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April 11, 2019

Ms. April Lazzaro
Senior Environmental Quality Analyst
Grand Rapids District Office
MDEQ-Air Quality Division
350 Ottawa Avenue, NW – Unit 10
Grand Rapids, MI 49503-2341

Re: Response to Second Violation Notice – March 29, 2019
Spectrum Decorative Finishes (SRN No. N6218)

Dear Ms. Lazzaro:

This letter is in response to your Second Violation Notice (VN) dated March 29, 2019. The VN alleges that the Spectrum Decorative Finishes (Spectrum) facility located at 13 McConnell Street, SW, Grand Rapids, Michigan, has not properly maintained the RTO controlling emissions from EUMAINLINE.

Although Spectrum has continued to operate EUMAINLINE, Spectrum has initiated the process of shutting the line down. However, there is more to this process than simply turning out the lights. As a result of shutting down the line, Spectrum will have to lay off employees and transfer production from this line to alternative locations. To comply with the Worker Adjustment and Retraining Act (WARN Act), Spectrum has filed a Notice of Relocation of Manufacturing with the State of Michigan (see Attachment 1) alerting them that the work currently performed on EUMAINLINE would be transferred to Spectrum's facility in Kentucky. As shown in the attachment, this paperwork was filed with the State in September 2018 and indicated the December 31, 2018 date for the shutdown provided to the MDEQ.

Spectrum manufactures automotive parts for vehicle manufacturers. The largest current projects performed on EUMAINLINE are for Honda, Toyota, and Tesla. Spectrum bids on production of these parts and demonstrates that they meet the manufacturers' quality standards for the parts needed several years before the vehicle manufacturers actually start production of the vehicles. When Spectrum and the vehicle manufacturer agree that Spectrum will produce the desired parts for a set fee, the manufacturer issues a purchase order (P.O.) to Spectrum. This P.O. is a binding contract through the end of production for the applicable parts. The duration of the P.O. is usually a minimum of two years in length.

At the time that Spectrum responded to the VN and filed the WARN paperwork, they anticipated that a majority of the work could be transferred to the facility in Kentucky. It was later determined that Spectrum would have to find alternative companies to manufacture the products and fulfill the contracts. In addition to Spectrum Decorative Finishes, there is also an E-Coat Division. If Spectrum does not transfer the production of the parts from EUMAINLINE to a facility that can provide the quality parts

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the vehicle manufacturers expect, they are at risk of also losing business for the E-Coat Division. This could potentially mean a bankruptcy of the entire company.

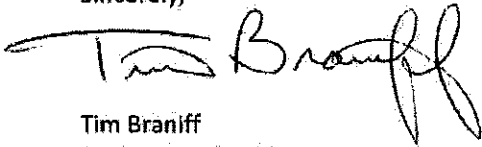
Spectrum continued to operate the line in order to meet their contractual obligations. The jobs the company has that require operation of EUMAINLINE are not profitable and resulted in a loss of approximately \$4 million in 2018.

Prior to discovering that the RTO may have operational issues, Spectrum was operating EUMAINLINE for two shifts, six days per week. After the correspondence with the MDEQ regarding the shutdown of EUMAINLINE, operations have decreased to one shift, four days per week. Spectrum has continued to search for alternative suppliers and recently outsourced jobs to Lakeland Finishing and Taica.

The effort to shut down EUMAINLINE in a way that will not result in the demise of the entire Spectrum company has proved to be more difficult than originally anticipated. Spectrum did not want to give the MDEQ another date for shutdown with which the facility could not comply. Instead, a business decision was made to perform the stack test in order to have time to operate the line through the end of the remaining contracts, if necessary. Preliminary destruction efficiency (DE) checks performed by Durr following maintenance on the equipment indicated 93.3% DE. Although this is less than the permit requirement of 95% DE, it is close enough where perhaps following the full U.S. Environmental Protection Agency methodology would provide compliant results. Even if the results showed compliance with the 95% DE, due to the financial loss associated with this line, Spectrum would still be going through the process of shutting down EUMAINLINE. However, we believed that passing the stack test would provide adequate time to find alternative manufacturers for the products processed on the line. Spectrum will continue to transfer production to qualified manufacturers with the intent of shutting down EUMAINLINE May 31, 2019. Spectrum will let you know by May 15, 2019, if we are not on target to meet this deadline.

If you have any questions or require additional information, please contact me at 616.540.4111 or tbraniff@specind.com.

Sincerely,



Tim Braniff
Senior Vice President

By USPS and email
Attachment

cc/att: Ms. Mary Ann Dolehanty – MDEQ
Dr. Eduardo Olaguer – MDEQ
Mr. Christopher Ethridge – MDEQ
Ms. Jenine Camilleri – MDEQ
Ms. Heidi Hollenbach – MDEQ
Ms. Susan Kuieck, PE – Fishbeck, Thompson, Carr & Huber, Inc.
Ms. Kelli Piper, CHMM – Fishbeck, Thompson, Carr & Huber, Inc.