



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

CA CARPET STEWARDSHIP PROGRAM - NOTICE TO PROCESSORS
July 2015

On behalf of CARE, this document serves as notice to program participant processors of CA post-consumer carpet regarding recent updates affecting the California Carpet Stewardship Program incentives and reporting.

1. New Reporting System—Effective For Q2-2015 Reporting Period

Due to the significant changes in the Tier 1 subsidy program and its reporting requirements, **we will NOT use the automated Caspio system for data entry at this time.**

Rather, Q2-2015 data must be submitted utilizing the Excel Q2-2015 Reporting Spreadsheets:

- Tier 1 – Reporting Sheet Q2-2015
- Tier 2 – Reporting Sheet Q2-2015

Please submit data via the appropriate Tier 1 or Tier 2 reporting sheet. If you are both a Tier 1 and Tier 2 processor, both data sheet must be submitted. Companies submitting for reuse incentive subsidy only, must use Tier 1 Reporting sheet.

Please note, the reporting sheet has been adjusted to reflect new incentives effective Q2-2015. Do not use previous report versions.

If you have any questions in preparing your report, please contact bjensen@carpetrecovery.org for assistance.

2. Required Attestation – Report Payment Request Signature Page —Reminder

This is a reminder that each report must be submitted along with a signed copy of the Payment Request Form. Failure to submit signed agreements by the stated deadline will forfeit eligibility for incentive payment for the prevailing quarter. Note, Tier 1 and Tier 2 have unique attestation forms. If, you are submitting for both Tier 1 and Tier 2, signed copies of both forms must be submitted.



CARPET AMERICA RECOVERY EFFORT SM

Developing market-based solutions for the recycling & reuse of post-consumer carpet

3. ASH Test Requirements – Reminder

This is a reminder that ongoing Ash Test requirements require:

- Ash tests must be completed each quarter to maintain eligibility for incentive compensation.
- A minimum of 1 test is required for every 1 million pounds processed (e.g. If you processed 3 million pounds during the quarter, documentation from at least 3 ash tests must be provided).
- It is recommended, but not required at this time, that these ash test be conducted over time on a regular basis, such as monthly, to provide consistent barometer over time.

4. New Processor Incentives—Effective For Q2-2015 Payouts

In December of 2014, CARE submitted to CalRecycle an Addendum to the California Carpet Stewardship Plan version 3.2.2 (Plan). This Addendum was approved by CalRecycle in Jan 2015, and becomes effective in Q2-2015. The full addendum and response can be found here: <http://calrecycle.ca.gov/carpet/Plans>

These changes were discussed in detail in a previous notice (March 2015). Additional changes were adopted during the quarter, effective for Q2-2015 payouts (see adjustment to Calcium Carbonate incentive, and Tier 2 Bonus sections, below).

Summary of New Processor Incentives:

Three new incentives have been added to the Program, effective Q2-2015:

- **\$0.10/lb** growth payout for **Tier 2 Non-Nylon End Users**
- **\$0.07/lb** incentive for **Calcium Carbonate**¹
- **\$0.10/lb** for **Carpet Tile Reuse/Recycling**

Two modifications to incentives have been adopted, effective Q2-2015:

- **Increased** base payout for **Tier 2 non-nylon end users** from \$0.12 **to \$0.17/lb**
- **Increased** incentive payout for **Calcium Carbonate** \$0.07 **to \$0.12/lb**

The increased base payout was adopted in December 2014 for Tier 2 processors manufacturing secondary products using non-nylon recycled output (Tier 2 end-user non-nylon payout). In addition, following the announcement of new incentives, CARE listened to feedback received from the marketplace regarding each of the new incentives.

¹ Please see additional update to this incentive adopted in June 2015, effective Q2-2015



CARPET AMERICA RECOVERY EFFORT SM

Developing market-based solutions for the recycling & reuse of post-consumer carpet

The table below summarizes the 2015 approved assessment structure. Items noted in red are the changes implemented.

| Element | Metric | Status |
|--|-----------|---|
| Type 1 Recycled Output Payout | \$0.06/lb | No Change |
| Type 2 Recycled Output Payout | \$0.03/lb | No Change |
| Bonus for Type 1 Output Growth | \$0.10/lb | No change: Growth target changes annually |
| Tier 2 End User Non-Nylon Payout | \$0.17/lb | Modification: Increased from \$0.12 to \$0.17/lb |
| Tier 2 End User Non-Nylon Growth ² Payout | \$0.10/lb | New: Analogous to the Type 1 growth bonus |
| Calcium Carbonate ¹ | \$0.12/lb | New: Paid for CC used as a raw material Modification: Increased from \$0.07 to \$0.12/lb |
| Tile Reuse/Recycle | \$0.10/lb | New: To drive reuse and 100% recycle of tile |

Adjustment to Calcium Carbonate Incentive

In June 2015, the SFOC approved an additional **adjustment to the calcium carbonate subsidy from 7 cents to 12 cents**, demonstrating swift and responsive action to market feedback obtained during Q1 and Q2 of 2015, indicating the 7 cent subsidy was insufficient to drive demand consistent with subsidy objectives. Since the announcement of this adjustment three new market leads for utilization of calcium carbonate have been identified. Preliminary analysis indicates that even a nominal increase in calcium carbonate recycled output, is expected to have significant impact on the Program's recycling and diversion rates, even if gross collection and fiber recycled output rates remain constant.

Target Set for Tier 2 End User Non-Nylon Growth

The target for growth bonus payout for non-nylon was **set at 2,000,000 pounds** in June 2015. This target will be effective for Q2-2015 payouts.

Existing Incentives

Existing incentives for Type 1 and 2 recycled output and Type 1 growth are unchanged.

² Please see target adopted for growth bonus payout in June 2015, effective Q2-2015



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

5. Program Participant Agreements—Effective January 2015

New agreements were adopted by CARE as a requirement for all processors participating in the California Carpet Stewardship Program, effective January 2015. Agreements incorporate various program policies into a single document and are required to be executed by all processors participating in the incentive program.

If you are requesting incentive payment for the first time in 2015, and have not yet submitted an executed agreement, you must sign and return an executed agreement to CARE **ASAP and no later than the 45th day of the quarter**, in order to be eligible for incentive payments. Upcoming due dates for filing: May 15, 2015 for Q2-2015; August 15, 2015 for Q3-2015; November 15, 2015 for Q4-2015.

Failure to submit signed agreements by the stated deadline will forfeit eligibility for incentive payment for the prevailing quarter.

Please scan and email signed agreements to:

*Brennen Jensen, CA Program Manager at bjensen@carpetrecovery.org
and Anthony Cline acline@carpetrecovery.org*

###

For additional information about this notice, please contact:
Brennen Jensen, CA Program Manager at bjensen@carpetrecovery.org

END OF NOTICE