TABLE OF CONTENTS

Message from the Board Chairman, CARE ................................................... 4
Message from the Executive Director, CARE ................................................ 6
Executive Summary ....................................................................................... 8
CARE Accomplishments in 2007 ................................................................. 10
CARE Goals 2008 ....................................................................................... 12
Economic Outlook and Market Development .............................................. 14
Evaluation of Progress Toward National Goals for Carpet Recovery ........ 16
Key Quantitative Results from the Carpet Recovery Survey ....................... 17
Quantitative Feedback from the Carpet Recovery Survey ......................... 24
Survey Methodology ................................................................................... 25
Assessment of Survey Approach and Results .............................................. 28
Web Statistics ............................................................................................ 31
CARE Industry Initiatives .......................................................................... 32
Appendix ..................................................................................................... 43
It’s the economy stupid!

That was James Carville’s mantra in the first Bill Clinton presidential campaign and it is proving to be a reality for the Carpet America Recovery Effort (CARE). The sale of new housing, car sales, sub prime mortgage crisis, a slow down in existing home sales and the residual effects from the Columbia fire on the outlets for Nylon 6,6 all have had a negative effect on CARE’s mission to find market based solution to the diversion of post-consumer carpet from landfills in the past year. That is the bad news; the good news is the strength of CARE has shown through in 2007, with another double-digit increase in post-consumer carpet diversion. In 2007 we crossed the 1 billion pound mark for carpet diversion, and we continued to increase the number of collectors from 37 in 2006 to 56 in 2007. We are exploring new outlets for products made with post-consumer carpet, and we are reaching out to partners we never considered before. Times have been challenging for everyone associated with CARE but the team is working hard to make the goals of CARE a reality.

While we always want to do better and continue to push, we are clearly on the right path to meet our long-term goal. We continued the growth trend in 2007 that we had seen in the past and we expect it to continue well into the future. The numbers you will see in this report are a clear indication we are heading in the right direction. I am confident we will continue to exceed expectations as we have in 2007.

As the price of oil remains above the $100/barrel mark, post-consumer carpet is more valuable than ever. The fact remains that the economic downturn has made it harder in some locations to find sufficient feedstock and there still remains an imbalance in the type of face fiber coming in and the outlets available. We are addressing this imbalance in several ways: we are actively reaching out to the plastics industry to find more and better ways to incorporate post-consumer carpet into products that compounders can use; and we are expanding our efforts to find government outlets for products made from post-consumer carpet. There are also some new initiatives within the carpet industry that will have further impact in 2008. Mohawk’s Green Works project is up and running and in 2008 it will hit its stride. Interface’s Cool Blue project brings a new innovative approach to recycling post-consumer carpet. And of course the continued efforts of Shaw’s Evergreen plant and Starnet’s efforts with their members are invaluable to our efforts. In addition to these industry efforts some entrepreneurs/collectors are realizing the synergy of not only being on the collection side, but also are moving into processing post-consumer carpet.

I am personally excited about the venue for the 6th Annual CARE Conference. Clearwater and the Sandpearl Resort are great places to be. Take time to enjoy the resort and all the beach has to offer. Last year, Charleston was a great venue and I think we have an even a better one this year. Next year we are going to the nation’s capital and I expect the
2009 conference will be better than ever. As usual there is a vast amount of information to share but we continue the practice of building in time for people to absorb the content, and also have the time to network. We will again highlight a CARE Person of the Year, the large and small Recycler of the Year and will launch the new EPA/CARE Award for Innovation in Carpet Recycling.

Sponsorship is critical for CARE to accomplish its goals. I can't say enough about this year's sponsors. They continue to make it possible for CARE to operate. The annual conference sponsors have been equally generous. A special thanks to all of them. They are the reason CARE stands on sound financial footing.

The only real regret we have is that we said goodbye to Bob Peoples, our first Executive Director. While he remains on the CARE Board of Directors, he is no longer involved in the day-to-day activities and this leaves a huge hole in the CARE organization. With Bob's departure Jeremy Stroop has stepped up big time! I want to thank Georgina Sikorski, who we hired as interim Executive Director and Jeremy Stroop for keeping CARE on target during this transition. From my perspective, thanks to these two people, CARE has not missed a beat.

The success of this conference, the excellent annual report and the many speakers at the Conference, are true tributes to Jeremy and Georgina's hard work – if you have a chance, thank them for their extraordinary efforts and dedication. Backing up CARE in many of the not so obvious jobs is a team of CRI folks without whom CARE could not function. Of course any one who has anything to do with CARE knows Linda Harrington. Linda's administrative skills make CARE run. We can't thank her enough. James Beach is another member of CRI who provides tireless support in the area of communication. Jason Porter manages and maintains CARE's award winning website, while Ryan Williams provides IT support to the CARE organization and Susan Newberry makes sure the financial aspects of CARE are on track. These CRI members truly enable CARE to shine by donating their talent and skill.

As always, sincere thanks to my fellow Board members for their tireless efforts. Without their dedication, finding market-based solutions to landfill diversion of post-consumer carpet would not be possible.

I am extremely optimistic and excited about the future because of the efforts of all of you in CARE. We are on the right track to succeed and accomplish our mission of diverting carpet from the landfill.

Frank Hurd, Chairman of the Board Carpet America Recovery Effort (CARE)
While no longer the Executive Director of CARE, it seemed appropriate that I provide perspective for the 2007 report. Once again CARE is reporting a significant growth in landfill diversion. Unfortunately, for the first time inventories are an issue. This observation is driven by a significant slowdown in the US markets for products containing post-consumer (PC) carpet. The operations at Evergreen Nylon Recycling have dramatically shifted the Nylon 6/Nylon 6,6 collection ratio as efforts by Shaw to target Nylon 6 have proven effective. At the same time the start-up of Interface technology in LaGrange has resulted in a significant growth in demand for purer face fiber in the second half of the year. This is driving expansion plans and several key collectors have now invested in processing capability to supply pure recovered face fiber. These efforts, coupled with the shifting focus of the Board to the development of plastic market understanding and outlets will insure continued growth in diversion.

Perhaps the single most important event of 2007 was surpassing the one billion pound mark for total diversion since we began counting in 2002. CARE Entrepreneurs and the carpet industry have come a very long way in terms of technology and market development since January 8, 2002 when the MOU was signed.

At the same time it is now important to recognize that it is highly unlikely CARE will be able to hit the 40% diversion goal set by the MOU by 2012. An independent assessment, as required by the MOU, was conducted in 2007. The report identifies a number of factors that must be addressed for CARE to continue the excellent growth it has seen in the past. In addition, it lays out the growth in diversion that will be necessary to hit the original target. This level of growth in diversion is unlikely given the current economic conditions which are expected to persist into 2010.

Together we have laid a solid foundation for a new industry. To all of you I say, thank you. It has been my honor to serve as the first Executive Director of CARE. I look forward to continuing my relationship in a new capacity as a Board member.

Robert Peoples, Ph.D.
Director, ACS Green Chemistry Institute®
Former Executive Director, CARE
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J & J Industries
Mohawk Group

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Beaulieu of America
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Rebound Sales Group
CarpetCycle
Carpet and Rug Institute
Carpet Recyclers of Kentuckiana, LLC
Columbia Recycling
Connecticut Recycling Works
Constantine
Cycle-Tex, Inc.
Design Source Interiors
Dalton Whitfield Solid Waste Authority
ERCS
Felplast Inc.
Florida Department of Environmental Protection
Flooring Systems Inc.
Foam Recycle Center
Champion Polymer Recycling
KeLa Energy LLC
Kruse Carpet Recycling
Los Angeles Fiber Company
Leigh Fibers Inc.
Mannington Carpets
Masland Contract
Mezquite Carpets
MDM Fiber™
PencilBox Inc.
Polychromix
Project Consultants & Associates, Inc.
Quicksilver Recycling Services
Resource Commercial Flooring Network
Royalty Carpet Mills
Reclamation LTD
P2AD – Pollution Prevention Assistance Division
San Francisco Carpet Recycling
Shaw Industries
Solutia Inc.
Southeastern Plastics Recovery, Inc.
Square Care
SWIX-Southeastern Waste Information Exchange
Starnet® Flooring
Steinberger Floors Inc.
Texas Carpet Recycling
Universal Fibers
Universal Textile Technologies
Wellman, Inc

CARE AMERICA RECOVERY EFFORT
Developing market-based solutions for the recycling and reuse of post-consumer carpet

THANK YOU TO ALL OF OUR SPONSORS AND SUPPORTERS
EXECUTIVE SUMMARY

In 2007, the reported recycling and diversion of post-consumer carpet increased significantly from that reported in 2006. A total of 296.0 million pounds of post-consumer carpet was reported to be diverted from landfill in 2007, with 275.1 million pounds being recycled. Compared to 2006, this represents a 17 percent increase in diversion and a 19 percent increase in recycling. There are several unique attributes of the data collected this year that should be noted:

• Market conditions caused inventories of post-consumer carpet collected for recycling to increase significantly. Data gathered during the survey process indicates an increase of at least 19 million pounds in inventory during 2007. This material was not included in the baseline estimate of diversion described above, but depending upon the assumption regarding how much of that material will ultimately be recycled, it could represent an even higher level of diversion than reported in the baseline numbers.

• Efforts to avoid double-counting of diverted material were extended beyond the estimates utilized in previous years to include more detailed company-specific calculations. These calculations increased the overall accuracy of the estimates of diversion and recycling in comparison with previous years.

• The response rate to the survey was the highest it has ever been, with 32 companies providing complete quantitative data and another 4 companies providing partial survey responses. By comparison, last year only 19 companies provided quantitative data.

The progress in level of diversion from 2002 to 2007, along with the goals established in the Memorandum of Understanding (MOU) that established the Carpet America Recovery Effort are shown in the figure below.
In 2007, CARE achieved a new milestone—1 billion pounds of carpet diverted since its inception in 2002. On average, CARE has recovered 149 million pounds of carpet per year, since 2002. The carpet recycling industry has some very strong positive economic impacts on local, regional and state economies. For example, this average carpet recovery amount per year translates into about 150 new direct jobs and 300 indirect jobs in communities across the United States. In addition, recovery of carpet has substantial environmental benefits. Recovery of carpet yields some of the strongest resource savings—especially in terms of net avoided greenhouse gas (GHG) emissions—of all the materials that can be currently recycled, and in 2007 alone, the amount of carpet recovered avoided GHG emissions equivalent to 2.5 million barrels of oil, or the equivalent amount of GHG emissions absorbed by 27 million tree seedlings grown for 10 years.

Beyond the positive economic and environmental impacts in 2007, CARE members reinforced their commitment to the mission of CARE, by investing in new and expanding capacities to reclaim and recycle carpet, primarily into new carpet products. Our challenge for 2008 will be to continue our growth trends in the light of weakening economic and market conditions, that impact all of us along the value chain. In order to sustain our business, CARE will be focusing on diversifying end markets, into high value products, both carpet and non-carpet, that can utilize the high performance engineered resins coming from post-consumer carpet.

As part of the Memorandum of Understanding (MOU) signed in 2002, CARE initiated a 5-year Independent Assessment of its stakeholders. This Independent Assessment, conducted by Zero Waste Alliance, an independent third party, set out recommendations for CARE to address barriers and accelerate the development of carpet recovery, in 2008 and forward. The major recommendations, as approved by the Board of Directors, include:

1. Market Development for products (carpet and non-carpet) made from post-consumer carpet must be the top priority
2. Enhancing the flow of raw materials while simultaneously developing end markets
3. CARE must establish a sustainable and robust financing system for the CARE organization

2007 was a good year for CARE, with solid progress made in diverting carpet from the landfill. As market and economic conditions weakened in 2007 and into 2008, CARE members are challenged to continue to nurture this business opportunity for all members of the value chain, so that when market conditions improve we will continue to see aggressive growth into the future. CARE is confident that it has the commitment of its membership to invest the resources, to grow and prosper in 2008 and well into the future. We have proven that the success of CARE has significant economic and environmental impact. As the markets mature, this impact should grow exponentially.
RESULTS FOR 2007

Achieving New Milestones, Facing New Challenges

For 2007, CARE is pleased to report that carpet diversion from landfill was 296 million pounds, an increase of 35 million pounds or 17% versus 2006. Of this 296 million pounds diverted, 275.1 million pounds was recycled in 2007. A detailed analysis and breakout of the volume diverted are available within a later section of this Annual Report.

A total of 296 million pounds diverted is a significant achievement for all the members of CARE, in light of challenging 2007 economic and marketplace conditions, including a downturn in the housing market, which impacts the demand for carpet. These soft economic conditions are expected to remain in 2008 and into 2009. Analysts at New York-based CreditSights Inc. predict housing won’t rebound until “2009, at best.” Moody’s Economy.com Inc., the economic forecasting unit of Moody’s Corp. in New York, says “home sales will hit bottom next year” (2008), declining 40 percent from their peak. These conditions will continue to impact CARE members through 2009.

We have also seen a downturn in the automobile markets, which impacts the demand for new carpet, and for engineered resins from recycled carpets used to make automobile parts. Industry-wide, U.S. auto sales fell 2.5 percent to 16.15 million vehicles in 2007, the lowest level in a decade. Analysts and industry executives expect further declines in 2008, especially in the first half of the year.

J.D. Power and Associates revised its forecast for 2008 U.S. light vehicle sales to 14.95 million vehicles, down from its earlier estimate of 15.7 million.

In spite of the downturn in the market, there are significant opportunities for growth because substantial amounts of carpet continue to be landfilled, versus recovered. According to US EPA 2005 waste composition data, carpet comprises 1.2% of U.S. generation of municipal solid waste (6 billion pounds). The 296 million pounds diverted by CARE in 2007 represents only 4.9% of this total, leaving enormous business opportunities for the industry. CARE’s mission is to focus on strategies that effectively and efficiently divert more carpet from the landfill into high value products.

By 2007, CARE Diverts over One (1) Billion Pounds of Carpet

CARE began as an official organization in 2002, and at that time, we began to track the amount of carpet diverted from the landfill. In 2007, CARE passed the 1 billion pound mark in the amount of carpet reclaimed. The economic benefit of diverting 1 billion pounds of carpet can be measured in both jobs created and revenues produced across the nation and within communities involved in the business of carpet reclamation and recycling. According to R W Beck, for every 2 million pounds of carpet collected for recycling, there are about 2 direct jobs created. This, in turn, creates 2 additional indirect jobs (and that does not even take into account other steps in the reclamation and recycling value chain). Since we began diverting carpet in 2002, we have collected on average 149 million pounds of carpet per year, and have created on average 150 direct jobs and 300 indirect jobs. The revenue, jobs, and personal income generated by carpet recycling facilities increase state and local revenues.

In addition to its economic value, carpet recycling yields some of the strongest resource savings, especially in terms of net avoided greenhouse gas (GHG) emissions, of all the materials that can be currently recycled. An EPA study estimates that recycling carpet results in a net GHG emission of -1.96 metric tons of Carbon Equivalent per Ton of carpet (MTCE/ton), far better than most other common materials that are recycled.

<table>
<thead>
<tr>
<th>MATERIAL</th>
<th>MTCE/ TONS RECYCLED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aluminum Cans</td>
<td>-3.70</td>
</tr>
<tr>
<td>Carpet</td>
<td>-1.96</td>
</tr>
<tr>
<td>Mixed Metals</td>
<td>-1.43</td>
</tr>
<tr>
<td>Corrugated Cardboard</td>
<td>-0.85</td>
</tr>
<tr>
<td>Dimensional Lumber</td>
<td>-0.67</td>
</tr>
<tr>
<td>Tires(re-treading)</td>
<td>-0.50</td>
</tr>
</tbody>
</table>

In the year 2007 alone, the amount of GHG avoided by diverting 296 million pounds of carpet is equivalent to:

- 2.5 Million barrels of oil
- 230,000 passenger cars
- 5,400 railcars of coal
KEY ACCOMPLISHMENTS AGAINST OUR GOALS FOR 2007

Landfill Diversion

Although CARE did not achieve its aggressive 2007 goal of a 50% increase in landfill diversion, we made substantive inroads against that goal. CARE is proud to announce that its reclamation network grew to 56 members in 2007, an increase of 19 partners versus 2006. We currently have reclamation centers throughout the US.

In 2007, major carpet mills made enormous investments in the market to increase carpet reclamation and recycling:

*Interface commercialized its new patent-pending technology that cleanly separates the face fiber and backing of nearly any carpet type, including broadloom and [carpet] tile, Nylon 6, Nylon 6,6 and even polyester and polypropylene. Using this technology, Interface introduced the first collection of products in the industry with post-consumer type 6,6 nylon fiber. This system is economically scalable and may be located anywhere used carpet is collected.*

*Mohawk’s Greenworks Center is a stand alone, independent entity, and will be able to provide a post-consumer carpet recycling solution to any entity that may wish to either purchase, license or run a system of this type. The facility is also portable, so it can go to the carpet, which makes recycling more feasible and environmentally efficient.*

*Shaw restarted the Evergreen facility in February 2007, turning used carpet made of nylon-6 fiber into new carpet, over and over again. The Evergreen facility is currently designed to operate at a recycling rate of 100 million pounds of post-consumer Nylon type 6 carpet yearly.*

CARE continues to emphasize the importance of having multi-stakeholder involvement in the creation and execution of its key objectives and strategies through programs such as our CARE Conferences and Entrepreneurs Meetings. Our Annual CARE Conference is an excellent way for CARE members to network with other business colleagues, to learn about the latest technologies and to gain a better understanding of the opportunities in the reclamation business.

Attendance at the 5th Annual CARE Conference in 2007 was at an all time high of 163, an increase of 54% versus 2006. Government support and representation is key to the success of the CARE Conference; in 2007, 10 Federal and State government representatives attended the Conference.

This is equivalent to the absorption of GHG emissions from

27 million tree seedlings grown for 10 years or 886,000 acres of pine trees
CARE 2007 ORGANIZATIONAL GOALS

In 2007, our longtime Executive Director, Bob Peoples, resigned his position. Bob is a true visionary and leader, and contributed to the many accomplishments of CARE since he joined in January of 2004. CARE thanks Bob for his tireless efforts, and wishes him well in his new career as Director of the American Chemical Society (ACS) Green Chemistry Institute. We are pleased to report that Bob has agreed to continue his contributions to CARE as a member of the Board of Directors. The CARE Board of Directors is in the process of selecting candidates to fill the Executive Director position full-time, and plan to have this person in place by third quarter, 2008.

Another organizational goal for CARE was to broaden its Board of Directors membership, to include more expertise from other end markets, such as the plastics industry. We are fortunate to have Dennis Hayford, Polymers Center of Excellence and Bob Pilotti, ECM Plastics join our Board and further our understanding and interactions with the plastics industry. We are also pleased to welcome Eric Nelson, Interface, to the Board.

New Sustainable Carpet Assessment Standard, NSF 140-2007, Includes Criteria for Recycled Content; and Reclamation and End-of-Life Management

After 5 years in the making, a new Sustainable Carpet Assessment Standard, NSF 140-2007, was launched in 2007. CARE members were part of the multi-stakeholder group that developed and launched this new standard. The purpose of NSF 140-2007 is to provide a market-based definition for a path to sustainable carpet, and establish performance and environmental requirements for public health and environment; energy and energy efficiency; bio-based, recycled content and EPP materials; manufacturing, and reclamation and end-of-life management. Of the 114 points in NSF 140-2007, a manufacturer can earn up to 22 points for products containing recycled-content materials, and 25 points for meeting the criteria for Reclamation and End-of-Life Management. NSF 140-2007 supports the mission of CARE to divert more carpet from the landfill.

CARE Receives Prestigious Awards in 2007

In 2007, CARE was honored to receive the 2007 Advocate of the Year Award from the Pollution Prevention Assistance Division of the Georgia. This award recognized CARE "for making strides towards a more sustainable state" through its commitment to reducing waste by its aggressive programs to recover carpet from the landfill.

CARE was also recognized by the American Floorcovering Alliance, which honored us with its 2007 Environmental Award.

Interface is Sustainable Leader Sponsor for CARE in 2007

One of 2007 goals for CARE was to increase sustainable funding. We would like to recognize Interface, its 2007 Sustainable Leadership sponsor for this past year. It is also noteworthy that Interface has been a Sustainability Leadership Sponsor since the inception of CARE.

We also welcomed 19 new sponsors in 2007:
- 3M
- Asahi KASEI Plastics North America, Inc.
- Atlas Carpet Mills
- Balcones Fuel Technologies
- Blue Ridge Recycling
- Carpet Recyclers of Kentuckiana
- Design Source Interiors
- Foam Recycle Center
- Flooring Systems, Inc.
- Mezquite Carpets
- Polychromix
- Reclamation LTD
- SF Carpet Recycling
- Square CARE
- Steinberger Floors Inc.
- Texas Carpet Recycling
- Universal Fibers
- Universal Textile Technologies
- Wellman, Inc.

We thank these new sponsors for their support in 2006-2007.

CARE sponsorship grew to 56 sponsors, from a beginning of 12 sponsors in 2002.
Awareness of CARE Grows Among Specifiers and End Users
In a recent survey, conducted by Charlton Research Company®, awareness of CARE is in the range of 30-45% among specifiers and end users in the Healthcare, Corporate, Retail, Government, Hospitality, and Education market segments. The percent awareness varies by market segment, with highest awareness in Healthcare (45%) and the lowest in Education (30%). The awareness levels have increased significantly across market segments, since the previous survey in 2005. This increase indicates that CARE is achieving results in its efforts to educate the market about CARE and its benefits.

Challenges Impacting Growth in 2007
In late 2006 and 2007, the carpet recycling industry absorbed several non-recurring events, which tempered growth. These events included a devastating fire at a major carpet processor, resulting in one tragic death. In addition to the tragic losses, the fire affected the industry’s ability to process significant amounts of carpet, especially carpets made with Nylon 6,6. Recovery from this accident took longer than expected and compounded the strain on the collector network.

In 2007, our members reported carpet inventories, including carpets of Nylon 6,6, increased by 19 Million pounds. This number is not included in our reported diversion total. To address this growing inventory, CARE is focused on the development of stable end use markets where demand for each fiber type can be balanced. This in turn will keep the collection network healthy and growing.

CARE Goals 2008
For 2008, the CARE Board of Directors established the following goals, on which we will be tracking progress throughout the year and posting the status on our web site, www.carpetrecovery.org

1. Develop mid-course strategy (based on Independent Assessment feedback) by July 2008

2. Achieve a 20% increase in landfill diversion
   a. Open a dialogue with the plastics industry and identify key requirements for use of post-consumer carpet as a feedstock
   b. Secure 4 public entities using CARE procurement guidelines by August 2008
   c. Have 10 representatives from State governments at the 6th Annual CARE Conference

3. Hire a full time Executive Director
   a. Achieve $100,000 in new sustainable funding for CARE
   b. Secure 20 new CARE sponsors at the $5,000 or above level

“it’s not simply about finding ways to reuse and recycle waste materials. It’s about creating valuable raw materials. In the near term it’s about finding high value product uses for post-consumer carpet raw materials, and modifying those raw materials to increase value. In the long-term it’s about redesigning carpets and their raw materials to maximize the value from sustainably recycling the post-consumer carpet into carpet again and again.”

Steve Bradfield,
Corporate Director Environmental Development
Shaw Industries Group, Inc

NSF 140-2007
After 5 years in the making, the Sustainable Carpet Assessment Standard, NSF 140-2007 was launched in 2007.
ECONOMIC OUTLOOK FOR 2008

Economic Outlook for 2008 remains Uncertain and Challenging for CARE

“CARE has guided the emergence of a new industry, which focuses on recycling post-consumer carpet. In the past five years, the groundwork has been laid, and now, we are entering a new phase that must concentrate on the development of high value products made from post-consumer carpet.”

Frank Endrenyi,
Vice President, Sustainable Development,
Mohawk Industries

Demand for Carpet Impacts the Success of CARE
Economic forecasts for 2008 present ongoing challenges for CARE. We do not expect the housing market to substantially improve, which means there will be fewer new homes, and less demand for carpets, and carpets containing recycled content. In addition, the demand for padding, including fiber pad made from 100% post-consumer carpet, is also depressed.

Furthermore, the automobile market will also be below normal growth rates-in the first quarter of 2008, sales of domestic and foreign cars from the major manufacturers were down 10-19% versus year ago. This impacts the demand for automobile carpets, as well as for engineered resins used in making other automobile parts.

Other End Markets Need Further Development
CARE members have made substantial progress in addressing the opportunity to utilize post-consumer carpet in new carpet products – both face fiber and backing. We expect the carpet mills that have made substantial investments in carpet recycling in 2007 to maintain and grow their business in 2008.

A key challenge in 2008 will be diversification of the demand from other end markets. To meet our growth objectives, CARE will be focusing on understanding the needs and requirements for engineered resins, such as can be made from post-consumer carpet, so that they can be used in high performance plastics. CARE has made investment in, and will need to continue to fund, strategies to grow the market demand for high value products from post-consumer carpet. Engineered resins from post-consumer carpet offer new economic and high performance solutions for a range of applications, and will help CARE to meet its aggressive growth targets for the future.

Value Chain for Carpet Recycling is Less Mature than Other Recycled Materials
Carpet recycling is an immature recycling market compared to other recycled materials such as paper, aluminum, and electronics. End markets that do exist have not matured sufficiently to use the tools commonly found in other recycled material recovery chains: guaranteed floor/ceiling prices, long-term supply contracts, or commitment to closed-loop recycling based on market demand for such products. As the market matures and we are successful in diversifying our customer base, we should be able to attract more capital investment that will enable the carpet industry to grow throughout the value chain (from collection to end product). This will enable smaller entrepreneurs to be more successful and sustainable.

“As an organization, CARE represents many organizations and stakeholders, who are all committed to CARE’s mission of carpet recovery. Our challenge is to work together in the fulfillment of that mission, while also recognizing the competitive environment in which we operate.”

Dave Kitts,
Vice President, Environment,
Mannington

Independent Assessment Offers Future Direction for CARE
As part of a requirement written into the Memorandum of Understanding (MOU) signed in 2002, CARE initiated a 5-year Independent Assessment (“IA”) in 2007. This Independent Assessment, conducted by a Zero Waste Alliance (ZWA), an independent third party, was required to

149 million pounds of carpet diverted, on average, per year since 2002.
“evaluate the progress and identify existing barriers toward meeting the Negotiated Outcomes Goals.”

ZWA research included in-depth interviews with over forty key carpet recovery stakeholders, economic and environmental analyses, benchmarking against other commodities’ recycling evolution and industries’ product stewardship efforts. The IA presented detailed research findings and set out recommendations for CARE to address barriers and accelerate the development of carpet recovery, in 2008 and forward. Key findings included insights into economic and environmental benefits (presented elsewhere in this Annual Report), observations regarding stakeholder efforts, and more information on barriers to increased carpet recovery. For a full copy of the IA, go to www.carpetrecovery.org.

The major recommendations, as approved by the Board of Directors, include:

1. Market Development for products (carpet and non-carpet) made from post-consumer carpet must be the top priority
2. Enhancing the flow of raw materials while simultaneously developing end markets
3. CARE must establish a sustainable and robust financing system for the CARE organization

Conclusion - Solid Progress in 2007, Strong Actions Needed to Maintain Momentum and Growth in 2008
2007 was a good year for CARE, with solid progress made in diverting carpet from the landfill. As market and economic conditions weakened in 2007 and into 2008, CARE members are challenged to continue to nurture this business opportunity for all members of the value chain, so that when market conditions improve we will continue to see aggressive growth into the future. CARE is confident that it has the commitment of its membership to invest the resources to grow and prosper in 2008 and well into the future. We have proven that the success of CARE has significant economic and environmental impact. As the markets mature, this impact should grow exponentially.

“My vision for the future of CARE is our non-profit, education minded, political action oriented, and financial dependent organization will transition into a trade organization benefiting its members.

CARE needs to thrive because there is no one answer, no one business, and no one entrepreneur leader that can develop the demand for 40% of all the waste carpet that is generated. It takes a team of leaders from all the stakeholders, (carpet mills, state governments, EPA, yarn manufacturers, and entrepreneurs). That is what we have today, and that is what we need in the future.”

Ron Greitzer, President
LA Fibers

“We are very committed to CARE. Not only are we a corporate and conference sponsor, we also support a working presence on its Board of Directors, committees and task groups. Environmental stewardship is something we take seriously and have focused on for many years. We understand that part of being a good corporate citizen involves protecting the environment and conserving our resources.”

Bentley Park, President
Universal Fibers

1 billion

NUMBER OF POUNDS OF CARPET DIVERTED FROM LANDFILLS SINCE CARE’S INCEPTION IN 2002
DETAILED REPORT

Evaluation of Progress Toward National Goals for Carpet Recovery

The MOU that established the CARE initiative included an escalating target for diversion of post-consumer carpet from landfill, with the ultimate goal of diverting 40 percent of the post-consumer carpet generated. In addition, the MOU included estimates of the different types of diversion that might be employed to achieve the overall goal of 40 percent. When this information is coupled with projections of the amount of used carpet that will be discarded, it results in specific quantitative targets for diversion of post-consumer carpet. These data are shown in Table 1 on a weight and percentage basis, respectively.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Discards</th>
<th>Reuse</th>
<th>Recycling</th>
<th>Waste-to-Energy</th>
<th>Cement Kilns</th>
<th>Landfill</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>4,678</td>
<td>0</td>
<td>180</td>
<td>48</td>
<td>100</td>
<td>4,498</td>
</tr>
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<td>2003</td>
<td>4,828</td>
<td>25</td>
<td>353</td>
<td>45</td>
<td>100</td>
<td>4,510</td>
</tr>
<tr>
<td>2004</td>
<td>4,537</td>
<td>113</td>
<td>620</td>
<td>50</td>
<td>300</td>
<td>4,552</td>
</tr>
<tr>
<td>2005</td>
<td>5,038</td>
<td>211</td>
<td>903</td>
<td>53</td>
<td>200</td>
<td>4,646</td>
</tr>
<tr>
<td>2006</td>
<td>5,261</td>
<td></td>
<td></td>
<td>56</td>
<td></td>
<td>4,812</td>
</tr>
<tr>
<td>2007</td>
<td>5,590</td>
<td></td>
<td></td>
<td>59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>5,642</td>
<td></td>
<td></td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>5,887</td>
<td></td>
<td></td>
<td>66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>6,020</td>
<td></td>
<td></td>
<td>68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>6,605</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>6,772</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Estimates of carpet discards provided by The Carpet and Rug Institute and incorporated into the MOU.
2 The percentage goals in the MOU do not add up to 40% and are expressed as a range to allow flexibility in achieving and potentially exceeding the total diversion goal. 40% is the official 2012 diversion target.

The diversion goals contained within the MOU are also shown graphically in Figure 1. As noted in the Executive Summary, the MOU assumes an essentially linear ramp-up in recycling goals. Research performed by the Executive Director of CARE indicates that a more realistic projection of recycling increases may be made using the Bass Diffusion Model of Innovation, which was discussed in detail in the 2006 Annual Report.

To update the progress towards meeting the MOU goals (or those suggested by other models for the projected increase in recycling), a confidential survey process was conducted by Weston Solutions, Inc. (WESTON) to assess the current status of diversion of post-consumer carpet from landfills in the U.S. This is the fifth year that such a survey was conducted. The results of that surveying process, as well as a description of the survey methodology, are contained in the remainder of this section of the Annual Report.
Key Quantitative Results from the Carpet Recovery Survey

In reviewing the results from the survey of carpet recycling, it is important to put them into context, both in terms of results from previous years and the overall goals established in the MOU. Therefore, in this discussion of survey results, basic recycling and diversion data will be presented and compared with results from 2002 through 2007 and the goals of the MOU. Then, more detailed analysis of the 2007 survey results will be presented. It should be noted that some quantitative data was received after production of this report had been initiated. This data could not be integrated into the quantitative analyses, due to scheduling constraints, but would have increased recycling and diversion numbers slightly.

Table 2 shows a comparison of the quantity of post-consumer carpet recycled and diverted from landfill in 2002 through 2007, on a weight and percentage basis.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Discards</td>
<td>4,678</td>
<td>4,828</td>
<td>4,537</td>
<td>5,038</td>
<td>5,261</td>
<td>5,590</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recycled</td>
<td>46.2</td>
<td>86.6</td>
<td>98.4</td>
<td>194.3</td>
<td>232.1</td>
<td>275.1</td>
<td>1.0%</td>
<td>1.8%</td>
<td>2.2%</td>
<td>3.9%</td>
<td>4.4%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Diverted</td>
<td>57.2</td>
<td>93.7</td>
<td>108.2</td>
<td>224.6</td>
<td>252.9</td>
<td>296.0</td>
<td>1.2%</td>
<td>1.9%</td>
<td>2.4%</td>
<td>4.5%</td>
<td>4.8%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

It should be noted that in this report, material recycled is considered all material recovered and recycled by being remanufactured into the same or different products or by being used as a feedstock in a manufacturing process. Material diverted is all material diverted from landfill, including all recycled material, as well as material sent to waste-to-energy facilities or cement kilns.

The data in Table 2 show that the quantity of post-consumer carpet reported to be recycled and diverted has increased each year the survey has been performed. These increases can be seen graphically in Figure 2.
In looking at the comparison between these different years of data, it is important to recognize that these are comparisons of results from survey processes, and therefore subject to the variations in the responsiveness. There was a significant increase in responsiveness from 2006 to 2007, which has the effect of improving the quality of data for 2007. For 2006 data, only 19 companies provided quantitative responses to the survey, necessitating estimates based upon previous years' data and secondary sources. For 2007, a total of 36 companies provided some level of quantitative data, with 32 complete responses, eliminating the need for any estimation or use of secondary sources of data, and thereby increasing the quality of the data reported.

It is also important to review the results in the context of the goals established in the MOU. Since specific recycling and diversion rate targets for each year were not explicitly established within the MOU, it is necessary to interpolate between the 2005 and 2008 targets. The comparison of the MOU goals for diversion and recycling with survey results for 2002 through 2007 are shown in Table 3. This table shows that despite the continuing increases in the reported levels of recycling and diversion, both in absolute and percentage terms, the gap between reported levels and the MOU goals continues to grow. Tracking against the S Curve within the Bass Diffusion Model has been suggested in the past by CARE’s Executive Director as a more appropriate basis for comparison (see the 2006 Annual Report).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Discards</th>
<th>Recycled</th>
<th>Diverted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of Pounds</td>
<td>Millions of Pounds</td>
<td>Percent of Total Discards</td>
</tr>
<tr>
<td>2002</td>
<td>4,678</td>
<td>46.2</td>
<td>1.0%</td>
</tr>
<tr>
<td>Reported</td>
<td>178</td>
<td>3.8%</td>
<td>178</td>
</tr>
<tr>
<td>Goal</td>
<td>-132</td>
<td>-2.8%</td>
<td>-121</td>
</tr>
<tr>
<td>Difference</td>
<td>2003</td>
<td>4,828</td>
<td>86.6</td>
</tr>
<tr>
<td>Reported</td>
<td>235</td>
<td>4.9%</td>
<td>283</td>
</tr>
<tr>
<td>Goal</td>
<td>-148</td>
<td>-3.1%</td>
<td>-189</td>
</tr>
<tr>
<td>Difference</td>
<td>2004</td>
<td>4,537</td>
<td>98.4</td>
</tr>
<tr>
<td>Reported</td>
<td>267</td>
<td>5.9%</td>
<td>358</td>
</tr>
<tr>
<td>Goal</td>
<td>-169</td>
<td>-3.7%</td>
<td>-250</td>
</tr>
<tr>
<td>Difference</td>
<td>2005</td>
<td>5,038</td>
<td>194</td>
</tr>
<tr>
<td>Reported</td>
<td>353</td>
<td>7.0%</td>
<td>528</td>
</tr>
<tr>
<td>Goal</td>
<td>-159</td>
<td>-3.1%</td>
<td>-303</td>
</tr>
<tr>
<td>Difference</td>
<td>2006</td>
<td>5,261</td>
<td>232</td>
</tr>
<tr>
<td>Reported</td>
<td>442</td>
<td>8.4%</td>
<td>715</td>
</tr>
<tr>
<td>Goal</td>
<td>-210</td>
<td>-4.0%</td>
<td>-461</td>
</tr>
<tr>
<td>Difference</td>
<td>2007</td>
<td>5,590</td>
<td>275</td>
</tr>
<tr>
<td>Reported</td>
<td>531</td>
<td>9.5%</td>
<td>894</td>
</tr>
<tr>
<td>Goal</td>
<td>-256</td>
<td>-4.6%</td>
<td>-598</td>
</tr>
</tbody>
</table>
| Difference

Total Discards assumed to be equal to quantities projected in MOU
As noted previously, the response rate for the survey was higher than it has ever been, providing greater confidence in the results. However, it is important to recognize that even with this higher response rate, data is missing from a significant number of companies involved in carpet recycling. Over the years, the list of target companies for surveying has been narrowed down to those that are known to be significantly involved in post-consumer carpet recycling. For this year’s survey, that involved targeting 60 companies for data gathering. Of those, 32 provided complete survey data, with another 4 providing some quantitative information. This means that although the response rate was better than it has ever been, 40 percent of the targeted companies did not provide any data. Thus, it is likely that the survey does not fully capture all of the post-consumer carpet recycling that occurred in 2007 (as is true of all previous years as well).

It was also noteworthy, that for the first time data was gathering about material in inventory at the beginning and end of 2007. This data gathering was added because of anecdotal evidence that there had been a significant increase in the amount of post-consumer carpet in inventory during 2007, as a result of poor market conditions for end-products. While only about two-thirds of the survey respondents provided inventory data, this data did, in fact, show significant increases in inventories. In aggregate, the increase in post-consumer carpet during 2007 was in excess of 19 million pounds. This material was not included in the recycling or diversion totals reported up to this point in this report, to preserve the year-to-year comparisons of data which, to-date, have not included any inventory data.

One could argue that this material was diverted from landfill in 2007, since it is in storage waiting to be recycled. On the other hand, it is possible that if market conditions do not improve, some or all of this material could be landfilled and not recycled – although it is much more likely that “new” material would be turned away and material in storage would be recycled. So, depending upon what one assumes about the ultimate disposition of this additional 19 million pounds in inventory, the diversion and recycling rates for 2007 could be estimated to be higher than reported up to this point. If one assumes that all 19 million pounds in inventory should be counted towards diversion and recycling rates, this would increase the recycling rate from 4.9 percent to 5.3 percent and the diversion rate from 5.3 percent to 5.6 percent. This potential increase in estimated recycling and diversion rates is shown in Figure 3, below.

**FIGURE 3:**
**POTENTIAL IMPACT OF INVENTORY INCREASES ON RECYCLING AND DIVERSIONS 2007**
With those basic comparisons complete, the results of the 2007 survey can be examined in greater detail. Table 4 presents the 2007 survey results, showing the breakdown by type of diversion from landfill.

It should be noted that in past years small amounts of material were reported to be sent to wholesalers/retailers from carpet recyclers, which is why this category was included in the table, despite the fact that no such flow of material was reported for 2007.

The data in Table 4 show that for 2007, all of the quantitative results for diversion came primarily from two types of activities: recycling and waste-to-energy, with the vast majority of the diversion occurring through recycling. There was also a small amount of diversion reported through cement kilns.

Another type of data gathered during the surveying process was information regarding the flow of used carpet through different types of companies. This information can help future market development efforts, and as a result, the surveying process was designed to extract as much information as possible regarding the flow of material through different types of entities. To accomplish this goal, survey respondents were asked to characterize the nature of their business into one or more of the following categories (which are listed below along with their definitions):

- **Collector** – A company that collects used carpet from the point of generation and transports it to a processing or waste management facility.
- **Sorting Facility** – A facility that separates waste materials (including used carpet) from a mixed waste stream. The end result of this process is used carpet that is separated from other materials.
- **Processor** – A company or facility that takes used carpet (whether handled by a sorting facility or brought directly by a collector) and processes it for use as a feedstock in a manufacturing facility.
- **Manufacturer** – A company or facility that utilizes processed carpet materials and transforms them into other products, or uses them as raw materials in a manufacturing process.

### TABLE 4:
**BREAKDOWN OF 2007 DIVERSION OF POST-CONSUMER CARPET**

<table>
<thead>
<tr>
<th>Diversion Type</th>
<th>Millions of pounds</th>
<th>As % of Total Diversion</th>
<th>As % of Total Discards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>0.0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>275.1</td>
<td>93.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Total Recycling</td>
<td>275.1</td>
<td>93.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Waste-to-Energy</td>
<td>18.5</td>
<td>6.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Cement Kilns</td>
<td>2.4</td>
<td>0.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL DIVERSION</strong></td>
<td>296.0</td>
<td>100%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

*Figures may not add up due to rounding*

### FIGURE 4:
**BREAKDOWN OF DIVERSION BY TYPES OF COMPANIES**

- **CSPM** = Collector
- **CPM** = Processor
- **CS** = Sorter
- **M** = Manufacturer

Percentages reflect percent of total post-consumer diversion
Types of Companies Contributing to Post-Consumer Diversion

It can be seen from Figure 4 that there is significant diversity in the types of companies contributing to the diversion of post-consumer carpet in 2007. This diversity is fairly similar to that reported in previous years, although the specific breakdown of company types varies somewhat. The information presented in Figure 4 provides a few key insights regarding the companies involved in carpet recycling:

- The largest fraction of diversion is contributed by companies that perform all four key functions: collection, sorting, processing and manufacturing.
- 76 percent of total diversion is contributed by companies that perform collection as one part of their operations; 65 percent by companies that perform sorting; 57 percent by companies that perform processing and 60 percent by companies that perform manufacturing. This indicates that these operations all play a key role in the recycling process and that a wide range of activities was captured by the data.
- There is a very small contribution from companies that just perform sorting, as would be expected, since this activity is most often performed in connection with collection or processing.

Another component of the surveying process that was geared towards increasing an understanding of the flow of recycled material was to ask survey respondents the type of companies to which they supply used carpet material after they are done with it. Survey respondents were asked what percentage of the post-consumer used carpet that they handle is passed on to sorting facilities, processors, manufacturers, waste-to-energy facilities or landfills. The results from this portion of the survey are summarized in Figure 5 and Table 5.

<table>
<thead>
<tr>
<th>Sorting Facility</th>
<th>Processors</th>
<th>Manufacturers</th>
<th>Whole-salers/Retailers</th>
<th>Cement Kilns</th>
<th>Waste-to-Energy</th>
<th>Landfill</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of Pounds</td>
<td>4.0</td>
<td>62.2</td>
<td>208.9</td>
<td>0</td>
<td>2.4</td>
<td>18.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Percent of Total Handled</td>
<td>1.3%</td>
<td>20.89%</td>
<td>70.0%</td>
<td>0.0%</td>
<td>0.8%</td>
<td>6.2%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Totals may not agree due to rounding
It can be seen in Figure 6 that the vast majority of the post-consumer material recycled was sent to facilities within the U.S, an even larger percentage than reported in 2006. This data reflects a trend over the last two years, with more material being reported as being recycled domestically and less being exported to Asia and Europe. However, with the relatively limited pool of data available, it is not clear if this trend is truly indicative of changes in the marketplace.

Another area in which detailed information was sought is the type of material handled. Companies responding to the survey were asked to provide a quantitative breakdown of the type of material they handle, by fiber type. Not all companies provided this data, and, as with the geographic destination of material, the companies that provided this information represent about 40 percent of the total volume of material reported. The composition results for 2006 and 2007 are summarized in Figure 7. This data was first gathered in 2006 and is shown for comparison, as there are some significant differences between the two years.
It can be seen from Figure 7 that in 2007, N6 was the most predominant fiber, followed by N6,6. In comparing 2006 to 2007, N6 was a much greater fraction of the total material handled, with PP decreasing significantly. In comparing this data it is important to recognize the relatively small amount of data from which it is drawn so as not to over-interpret the meaningfulness of the results.

As noted previously, for the first time data was gathered regarding the quantity of material in inventory at the beginning and end of 2007. The idea was to determine if some of the anecdotal reports regarding increases in inventory during 2007 could be documented. While only about two-thirds of the survey respondents provided inventory data, this was sufficient to document a significant increase in overall inventories during 2007. In total, inventories of post-consumer carpet increased by approximately 19 million pounds during 2007. The amount of material reported to be in inventory at the beginning and end of 2007, by fiber type, is shown in Figure 8.

The data in Figure 8 show that N6 inventories actually declined slightly in 2007, but that N6,6 inventories increased significantly (by approximately 14 million pounds). The increase in PP inventories (approximately 5 million pounds) is the next largest contributor to net inventory. Although this data is far from complete or comprehensive, it does document a sizeable increase in inventories during 2007. As noted in the discussion of total recycling rate, if all of the 19 million net pounds that went into inventory during 2007 were assumed to be recycled, that would increase both the recycling rate and diversion rate by approximately 0.3 percentage points.

The 2007 survey included a request for information regarding projected changes in quantity of material handled next year, compared to the previous year. Insufficient data was received in response to this question to provide meaningful quantitative analysis of the results. However, it should be noted that the responses received reflected a full range of projections from significant increases to staying the same to significant decreases.
QUALITATIVE FEEDBACK FROM CARPET RECOVERY SURVEY

In addition to the quantitative data gathering that was performed during the survey, respondents were also asked what specific activities CARE had undertaken to assist the carpet recycling industry and also what activities CARE should undertake in the future. A summary of the results is as follows:

- Seven companies indicated that CARE has provided support through presentations to local governments, while sixteen companies indicated that CARE should do so in the future.

- Nine companies indicated that CARE has provided research on separation technologies and eleven companies indicated that they think CARE should support that type of research in the future.

- Ten companies indicated that CARE has provided research on processing equipment and eight companies responded that CARE should provide that research in the future.

- Seventeen companies responded that CARE has helped facilitate meetings amongst carpet recyclers and six indicated that CARE should do so in the future.

- Eight companies indicated that CARE has provided research on regional recycling levels and nine companies indicated that CARE should provide that research in the future.

- It should be noted that with regards to the support received from CARE during 2007, the number of companies reporting that they received support was significantly higher than reported in 2006, in all categories of support. This may be due to the higher response rate, but it may also indicate a higher level of support that was received.

- A number of specific suggestions were offered regarding types of support that CARE should provide to the carpet recycling industry, including:
  - Support for finding outlets for material, particularly N6.6, PET and PP – this was the area in which support was most frequently sought.
  - Support for grant writing.
  - Help in promoting and working with the collection network for post-consumer carpet.

Conclusions

The following key conclusions can be drawn from the data presented:

- Reported diversion and recycling increased 17 and 19 percent, respectively, from 2006 to 2007. These increases occurred despite market conditions which caused inventories to increase significantly during 2007. Reported increases in inventories totaled 19 million pounds in 2007. If all of this material is assumed to be recycled, that would translate into 2007 diversion and recycling rates being 24 and 26 percent higher than 2006.

- There are two factors that caused an increase in the quality of data reported in 2007 compared with 2006 (and, to some extent, previous years as well). First, the response rate was the highest it has ever been, with 36 companies providing some level of quantitative data (compared with 19 for 2006). Thus, no extrapolation of data or use of secondary sources was required. Second, through extensive follow-up effort beyond the survey, access was provided to information that allowed for a highly-specific determination of double-counting and an accurate adjustment that eliminated a potentially significant source of double-counting.

- Despite the increases, reported diversion and recycling remain below the goals contained in the MOU and the gap between the goals and reported level of diversion and recycling has increased. However, as was noted in last-year’s report, a different model for comparing against MOU goals has been suggested by CARE.

- There is a great deal of diversity in the types of companies reporting post-consumer carpet recycling. As has been true in the past, the largest fraction of recycling is attributed to companies that perform all four key recycling functions: collection, sorting, processing and manufacturing.

70% of the post-consumer carpet material reported to be recycled was sent to a manufacturing facility and 20 percent to a processing facility after handling by the entities responding to the survey.
- Approximately 70 percent of the post-consumer carpet material reported to be recycled was sent to a manufacturing facility and 20 percent to a processing facility after handling by the entities responding to the survey.

- Approximately 98 percent of the material reported to be recycled was sent to facilities in the U.S., with exports to Asia and Europe decreasing from previous years.

- There is considerable diversity in the types of carpet fibers handled by recyclers. N6 is the most prevalent fiber type, comprising 47 percent of the material handled, followed by N6,6 at 37 percent and polypropylene at 9 percent. When compared with 2006 data, there was a significant increase in the fraction of material handled that was N6 and a significant decrease in polypropylene.

- There is considerable awareness of the activities CARE undertakes to promote post-consumer carpet recycling, particularly with regards to facilitating communication amongst and between carpet recyclers. In addition, there are a number of areas in which carpet recyclers have specific ideas and suggestions about the types of activities CARE should undertake in the future.

Survey Methodology

In developing a survey methodology to establish quantitative estimates of recycling of a particular waste-stream, two key factors must be taken into account: 1) participation; and 2) double-counting. Participation is essential in any surveying process, but more so for this type of survey, where there is no logical or reliable way to extrapolate results from respondents to the general population. This means that whatever results are derived from the respondents to the survey are the complete and total results. Thus, every effort must be made to maximize participation.

However, with increasing participation comes another potential problem: double-counting. Since a given pound of used carpet may pass through several different entities on its way from the point of generation to its ultimate disposition (reuse, recycling or disposal), and since all of these different types of entities (collectors, sorting facilities, processors and manufacturers) are all included in the survey, there is the chance that the same pound of carpet could be counted more than once. As participation increases, the likelihood of double-counting increases, since there is a greater chance that more than one company may be reporting on handling the same material.

47% of fibers handled by recyclers is Nylon 6, followed by Nylon 6,6 at 37% and polypropylene at 9%.
A number of features were built into the surveying process to address these two key issues:

- Confidentiality of data is often the key to participation, and all aspects of the survey were designed to preserve confidentiality. In particular, a web-based surveying tool was used to allow respondents to provide data completely anonymously, if they desired. There is no need to e-mail the survey back, so if no contact information is provided, the results cannot be traced back to a particular source. In addition, all written and verbal communication with potential survey respondents stressed the confidentiality of data.

- Simplicity and ease of response is also a key to participation rates. The survey questions were streamlined to the maximum extent possible so that only the most critical data requirements were included, based upon the philosophy that it is much better to have the basic data from a lot of respondents than detailed information on a few (particularly since there is no basis for extrapolation).

- An incentive can often help to boost participation rates, so the survey was distributed with an offer that the first 20 participants would receive $50 gift certificates. While it is difficult to assess if this had an impact on participation rates, we do believe it contributed to respondents providing contact information in their web-based responses.

- Participation rates can also be boosted through the use of multiple means of contact (as well as repeated contacts). Thus, e-mail, telephone and face-to-face communication were all used as means to contact potential survey respondents.

- To maximize the value of those survey responses received, and to minimize chances of double-counting, it was determined that it would be best to focus surveying resources on large-scale manufacturers that recycle used carpet. While all types and sizes of companies involved in carpet recycling were contacted initially with a request to respond to the survey, resources for telephone follow-up were prioritized to focus more heavily on those entities judged to be large-scale manufacturers handling used carpet. Since most recyclables tend to aggregate as they go through various stages of the recycling process (going from a large number of collectors, to a smaller number of sorting facilities, to a smaller number of processor and finally to a smaller number of manufacturers), one can get more “bang for the buck” in devoting resources to gathering data from a manufacturer than from other types of companies.

- To reduce the chances of double-counting, survey respondents were asked to identify the geographic sources of their materials, to the extent they were known. The notion behind this is that if the nature of the survey responses is such that there is a sense that information from two or more companies might reflect handling of the same material, the geographic sources of these companies could be reviewed to determine if that was likely.
- In another attempt to reduce the chances for double-counting, survey respondents were asked about the type of companies that receive the material that their company ships out after they are done handling it. This information not only allows for identification of possible double-counting, but also serves to provide a more complete picture of the overall flow of used carpet through the collection and recycling process. In one particular instance, data from one company was adjusted so as to minimize double-counting, based upon an understanding of where they send their material after collection and sorting.

- In this year’s survey process, an additional step was incorporated to address a situation in which the potential for double-counting was identified (based upon the process described above). When the potential for double-counting was identified, a special arrangement was made for sharing of additional detailed information about sources of material handled by certain companies so as to determine if, and exactly how much, double-counting might be included in data received. Based upon that information, a highly detailed and accurate adjustment was made to remove this source of double-counting error. This process is being described in only a general way herein to preserve the confidentiality of all parties and data involved.

Surveying Process
With those basic principles in mind, the surveying process was implemented, using the steps outlined below, which are described in generally chronological order:

1. The survey form used in the 2006 survey was updated to reflect the need to recover data for 2007, and to add a request for inventory data. The survey form is shown in Appendix 1 to this Report.
2. The survey form was converted to a web-based survey and posted on the internet. The survey is accessed by going to a specific URL address that houses the survey, and results are submitted via the internet, without the need for e-mail or paper-based responses. The results are only available to WESTON, as they are password protected, to preserve confidentiality.
3. Based upon past experience with this survey process, the surveying was focused solely on those companies for which specific individuals have been identified as a point of contact. In addition, in the months leading up to the survey, the staff of CARE worked to develop an up-to-date listing of contacts and e-mail addresses that truly reflected the current status of active companies involved in post-consumer carpet recycling.
4. Companies with specific contacts and e-mail addresses were notified via e-mail about the survey and provided the URL so that they could respond electronically. A total of 60 different companies were sent e-mail notifications of the survey (more than one individual was contacted from an individual firm in several instances). The e-mail notification stressed the confidentiality of the information they provide, as well as the opportunity to receive a gift certificate as a “thank you” for their response.
5. Approximately two weeks after the initial e-mail was sent out, follow-up activities were initiated. These included follow-up e-mails to those companies that had not responded, reminding them of the opportunity to receive a gift certificate in exchange for their response, as well as telephone calls to prompt response and answer questions that some potential respondents had raised.
6. All survey responses were reviewed for any internal inconsistencies or unclear responses. The survey responses were also reviewed to determine if there were any questionable responses (e.g. data that appears to be off by orders of magnitude with regards to company size). In those instances where there was some question about the responses provided and the respondents have provided their name (respondents can choose to respond entirely anonymously), follow-up was performed to clarify the responses.
7. Data from survey responses were transferred to a spreadsheet-based database. This database contains all of the quantitative responses, as well as summaries of any descriptive information provided by the companies.
8. Data to eliminate potential double-counting was received and appropriate adjustments made to the data compilations.
9. The data in the database was compiled and analyzed to produce the results described herein.

60 different companies were invited to participate in the annual CARE survey.
As noted previously, there are two key factors that lead to the conclusion that this year’s survey results are higher in quality (i.e. believed to be more representative of real-world conditions) than previous years:

- Response rate was the highest ever experienced, meaning that a greater proportion of the total number of companies involved in post-consumer carpet recycling were represented by the survey results.

- A specific calculation was performed to adjust for a potentially significant double-counting situation. In the past, when potential double-counting situations were identified, an estimate was made to account for that potential. This year, a specific adjustment was able to be made based upon supplementary data derived outside of the survey process.

ASSESSMENT OF SURVEY APPROACH AND RESULTS

It should also be noted that there are other reasons outside of the specific adjustment made to believe that the potential for double-counting has been minimized (as has been noted in previous years):

- Even though the response rate was higher than ever, quantitative data was provided by only slightly more than one-half of the targeted companies (and a much lower percentage of the total number of companies involved in the carpet recycling industry). Thus, even if there is some double-counting within the data, it is likely more than offset by the fact that a good deal of carpet recycling is likely going unaccounted for.

- A significant portion of the carpet recycled is handled by manufacturers who reuse the material internally within their own manufacturing process, thus eliminating the possibility for double-counting of this material.

- Only 3 percent of the material that is reported to be diverted is handled by companies that are solely collectors, and it is when there is data provided by collection-only companies that the chances for double-counting increase. When the company performing collection also does some sorting and/or processing, it reduces the chances for double-counting, since the next company in the process is unlikely to know the specific source of the material they are receiving and thus unlikely to report it in a survey on recycling of post-consumer carpeting.

For all of these reasons, double-counting does not appear to be a significant issue with the data presented herein.

For the first time, data regarding inventory was collected. In order to handle this data in the most conservative fashion possible, none of the increase in inventory reported was included in the base calculations of recycling or diversion. As noted elsewhere, one could make a variety of assumptions about the ultimate disposition of that material, which is why the impact of that increase in inventory on diversion and recycling rates was reported separately.
CARE GOALS FOR 2007

1. Achieve 50% Increase in Landfill Diversion
   a. Find 3 additional viable applications for post-consumer carpet
   b. Have 50 collectors of post-consumer carpet nationwide identified and active in collection of post-consumer carpet
      i. 56 active collectors in 2007
   c. Achieve the goals of the Procurement Project
      i. Phase 1 Complete
   d. Secure a formal agreement with a retailer
      i. Project on hold
   e. Have at least 10 representatives from State governments at the 2007 CARE Conference
      i. 10 representatives from state and federal government attended
   f. Complete a demonstration project banning curb side pick up of carpet
      i. Project withdrawn
   g. Establish partnership with IFMA

2. Hire a Full Time Executive Director
   i. Bob Peoples resigned in 2007
   ii. Search Committee established and will fill position in 2008
   b. Achieve $100,000 in new sustainable funding for CARE
      i. Interface was Sustainable Leader in 2007
   c. Secure 5 new CARE Sponsors
      i. Secured 19 new sponsors (see page 12 for details)
   d. Broaden the Board of Directors membership
      i. Dennis Hayford, Polymer Centers of Excellence
      ii. Bob Pilotti, ECM Plastics
      iii. Bob Peoples, ACS Green Chemistry Institute
      iv. Eric Nelson, Interface

3. Put in Place a Color Coding System for Identifying Fiber Type and PVC Backing that is Universally Accepted
   i. Moved to CRI Technical Committee

PROGRESS - CARE SCORECARD 2007

Once again in 2007, CARE made positive progress in the number of Collection sites, Sponsors and Conference Attendees. This growth indicates a strong business opportunity, which attracts new interest and support of CARE.
Each year since the inception of CARE, we hold an annual conference that affords members time to learn about new technologies and applications for post-consumer carpet. Members find the conference valuable for networking and collecting information on the latest government programs, market needs, and success stories. We also take time to recognize outstanding individual and company performance that helped CARE reach its goals and fulfill its mission.

The 5th Annual CARE Conference had an attendance of 163 for its meeting in Charleston, South Carolina, in May, 2007. The Conference agenda and copies of presentations may be found on www.carpetrecovery.org. Carpet Cycle received the CARE 2006 Recycler of the Year award for Small Recyclers. Interface received the CARE 2006 Recycler of the Year award for Large Recycler. Larry Moot of Project Consultants and Associates was recognized as the CARE Person of the Year for 2006.

Larry Moot receives 2006 Person of the Year Award

“The future success of CARE hinges upon continued teamwork amongst entrepreneurs, carpet and nylon manufacturers, and plastic recyclers. It will take long-term dedication in order to reach our collective goals as CARE members”

Sean Ragiell
President, CarpetCycle
4th ANNUAL ENTREPRENEUR’S MEETING

The purposes of the Entrepreneur’s meeting are to connect entrepreneurs, discuss common barriers and opportunities, and develop action plans to achieve long-term business success. In 2007, we were pleased with the attendance at our Entrepreneur’s meeting. We had 56 attendees, which was 21% more than the previous year.

CARE thanks the sponsors, including Antron®, Beaulieu, Interface, Mohawk, Shaw, Solutia, and Starnet Flooring, for their support of the 4th Annual Entrepreneur’s Meeting.

In 2007, Web Site Continues to Draw More Unique Visitors
We were pleased that the web site upgrades resulted in over 200,000 visits to the website, which was an 87% increase over 2006.
Beaulieu Group LLC diverted 4.5 million pounds of Post-Consumer (1.2 million) and Post-Industrial (3.3 million) carpet waste from landfills during 2007. All material was reprocessed in shredding operations for use in other industries.

Internal use of reprocessed materials has increased significantly, with great strides being made in Polypropylene, Nylon 6 and Polyester (PET). One site reduced Polypropylene waste production by 2,500 pounds per day and succeeded in reprocessing 100% of generated material (over 2.5 million pounds) into everyday production. Another extrusion site has increased the rate of reclaimed nylon 6 use by 400,000 pounds during the year, with expected 2007 rates to triple. Beaulieu Group LLC continues to be one of the largest users of PET bottles (85 million pounds) for yarn production consuming 2 pounds of waste PET bottles for every pound of waste generated in manufacturing.

Introduction of the Nexterra product line by the Beaulieu Commercial division provides a new and varied approach for environmentally friendly carpet tiles. The product line is over 60% recycled post-consumer content and 85% backing recycled post-consumer content, uses 100% Green Energy for production, was developed to use no water during carpet tile production, and can be returned and recycled into future tiles. This provides a solid link to sustainability with great growth opportunity.

The Carpet and Rug Institute (CRI) continues to promote the carpet industry’s many environmental initiatives including its signature Seal of Approval (SOA) programs and the ANSI-certified NSF-140 Carpet Assessment Standard which was unveiled at the GreenBuild Show in November, 2007.

CRI’s SOA Program for cleaning products has a positive impact on preserving a carpet’s life and appearance. Cleaning products that meet the SOA help reduce the environmental footprint by keeping the product on the floor longer. Unfortunately, not all cleaning products clean equally well. In order to make sure carpet cleaning products deliver expected results and to help customers identify those products, CRI’s SOA program tests chemicals and equipment and certifies those that meet demanding performance standards.

Preserving and even extending a carpet’s life saves residential, commercial and institutional users from spending money on premature replacement and reduces the amount of carpet going to landfills. In addition, carpet serves as a trap for allergens and other particles that fall to the floor. This newest SOA Program from CRI also tests vacuum cleaners under the SOA/Green Label Program to ensure dirt is removed and contained within the machine to help improve air quality. Likewise, using extractors that effectively recover water and cleaning detergents from the carpet minimizes the possibility of mold growth, which can occur only when dirt and moisture remain in the carpet.

This program is so powerful, a number of mills have independently elected to tie their warranties to the use of Seal of Approval products.

Another of the industry's latest innovations has been the introduction of the Sustainable Carpet Assessment Standard, or NSF 140-2007. Architects, designers and end users now have ONE

For more information on NSF 140-2007, Sustainable Carpet Assessment Standard, please visit www.nsf.org/info/carpet.

And finally, CRI is fresh at work compiling its latest version of the industry’s Sustainability Report, and it promises to be even more detailed and data-driven than any of its three previous versions. The new Sustainability Report is scheduled for release at this year’s GreenBuild show in November.

Tandus brand C&A manufactures high-performance modular tile and six-foot structured back carpeting for the commercial market. C&A works in tandem with Tandus’ other brands, Monterey and Crossley, to provide customized interior solutions.

Tandus’ C&A was the first carpet manufacturer to use 100% biofuel, a renewable energy source, to replace diesel fuel used in its commercial boilers. By recycling waste vegetable oil and grease from local restaurants, Tandus is able to use a waste stream normally destined for the landfill as a fuel for manufacturing. Because biodiesel is not petroleum based, it reduces dependence on oil supplies, is biodegradable, safe to handle and reduces air toxins, particulates and greenhouse gas emissions.

In the early 90’s, Tandus developed patented technology to “close-loop” recycle post-consumer carpet into recycled content backing for new floor coverings. The company has an active buy-back program, FLOORE, which offers customers financial incentives to return and recycle their old vinyl-backed carpet. To date, more than 130 million pounds of reclaimed vinyl and vinyl-backed carpet have been recycled in the program. All vinyl backed carpet, regardless of the manufacturer, is 100% recyclable and the company’s sustainable warranty guarantees that all carpet returned to Tandus will be recycled in its entirety and that no portion will be landfilled, incinerated (including waste-to-energy) or disposed of in any other way.

Ethos™, an evolutionary carpet product, is made from plastic film recovered from discarded auto windshields and safety glass. Ethos cushion meets or exceeds the performance of similar carpeting made with traditional PVC backings but does not contain chlorine. It is also 100% recyclable back into carpet using Tandus’ existing recycling processes.

LifeLong™ high performance broadloom is available from Tandus brands Monterey and Crossley. It contains 22 to 37% pre-consumer content and is installed utilizing Greenbond™ adhesive containing 20% post-consumer content.
Interface has reclaimed more than 127 million pounds of carpet since 1994. ReEntry 2.0 reclaims all types of carpet (commercial and residential) regardless of face fiber type or backing used. Through a new patent-pending technology, Interface can cleanly separate the face fiber and backing of nearly any carpet type.

Separated type 6,6 nylon fiber is recycled into new 6,6 nylon, while separated vinyl backing is recycled into new vinyl backing using Interface’s Cool Blue™ backing technology. This entire process requires less energy than other recycling processes. We’ve identified recycling partners for other reclaimed carpet materials to ensure no reclaimed carpet ends up in the landfill. Through ReEntry 2.0, we’ve made the first collection of products in the industry with post-consumer type 6,6 nylon fiber -- the RePrise™ Collection.

The uniqueness of the system is that it doesn’t favor any type of nylon or any type of carpet. In other systems it has to be broadloom and not carpet tile and that predicates it to be all residential; the commercial market is between one-third and one-half the size of the residential market. Our system is a very flexible system that can take back broadloom and [carpet] tile, Nylon 6, Nylon 6,6 and even polyester and polypropylene. It cleanly separates usable fiber from the back and then converts the backing into usable components.

Through the new technology, InterfaceFLOR is now be able to reclaim all types of carpet from both the commercial and residential marketplaces, regardless of the type of face fiber or backing used, thereby reducing waste sent to landfills and further reducing the company’s reliance on virgin materials.

InterfaceFLOR can process more than 30 million pounds of carpet annually through the clean separator machine, and has plans to install up to 20 machines across the U.S. in the next five years.

The Plastics Environmental Division of the Society of Plastics Engineers (SPE) has awarded Interface for its technology to separate and recycle Nylon 6,6 fiber through its ReEntry 2.0 program.

INVISTA began offering carpet recycling services in 1991 and pioneered carpet reclamation by starting the Antron Reclamation Program℠, the first nationwide carpet reclamation program that recycles all types of carpet.

The Antron Reclamation Program℠ is open to all dealers and end-users. INVISTA will provide containers and trailers for transport, or customers can deliver post-consumer carpet directly to the facility. The program will accept any used carpet and installation scraps that do not include contaminants or hazardous substances including ALL fiber types, ALL carpet construction types, and from ANY manufacturer; NO carpet accepted by the Calhoun facility will be sent to the landfill. Recycled material from the program may be used in new carpet, carpet cushion, filtration devices, automotive parts, packaging materials and furniture.

The Antron Carpet Reclamation Program℠ goes beyond just a pledge of sustainability, providing customers with documentation. Customers receive a certificate of reclamation, certifying that their
carpet has been entered into the Antron Carpet Reclamation ProgramSM, with the commitment that the used carpet will not be sent to a landfill. In addition, the Antron Carpet Reclamation ProgramSM offers the ability to track reclaimed carpet throughout the process –providing chain of custody documentation at request. Additionally, the Antron Carpet Reclamation ProgramSM is third-party certified by Scientific Certification Systems (SCS), as a viable reclamation program.

INVISTA was the first fiber manufacturer to achieve Environmentally Preferable Product (EPP) certification for Antron® carpet fiber in 2002. Antron® fiber is currently the only carpet fiber certified as EPP. EPP certification is awarded annually by Scientific Certification Systems, a third party certifier of environmental claims. Scientific Certification Systems has repeatedly concluded that Antron® fiber meets its comprehensive EPP requirements in the areas of product manufacturing, resource conservation, end-of-life responsibility, social responsibility, and product performance.

Because end-users, architects, designers and commercial dealers want to recycle, INVISTA has made the Antron Carpet Reclamation ProgramSM more flexible in hopes that more people can take advantage of this environmentally-preferable option.

With a green priority in mind, J&J / Invision has taken numerous measures to ensure maximum sustainability. We are committed to a leadership role in protecting the environment. By continually improving our practices in light of advances in technology and environmental science, we are helping to push our industry toward a more sustainable future. At J&J / Invision we prefer action over words. This is why we have created the EnAct® program. EnAct is our organization-wide environmental program that focuses on reducing, recycling, reusing and creating a healthier, more sustainable environment. The goal of EnAct® is to reduce the environmental impact of the company's facilities by reducing waste of raw materials, energy and water in every department of the business. J&J / Invision seeks to reduce the atmospheric emissions and improve the quality of water returned to local treatment facilities. The company continually seeks to recycle or reuse whenever possible, granting new life to what were once exclusively waste products.

EnAct is comprised of several key components:

The first component of EnAct® begins at the J&J / Invision mill and corporate offices and is called Campus Green. This constitutes a company-wide environmental responsibility initiative that includes community involvement, social responsibility, environmental and sustainability concerns. Campus Green involves all employees and ranges from creating wetlands and supporting local and national non-profits, to recycling post-industrial solution dyed nylon extrusion waste and implementing a virtual sample program. The most recent addition to Campus Green is the Associate Recycling Program, in which recycling containers were placed on site and employees were given a recycling bin to bring paper, plastics and aluminum from home to be recycled.

The creation of eKo, J&J / Invision's new, modular, PVC-free backing, is just one of the company's environmental initiatives included in the EnAct program. This revolutionary backing is manufactured using post-consumer recycled content as well as bio-based materials. Designed to provide
closed-loop recyclability, eKo is 34% lighter than PVC tiles and more flexible. eKo is available on modular collections from J&J / Invision.

J&J / Invision is the first commercial carpet manufacturer to provide ecoScorecard - an internet-based tool enabling architects, designers and end-users to search, evaluate and document products based on varied environmental parameters. This is another addition to the EnAct program. ecoScorecard provides an objective evaluation based on a wide array of accepted protocols using an embedded algorithm. Literally within seconds, the user sees a comprehensive accounting of how the product contributes to selected environmental criteria. Users can create password-protected project folders and store search information for future use.

Created with the goal that no architect folders or carpet samples will reach a landfill, J&J / Invision’s R4 program means the company will take back folders and samples, regardless of manufacturer, and guarantee they will not be landfilled. Those wishing to make a return can call marketing services at 1.800.241.4586 for a prepaid sample return label or print one from the company’s websites.

Founded in 1957, J&J / Invision is a family-owned and operated commercial carpet manufacturer producing carpet under the brands J&J Commercial and Invision Carpet Systems. The company is committed to providing the most innovative broadloom and modular carpet tile products available in the commercial flooring market to corporate interiors, healthcare, retail, educational and institutional facilities. One of the largest privately held mills in the industry, J&J / Invision offers a broad range of carpet styles designed to satisfy the most discriminating eye, engineered to withstand the most demanding environments and priced to please any budget. For more information, visit www.jjcommercial.com and www.invisioncarpet.com.

Mannington has long driven investment and research into reducing manufacturing waste and increasing efficiency. By evaluating all our products and processes against our corporate goal of becoming a net-user-of-waste, we have been able to make significant company-wide improvements that get us closer to that goal each year. And by implementing ISO 14001 in both our Georgia carpet and New Jersey commercial resilient facilities, we have proven that our entire process exceeds stringent environmental standards.

ArtCraft carpet tile, introduced in 2003, has been a great success both for its colorful aesthetic and smart re-use of 100% post-production yarn. The next innovative improvement was adding ArtWorks. ArtWorks include a dominant high recycled yarn to the ArtCraft look, and are available with our Infinity RE backing. Artcraft, Artworks, and over 50 other exciting tile products use the Infinity RE backing system with pre and post-consumer recycled content exceeding a total of 30% by total product weight. The minimum is 10% post-consumer recycled content, most of which is reclaimed carpet through LOOP, our nation-wide carpet reclamation system. LOOP increased our carpet reclamation quantities by over 240% comparing 2006 to 2007, so we’re certainly heading in the right direction. All Infinity RE backed carpet meets the Platinum level of NSF-140 Sustainable Carpet Assessment Standard-2005. Regarding our recycling expertise and the technical framework of carpet-to-resilient and resilient-to-carpet, Mannington continues to be the only company able to
reuse reclaimed carpet into what is now called Relay RE. It is the first hard-surface flooring to contain recycled carpet. In 2007 we began incorporating reclaimed carpet from LOOP. Relay RE is 35% total RC – 20% post-consumer and 15% pre-consumer.

In the coming years, we will continue to invest and research new technologies and processes to increase recycled content and reduce waste. And we will continue to work with progressive organizations like CARE who are working to improve environmental performance in our industry. Because after all, actions speak.

Milliken Ecountability represents a long-standing commitment to stewardship. This holistic vision to respect the earth encompasses every opportunity, every decision, every partnership, every location and every associate in the workforce. Ecountability guides Milliken’s corporate policies, manufacturing practices and product life cycle design.

With more than a century of responsible environmental action, Milliken & Company offers innovative product lines with carpet, chemical additives, and quality textiles from manufacturing facilities around the world.

**Corporate Commitment & Policy.** Through Milliken Ecountability, the company’s environmental policy provides a clear directive to reduce its impact on the planet. Milliken continually reviews product life cycles, supply chains and manufacturing processes to assess net impacts and what can be done to reduce them. It applies solid metrics, and follows established guidelines including Design for Environment (DfE) and Life Cycle Inventory Assessment (LCIA) to ensure goals are met. Milliken has been named to FORTUNE Magazine’s Best Companies to Work For listing four times and recognized as one of the World’s Most Ethical Companies.

**Manufacturing.** Milliken Ecountability initiatives for manufacturing address the planet’s air, water and earth while recognizing the importance of third party verification. Milliken is certified carbon negative without purchased carbon credits based on quantified emissions that include energy reduction, renewable energy, and carbon sequestration delivered by its forests. The company also maintains Cleaner and Greener™/Health & Climate Care certification. Milliken has reduced energy usage and water consumption 50% since 1995 while increasing production. Milliken seeks renewable energy sources and harvests methane to power production. Current Energy and Water Initiatives focus on increased savings. Milliken offers a No Carpet to Landfill Pledge and has sent zero waste to landfill from carpet manufacturing since 1999. To further increase energy efficiency and significantly reduce greenhouse gases, Milliken & Company joined the EPA SmartWay™ Transportation Partnership. The company is concerned for the people in the process and goes beyond regulation compliance to set benchmarks in efficiency and safety at all locations around the world.

**Products.** Milliken Ecountability means being responsible for the entire carpet life span, certifying the products and production to the most stringent standards by reputable third parties. Life Cycle Analysis supports these efforts to design for reclamation and recycled content—both post-consumer and post-industrial. Applying research from the world’s largest textile research facility allows Milliken to
introduce renewable and bio-based materials through innovative green chemistries that eliminate chemicals of concern. In fact, Milliken introduced PVC-free carpet tiles more than 20 years back. No other carpet may contribute more toward LEED®. All modular products are certified as Environmentally Preferable Products (EPP) and the universal sustainable carpet standard NSF-140 2007.

Mohawk has been working hard over the years to reduce and reuse as much waste as possible. The newest element in our continuing efforts is our GreenWorks Center. This center is unique in the industry because it can not only process Nylon 6 waste material but all major types of synthetic carpet fiber — Nylon 6, Nylon 6,6, and Polypropylene. This accounts for approximately 90% of the national post-consumer carpet waste stream. The center processes 100% of the carpet—fiber, backing, and latex—and recovers about 90% of all materials into usable products. This is the highest recovery rate in the industry, approximately three times that of the next-best carpet recycling program. The facility is also portable, so it can go to the carpet, which makes recycling more feasible and environmentally efficient.

Additionally, part of every type of post-consumer carpet that enters the center will always go “carpet to carpet”—face fiber to face fiber, face fiber to backing, or backing to backing—with the remaining materials resulting in engineered resins that can be shipped to the plastics industry for use in consumer products. This means that the majority of materials processed at the center are part of a “closed-loop” system. The center can also process certain thermoplastic non-carpet recyclables, which makes it even more attractive to recycling companies. The Greenworks Center offers:

1. Flexibility: The Greenworks center is the only carpet recycling center which has the capability to process virtually all fibers that are in the post-consumer carpet stream.
2. CARE Goals: The Greenworks Center advances CARE and industry post-consumer recycling goals by being able to process 80% of the post-Consumer Stream in the US, which is residential carpet. It has the ability to process Commercial carpet, but some of the backing types, such as PVC must be diverted to PVC manufacturers due to chemistry.
3. Conversion Efficiency: One of the most important aspects of The Greenworks Center is that it has the ability to convert 90% of all products being reclaimed into usable products. It is the first technology of its kind that utilizes virtually all the carpet components from face to latex to primary/secondary Polypropylene, and converts all of them to usable products for another life. The 10% fall out is merely work in process trash.
4. Post-Consumer Materials: The Greenworks Center is now producing post-consumer carpet content for carpet products in a variety of applications from Thermoplastic products to latex based products. Additionally, post-consumer resins are being produced for the plastics industry, containing 100% post-consumer nylon and/or polypropylene.
5. Economic Viability & Independent Viability: Perhaps the most important aspect of The Greenworks Center is its promise to be able to stand alone, as an independent entity, without any corporate subsidies and be able to provide a post-consumer carpet recycling Solution to any entity that may wish to either purchase, license, or run a system of this type. The model of independent economic viability is being proven now and over the next few months as processes are tweaked, efficiencies are increased and process flows are worked out.
5. Regional Recycling: Any long term solution of post-consumer recycling must depend on regional solutions: GO TO THE CARPET. The Greenworks center was envisioned with this goal in mind. Shipping and Transportation costs can easily ruin recycling economics as well as produce Global Warming Environmental impacts. Recycling must take place at the point of Waste generation.

As a major manufacturer of floor coverings for commercial and residential applications, Shaw Industries has made a corporate commitment to sustainability, which includes a total lifecycle approach to its products and processes. The total lifecycle approach, which we refer to as “cradle-to-cradle design,” promotes products that are designed, from the beginning, to be safe for humans and the environment, and recyclable through a closed-loop process that includes a post-consumer collection system. As we move toward cradle- to-cradle we look for transitional strategies that will continuously reduce our environmental footprint. This approach reduces Shaw’s reliance on virgin raw materials, reduces environmental impacts and subsequently introduces valuable products with sustainable recycled content into the marketplace.

Shaw’s cradle-to-cradle manufacturing approach to-date is based on our EcoWorx recyclable thermoplastic carpet tile and broadloom backings, and Nylon 6 fibers recycled through our Evergreen Nylon Recycling facility in Augusta, GA. Simply put, Evergreen allows Shaw to turn any Nylon 6 fiber separated from the recovery of EcoWorx backings, or any latex-backed Nylon 6 broadloom carpet, into new carpet, over and over again. The post-consumer EcoWorx products are recovered and returned to EcoWorx backing recycling and production facilities at Cartersville, GA. At Shaw, cradle-to-cradle and carpet–to-carpet are one and the same concept. No synthetic carpet produced today is 100% sustainable, but cradle-to-cradle is a commitment to continuous pursuit of that goal.

Shaw’s capability to collect post-consumer carpet from throughout the United States and transport it to the appropriate site is the key to recycling. Without the means to “feed” our facilities, recycling operations of this magnitude would not be possible. Our Evergreen Nylon Recycling facility, the only one of its kind operating in the world at a commercial capacity, was re-started by Shaw in February 2007, and forms the backbone of the recycling network. It is currently designed to operate at a recycling rate of 100 million pounds of post-consumer Nylon 6 carpet annually. Carpet contractors and demolition companies look for one-stop disposal of all their post-consumer carpet uplifts. To get the Nylon 6 carpet Evergreen needs, the network must find markets for the other carpet fiber types. It’s estimated that the 100 million pounds of Nylon 6 post-consumer carpet required by Evergreen anchors up to 250 million pounds of landfill diversion of carpets of all types.

Multiple solutions will be needed to address post-consumer carpet without sending it to a landfill. While some manufacturers seek to use a greater percentage of recycled content, this does not solve the waste problem, as most carpet components are not designed to be recycled and will eventually be landfilled. Though Evergreen makes cradle-to-cradle design possible, its engineering would be useless without design foresight on the materials side. Shaw has invested in nylon technology that allows Evergreen to be able to recover the caprolactam monomer and use it in the production of new Nylon 6, again and again, with a very high recovery efficiency. Even the non-nylon components
SHAW INDUSTRIES CONT.

processed through Evergreen find their way into a variety of carpet and non-carpet end uses. For Shaw, cradle-to-cradle has not happened overnight; it represents years of investment and innovation. The innovation cycle will continue as Evergreen is refined and its scope is expanded with market demand.

The Evergreen and EcoWorx facilities are components in a much larger framework built upon lifecycle thinking that touches the entire company. Shaw's product designers can design carpet according to cradle-to-cradle philosophy because the materials necessary to make sustainable carpet components have been researched and refined to meet cradle-to-cradle design standards. Our mainstream products are sold with the understanding that Shaw Nylon 6 carpet fibers, EcoWorx backings, and other components have additional useful lives through recycling and are not simply limited to one generation on their floor. Shaw hopes to expand its nationwide collection network so that more consumers and builders can participate in its recycling efforts. Currently, Shaw relies on over 50 carpet collection sites to acquire post-consumer carpet for Evergreen (to learn more, visit shawfloors.com/recycle). The company's shipping fleet makes nationwide reclamation efforts possible in an efficient and environmentally responsible manner. When post-consumer carpet arrives at the Evergreen and EcoWorx facilities, it is kept out of landfills and is made into high-quality carpet again using several proprietary processes.

While Evergreen remains only one step in Shaw's overall commitment to sustainability and in its product and operational environmental excellence initiatives, it is the lynchpin that makes Shaw's corporate cradle-to-cradle vision a broad-based reality. Shaw's Cradle-to-Cradle and Design for the Environment (DfE) approaches facilitate disassembly, deconstruction and recovery with the intention for reuse of materials. Waste is a real world issue, particularly in the construction, demolition and remodeling industry. As the Evergreen technology advances, it will reduce virgin raw materials use, lower environmental impacts, and help reduce energy costs. Shaw's cradle-to-cradle technologies are not the only roads toward more sustainable products and processes for the carpet industry, but they demonstrate that sustainable technologies and improved environmental footprints are supported by a valid business case for change today, and challenge other manufacturers to follow.

Over the past year, Universal Fibers has many successes to report, stories to celebrate. The most notable of those changes, is the launching of EarthSmart Technology℠.

EarthSmart Technology℠ is more than products and processes, it's a way of thinking, planning and acting. EarthSmart Technology℠ is all encompassing. It is stewardship through innovation. Its goal is closely aligned with the mission of Carpet America Recovery Effort (CARE).

EarthSmart Technology℠ has various components. It includes manufacturing processes and equipment, recycled and recyclable products, waste saving systems and facility conservation. It is also an overall attitude of environmental and social concern on the part of the company and its employees.
Examples of EarthSmart Technology™ include Universal Fiber’s state of the art technology that allowed them to produce the first ever post-consumer Nylon 6,6 fiber from recycled carpeting. One of the first Nylon 6.6 fiber products under EarthSmart Technology™ is appropriately been named Refresh Fiber™. Since the innovation, Universal Fibers has also been able to expand the color options and increase the amount of recycled carpet used to create the new product.

Universal Fibers has been a pioneer in environmental stewardship. Its focus has been toward using as much non-virgin material as possible in the creation of products, and has developed ways to minimize waste and reduce energy consumption for more than a decade.

Universal Fibers is very committed to CARE. Not only are they a corporate and conference sponsor, they also support a working presence on its board of directors, committees and task groups. Environmental stewardship is something Universal Fibers takes seriously and have focused on for many years.

Universal Fibers, Inc., is a multi-platform producer of solution-dyed synthetic yarns for the commercial, residential, and transportation carpet with manufacturing facilities in Bristol, Virginia; Panthong Chonburi, Thailand and; Taicang City, China. The company is both SCS and ISO 9001 certified.
APPENDIX 1  Carpet America Recovery Effort (CARE) Survey for 2007

The Carpet America Recovery Effort (CARE), a voluntary initiative to divert post-consumer carpet waste from landfills, has contracted with Weston Solutions, Inc. (WESTTON) to estimate the level of carpet recycling achieved in 2007. This survey is designed to help in that effort, and your response is very important to us. In addition, your responses will help identify ways in which CARE can help you make your business better. One of the reasons that WESTON was contracted to do this work is to preserve the confidentiality of the data you provide. WESTON will not release ANY company-specific data to CARE or any other entity without that company’s permission. Therefore, you can be assured that the answers you provide herein will remain confidential.

Type of Company
Please select the type of company from the list below, based upon the descriptions provided. If your company performs more than one function, check all boxes that apply.

- Collector – A company that collects used carpeting from the point of generation and transports it to a sorting, processing or waste management facility (e.g. waste-to-energy facility). Note that this only includes collection from the original source of the material, not collection from a sorting or processing facility.
- Sorting Facility – A facility that separates waste materials (including used carpeting) from a mixed waste stream. The end result of this process is used carpeting that is separated from other materials (typically in baled form).
- Processor – A company or facility that takes used carpeting (whether handled by a sorting facility or brought directly by a collector) and processes it for use as a feedstock in a manufacturing facility.
- Manufacturer – A company or facility that utilizes processed carpeting materials and transforms them into other products, or uses them as raw materials in a manufacturing process.

Quantity of Material Processed
Fill out the information requested below regarding quantity of material processed. If precise data is not available, please provide best estimates. NOTE: Quantitative data should be in tons and for calendar year 2007 only.

1. Tons of used carpet handled by your company (i.e. collected, processed, sorted and/or used in manufacturing) in 2007 – please report only that material which left your facility or process in 2007 (i.e. did not go into inventory): _______________________

2. To address changes in inventory, please estimate the number of tons of used carpeting that was in inventory at your facility(ies) at the beginning and end of 2007, by fiber type:

<table>
<thead>
<tr>
<th>Fiber Type</th>
<th>Inventory at Beginning of 2007</th>
<th>Inventory at End of 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>N66</td>
<td>_______ tons</td>
<td>N66: _______ tons</td>
</tr>
<tr>
<td>N6</td>
<td>_______ tons</td>
<td>N6: _______ tons</td>
</tr>
<tr>
<td>PP</td>
<td>_______ tons</td>
<td>PP: _______ tons</td>
</tr>
<tr>
<td>PET</td>
<td>_______ tons</td>
<td>PET: _______ tons</td>
</tr>
<tr>
<td>Other</td>
<td>______ tons</td>
<td>Other: ______ tons</td>
</tr>
</tbody>
</table>
3. Of the used carpeting material receive provide an estimate of the split between post-consumer (material recovered after being used at a residence or commercial establishment) and post-industrial (scrap material from a manufacturing facility):

- Post-consumer: ______%  
- Post-industrial _____ % (Must total 100%)

4. Indicate the percentage of post-consumer carpet that you handle by fiber type (must total 100%)

- N66: ______%  
- N6: ______%  
- PP: ______%  
- PET: ______%  
- Other: ______%

5. To the extent known, identify the geographic area from which material comes from. Describe the geographic area, or list the states:

__________________________________________________________________________________________________
__________________________________________________________________________________________________

6. Types of facilities to which your company sends material derived from carpeting after any processing, sorting or manufacturing performed at your facility – in other words, what types of facilities do you send material to after it leaves the doors of your facility? Indicate the types of facilities you send material to, and what percentage of your output goes to each. If you send material to a facility that performs multiple functions, use the category that represents the most “advanced” level of processing (e.g. if you send material to a facility that sorts, processes and manufactures, count that material in the Manufacturer category).

- Sorting facility: ______%  
- Processor: ______%  
- Manufacturer: ______%  
- Cement kiln: ______%  
- Waste-to-energy facility: ______%  
- Landfill: ______%  
- Other: ______%

7. To the extent known, please indicate the fraction of the output from your facility that is sent to customers in the U.S. versus customers overseas:

- U.S. ______%  
- Mexico: ______%  
- Canada: ______%  
- Europe: ______%  
- Asia: ______%  
- Other/Unknown: _____%
8. If you are a manufacturer, please indicate the end-products produced from used carpeting material at your facility:

- Carpet padding
- New carpet
- Raw material for carpet (e.g. monomers, fibers)
- Molded or extruded products
- Plastic pellets
- Injection-molded plastic parts
- Other (describe):________________

9. If you are a manufacturer producing carpet, please indicate the quantity of post-consumer carpeting used in the manufacturing of carpet backing and face fiber and estimate the percent increase over 2006:

- Quantity used in backings in 2007: _______ tons; Increase over 2006: ___ %
- Quantity used in face fiber in 2007: _______tons; Increase over 2006: ___ %

10. For the purposes of forecasting trends, please estimate the percentage increase or decrease in quantity of post-consumer carpet you expect to recycle in 2008 when compared with 2007: _____%

11. Indicate areas where CARE has provided, or should provide support that would help your business:

<table>
<thead>
<tr>
<th>Have Provided Support</th>
<th>Should Provide Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Presentation to local governments:</td>
<td>☐</td>
</tr>
<tr>
<td>- Provide research on:</td>
<td>☐</td>
</tr>
<tr>
<td>Separation technology</td>
<td>☐</td>
</tr>
<tr>
<td>Processing equipment needs</td>
<td>☐</td>
</tr>
<tr>
<td>i. Facilitate meetings with other carpet recycling resources</td>
<td>☐</td>
</tr>
<tr>
<td>ii. Additional research on regional carpet recycling levels</td>
<td>☐</td>
</tr>
<tr>
<td>- Other (describe)</td>
<td>________________________________</td>
</tr>
</tbody>
</table>

Company Information (Optional)
Company Name: _______________________________________________________
Address: _____________________________________________________________  _____________________________________________________________
Contact Name: ________________________________________ Telephone Number: _______________________________________
E-mail Address: ________________________________________________________

NOTE: This information is optional and is only to be used for the purposes of follow-up if questions arise about responses provided. To be eligible for Amazon.com gift certificate, name and e-mail address must be provided.
FOOTNOTES

1 Daniel Taub in Los Angeles at dtaub@bloomberg.net, 12/14/07

2 Reuters News Service, March 19, 2008


6 CRI Commercial Tracking Study, Charlton Research Company, April, 2008