or 9.C of this Consent Order, the Company is subject to a stipulated fine of up to \$2,500.00 per violation per day. On and after the effective date of this Consent Order, if the Company fails to comply with paragraphs 9.D or 9.E of this Consent Order, the Company is subject to a stipulated fine of up to \$1,000.00 per violation per day. The amount of the stipulated fines imposed pursuant to this paragraph shall be within the discretion of EGLE. Stipulated fines submitted under this Consent Order shall be by check, payable to the State of Michigan within thirty (30) days after written demand and shall be mailed to the Michigan Department of Environment, Great Lakes, and Energy, Accounting Services Division, Cashier's Office, P.O. Box 30657, Lansing, Michigan 48909-8157. To ensure proper credit, all payments shall include the "Payment Identification Number AQD40285-S" on the front of the check and/or in the cover letter with the payment. 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 EGLE 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 13 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 EGLE of stipulated fines is made. In addition, the Company agrees that said fines have not been assessed by EGLE pursuant to Section 5529 of Part 55, MCL 324.5529, 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, MCL 324.5538.

19. This Consent Order shall remain in full force and effect for a period of at least three (3) years. Thereafter, this Consent Order shall terminate only upon written notice of termination issued by the AQD Director. Prior to issuance of a written notice of termination, the Company shall submit a request, to the AQD Director at the Michigan Department of Environment, Great Lakes, and Energy, 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 Bay City 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 Director.

20. In the event Lear Corporation sells or transfers the facility, with SRN B7294, 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 Bay City District 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, Lear 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 Bay City District Supervisor within thirty (30) days after 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, MCL 324.5511 and MCL 324.5528(3), 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, MCL 324.5530, may serve as a source of authority but not a limitation under which this Consent Order may be enforced. Further, Part 17 of the NREPA,

MCL 324.1701 *et seq.*, 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 EGLE to resolve alleged violations of its facility located at 505 Hoover Street, City of Farwell, County of Clare, State of 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.

LEAR CORPORATION

Michael Walkowski Director of Global Foam
Print Name and Title

[Signature]
Signature

7-20-22
Date

Subscribed and sworn to by the above signatory before me on this 20th day of July, 2022.

[Signature]
Notary Public Signature

DAWN A. SWETZ
NOTARY PUBLIC - STATE OF MICHIGAN
COUNTY OF CLARE
My Commission Expires July 18, 2028
Acting in the County of Clare

Dawn A. Swetz
Notary Public Printed Name

7-18-2028
My Commission Expires
Approved as to Form:

Approved as to Content:

Clare

[Signature]
Mary Ann Dolehanty, Director
AIR QUALITY DIVISION
DEPARTMENT OF
ENVIRONMENT, GREAT LAKES,
AND ENERGY
Dated: 7-29-2022

[Signature]
Margaret Bettenhausen, Asst. Attorney General
AIR AND WATER SECTION
ENVIRONMENT, NATURAL RESOURCES,
AND AGRICULTURE DIVISION
DEPARTMENT OF ATTORNEY GENERAL
Dated: 7-27-22

FINAL ORDER

The Director of the Air Quality Division having had opportunity to review this Consent Order and having been delegated authority to enter into Consent Orders by the Director of the Michigan Department of Environment, Great Lakes, and Energy pursuant to the provisions of Part 55 of the NREPA and otherwise being fully advised on the premises,

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

MICHIGAN DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY


Mary Ann Dolehanty, Director
Air Quality Division

Effective Date: 7-28-2022

Lear Corporation Proposal for Supplemental Environmental Project (SEP)

Introduction

Lear Corporation proposes to perform a SEP in accordance with EGLE's SEP Policy. In this SEP, Lear Corporation (Lear) will utilize a reduced VOC water-based mold release in place of the currently used solvent-based mold release on the "lid" portion of its parts (called "carriers"). Lear will commit to using this material on a minimum of 2,700,000 lid parts per year to reduce the plant's VOC emissions by 22,021 pounds per year for three years, for a total of 66,064 pounds, after entry of an Administrative Consent Order. This will increase Lear's production costs by \$215,703.00 (\$71,901.00 per year for three years). In practice, Lear intends to continue using this material beyond three years.

Information Specified in EGLE's SEP Policy:

In support of this SEP Proposal, Lear provides the following information, as specified in Appendix A of EGLE's SEP Policy [04-002 (08/2020)]:

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

Lear Corporation – Farwell Plant - 505 Hoover Street in the City of Farwell, County of Clare, State of Michigan.

2. Regulatory Information

EGLE's Air Quality Division (AQD) has alleged that Lear violated the following laws of the State of Michigan at Lear's plant located at 505 Hoover Street, City of Farwell, County of Clare, State of Michigan, with State Registration Number (SRN) B7294: EGLE alleged that Lear violated Mich Admin Code, R 336.1213 (Rule 213) and R 336.1702 (Rule 702); and the conditions of Renewable Operating Permit (ROP) No. MI-ROP-B7294-2018. Specifically, EGLE has alleged that Lear exceeded the volatile organic compound (VOC) emission limit from the Foam Lines (FGFOAMLINES) for five (5) months in 2019; exceeded the VOC content limit for the mold release; failed to verify the VOC content, water content, or density of the mold release agent using the proper method; failed to receive written approval from the AQD to use the manufacturer's formulation data for the mold release agent; failed to submit the correct reporting period dates for the July 1 – December 31, 2017, semi-annual monitoring and deviation report; failed to timely submit the 2017 annual ROP compliance certification; and failed to timely submit the July 1 – December 31, 2017, and the January 1 – June 30, 2019, semi-annual monitoring and deviation reports, as described in the Violation Notices dated April 9, 2018, December 19, 2019, September 27, 2019, and April 5, 2021. On August 17, 2021, the Company provided information demonstrating that the VOC emission limit from FGFOAMLINES was not exceeded and the error was due to incorrect calculations that included totes of release agent that were not used at the facility.

3. Project Name

Lear Farwell Plant – Replacement of Portion of Current Solvent-Based Mold Release with Reduced Solvent Content, Water-Based Mold Release (Project)

4. Project Manager

The Project Manager for this SEP will be Michael Walkowski – Lear's Director of Global Foam, 505 Hoover Street, Farwell, Michigan 48622. Email address is: mwalkowski@lear.com. Phone number is: 248-252-7531.

5. Geographical Area to Benefit from the Project

The greatest impact will be the vicinity of Lear's Farwell Plant - 505 Hoover Street in the City of Farwell, County of Clare, State of Michigan. Community input was sought by contact with the Farwell Area High School. Lear has co-op students from the school working at the plant. The school thought the project was good for the environment and the community.

6. SEP Categories

Pollution Prevention- The Project's principal feature is to change the process at the Farwell plant and replace a significant portion of the currently used solvent-based mold release material with a much lower solvent content, largely water-based mold release material. Lear will install new equipment and utilize the water-based mold release in place of the currently used solvent-based mold release on the "lid" portion of its parts (called "carriers"). Lear will commit to using this material on a minimum of 2,700,000 lid parts per year, for three years, after entry of an Administrative Consent Order. This change will reduce the plant's VOC emissions by 22,021 lbs. per year for three years, for a total of 66,064 lbs. Lear's production costs will increase by \$215,703.00 (\$71,901.00 per year for three years), These VOC reductions are beyond what is required for environmental compliance. In practice, Lear intends to continue using this material beyond three years.

7. Project Description

Lear proposes to use a reduced solvent, water-based mold release in place of a large part of the currently used solvent-based mold release with TDI foam. The Project does not impact any other plant processes or units.

There are no pollutants of concern from the new product. Lear will be using a water-based mold release that does contain VOCs. The spray application system applying the mold release does not create an aerosol. Therefore, only volatile materials are air borne. The volatile material consists of Distillates (petroleum) Hydrotreated light. The name of the new product is HT 9386 UV.

The calculations shown in the attached spreadsheet show an annual VOC reduction of 22,021 lbs (Attachment A). Over three years this then totals a VOC emission reduction of 66,064 lbs. This is a 16.61% reduction.

Under EGLE's Air Permit exemptions, the changes for this water-based wax application are exempt from requiring a permit modification based on **R 336.1285 (2) (b)**.

Lear is not aware of similar projects in the area of the Farwell Plant.

8. Expected Environmental Benefits

The expected environmental benefits of the project include reducing VOC emissions by 20,021 lbs. per year for three years, for a total of 66,064 lbs. All of the emissions eliminated by this Project would be beyond the level required for environmental compliance.

9. Project Budget

- a. Lear is a "C" corporation.
- b. The capital costs for the Project totaling \$16,918.00 are not included in the Project costs.
- c. The useful life of the capital equipment is approximately 10 years.
- d. The Project involves ~\$60,000.00 for Research and Development, which is a one-time, non-depreciable cost. This cost is not included in the Project costs.
- e. Switching to a water-based mold release is expected to increase Lear's annual operating costs by \$71,900.00 based on increased cost of the water-based mold release and need to use greater amount of water-based mold release.

Breakdown of increased annualized operating costs:

		Grams/Carrier	Grams to lbs	\$\$/lb	\$\$/Carrier
Baseline (Before)	Solvent	24	0.0529	1.77	0.0936
New (After)	Solvent (bowls)	16	0.0352	1.77	0.0624
	Water (Lids)	21	0.0463	1.25	0.0578
					0.1202
Baseline cost per carrier		0.0936			
New cost per carrier		0.1202			
Cost Difference per Carrier		0.026629956			
Annual Carrier Volume		2,700,000.00			
Annual Increased Operating Cost	\$	71,900.88			

Total annualized cost estimate: \$71,900.00 x 3 years = \$215,700.00.

- f. Lear does not anticipate any savings as a result of the Project.

10. Project Schedule

Begin using water-based material in production process no later than seven (7) days after the effective date of the Consent Order and continue to use the water-based mold release for at least three (3) years.

11. Accounting

This is not applicable because Lear will implement the Project.

12. Reporting

Lear will submit quarterly reports to the AQD Bay City District Supervisor describing additional expenditures incurred and project activities performed during the reporting period, including the following:

- gallons of water-based mold release used
- VOCs per gallon for the water-based mold release
- VOC emissions from the water-based mold release
- gallons of solvent-based mold release used
- VOCs per gallon of solvent-based mold release
- VOC emissions from the solvent-based mold release
- total combined (water based mold release and solvent-based mold release) VOC emissions
- amount of VOC emissions reduced.
- which emission units the reported water-based mold release has been used on

Lear proposes that the quarterly reports terminate once the Consent Order is terminated. Quarterly reports will be submitted on the following schedule:

- A. The first quarterly report will be submitted no later than 90 days after the effective date of the Consent Order;
- B. Each subsequent quarterly report will be submitted no later than the last day of each succeeding calendar quarter [i.e., the last day of March, June, September, and December], until the SEP is complete, and the final report is submitted; and
- C. The final report will be submitted no later than 30 days after the completion of the SEP.

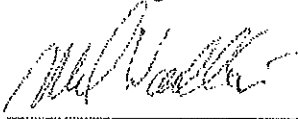
13. Prior Commitments and/or Regulatory Requirements

- A. Applicable local, state, or federal regulations that would require implementation of this project or any part of this project. None. As noted under section 7, above, this project is exempt from any new permitting requirements.

- B. Identify any binding private commitments to implement this project or any part of this project. None.
- C. Identify and other requirements to implement this project or any part of this project. None
- D. Indicate the time frame for implementation of the project under any commitments. None.

14. Certification of Expenditures by the Alleged Violator

Lear certifies that (1) the Project is being implemented to settle the current enforcement action, (2) no funding has been budgeted to the Project prior to EGLE's identification of the alleged violations, (3) the Project is not funded by grants, donations, low interest loans, or other sources of funding not attributable to Lear's normal budgetary process; and (4) the Project is not being done, nor will receive credit, as part of an environmental incentive or awards program offered by local, state, or federal government, industry, etc.



Mike Walkowski, Lear Director of Global Foam