



CARPET AMERICA RECOVERY EFFORT SM
Developing market-based solutions for the recycling & reuse of post-consumer carpet

CA CARPET STEWARDSHIP PROGRAM
NOTICE TO SUBSIDY PARTICIPANTS
CSEs, PROCESSORS, MANUFACTURERS

SEPTEMBER 2016

This document serves as notice to all current or future subsidy program participants (Collector/Sorter Entrepreneurs, Tier 1 Processors and Tier 2 Manufacturers of CA post-consumer carpet regarding recent updates affecting the California Carpet Stewardship Program subsidies.

1. ***Subsidy Adjustments — Effective Q4 2017***

Under the currently approved California Carpet Stewardship Plan, CARE has committed to provide subsidy program participants with 12 months plus the current quarter notification before any decrease in funding is implemented (Effective Q2 2015, Addendum 1). This element of the Plan is designed to reduce risk for investment and provide the ability to plan ahead in terms of cash flow.

This document serves as notice to participants that CARE is currently conducting a review of all subsidy offerings for CSEs, Processors and Manufacturers. **Effective Q4 2017** (12 months from the close of Q3 2016), CARE may enact adjustments to subsidy program offerings resulting in reductions, eliminations or other changes to specific subsidy per pound payout amounts. CARE retains the ability to adjust subsidies upward at any time, subject to other requirements or limitations within the currently approved Plan.

A summary of current subsidy program offerings is presented on the following page. Please note, that incentives listed below are not subsidies and thus not subject to the 12 months guarantee. At the present time, CARE anticipates that both Tier 1 and Tier 2 Growth Bonus Incentives will be deactivated, **effective Q1 2017**. CARE retains the ability to reactivate incentives and/or adjust the bonus thresholds moving forward, on a quarterly basis.

The currently approved Carpet Stewardship Plan will expire at the end of 2016. CARE will be submitting a new 5-year Plan to CalRecycle on October 15, 2016 for consideration at the December 20, 2016 CalRecycle Public Meeting.

For additional information about this notice, please contact:
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Table 1. Summary of Subsidy and Incentive Payouts – CSEs, Processors, Manufacturers

	Subsidy / Incentives	Payout Rate	Description	Eligible Recipients	Timeline/Date of Action	Addendum	Notice
CSEs							
1	CSE Reporting Incentive (CSE)	\$1,000/period	No Change anticipated	CSEs	Initiated 2014.	n/a	Incentive; not subject to guarantee timeline
CSE + Processors							
2	Whole carpet shipped and sold for recycling (Collection)	\$0.02/lb.	For self-collected, sorted, sold and shipped CA lbs.; Maximum payout \$150,000/quarter or \$400,000/year to any participant.	CSEs, Tier-1 processors	California Program-approved under current Plan purview; Retroactive to Q3 2015.	3	Subject to adjustment, beginning Q4 2017
3	Tile Reuse	\$0.10/lb.	To drive reuse of carpet tile and broadloom.	CSEs, Tier-1 processors	Effective Q2 2015; Clarified June 2015 as applicable to the reuse of both broadloom and carpet tile, retroactive to Q2 2015.	1, 3	Subject to adjustment, beginning Q4 2017
4	Broadloom Reuse	\$0.10/lb.	To drive reuse of carpet tile and broadloom.	CSEs, Tier-1 processors	Effective Q2 2015; Clarified June 2015 as applicable to the reuse of both broadloom and carpet tile, retroactive to Q2 2015.	1, 3	Subject to adjustment, beginning Q4 2017
Processors							
5	Tile Recycle	\$0.10/lb.	To drive 100% recycle of carpet tile.	Tier-1 processors	Effective Q2 2015.	1	Subject to adjustment, beginning Q4 2017
6	Type 1 Recycled Output Payout	\$0.10/lb.	From \$0.06 to \$0.10/lb. tied to market indices; <i>[Type 1 refers to recycled output within ash content thresholds, currently less than 25% ash]</i>	Tier-1 processors	In Plan v.3.2.2 – Mar. 2014. Base payout rate adjustable, may be tied to market indicator using Economic Model (mid-2016).	3	\$0.06/lb. subject to adjustment, beginning Q4 2017; \$0.04/lb. adjustable quarterly effective Jan 2016



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Processors (Continued)							
7	Type 2 Recycled Output Payout	\$0.03/lb.	<i>Type 2 refers to recycled output with higher ash content thresholds, currently more than 25% ash.</i>	Tier-1 processors	In Plan v.3.2.2 – Mar. 2014	n/a	Subject to adjustment, beginning Q4 2017
8	Type 2 Calcium Carbonate Payout	\$0.17/lb.	Non-fiber recycled output containing calcium carbonate for use as feedstock in secondary products; currently \$0.17/lb.	Tier-1 processors	Change 1, Effective Q2 2015. Change 2, in June 2015. Change 3, effective Q3 2015. For use as a raw material (recycled output feedstock) only.	1, 3	Subject to adjustment, beginning Q4 2017
9	Carpet As Alternative Fuel (CAAF)	\$0.03/lb.	No change	Tier-1 processors	In Plan v.3.2.2 – Mar. 2014	n/a	Subject to adjustment, beginning Q4 2017
10	Cement Kiln	\$0.03/lb.	No change	Tier-1 processors	In Plan v.3.2.2 – Mar. 2014	n/a	Subject to adjustment, beginning Q4 2017
11	Bonus (Incentive) for Type 1 Output Growth	\$0.10/lb.	Incentive paid on pounds of Type 1 recycled output to encourage growth; applied to lbs. above quarterly adjustable threshold.	Tier-1 processors	In Plan v.3.2.2 – Mar. 2014, initially set at 8.5 million lbs./qtr.; Current threshold set at 11 million lbs. /qtr., effective Q3 2014.	n/a	Incentive; not subject to guarantee timeline; Deactivation anticipated Q1 2017
Manufacturers							
12	Tier-2 Manufacturer Non-Nylon Payout	\$0.25/lb.	For Type 1 non-nylon recycled output used as a feedstock in the manufacture of secondary products; Increased from \$0.10 to \$0.17/lb. and then to 0.25/lb.	Tier-2 manufacturers	Change 1, Effective Q2 2015; Change 2, Retroactive to Q3 2015.	1, 3	Subject to adjustment, beginning Q4 2017
13	Tier-2 Manufacturer Non-Nylon Growth Payout Incentive	\$0.10/lb.	Incentive paid on pounds of Tier 2 non-nylon to encourage growth; applied to lbs. above quarterly adjustable threshold.	Tier-2 manufacturers	Effective Q2 2015, initially set at 2 million lbs./qtr.; Current threshold set at 3.5 million lbs. /qtr., effective Q3 2016.	1	Incentive; not subject to guarantee timeline; Deactivation anticipated Q1 2017

END OF NOTICE