CARPET MANUFACTURING AND RECYCLING IN CALIFORNIA

BENTLEY PRINCE STREET

Anthony Minite
President
Bentley Prince Street
Doing business in California isn’t always easy…
2008 Chamber of Commerce Business Climate Study

Would you say it’s easier or harder to do business in California than in other states?

- Harder: 63
- Easier: 29
- About the Same: 6

My company only does business in California

Easier – Harder = -62
What would you say is the single biggest challenge to doing business in California? And what would you say is the second biggest challenge?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>1st Choice</th>
<th>2nd Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too much government regulation</td>
<td>31</td>
<td>42</td>
</tr>
<tr>
<td>Hiring and maintaining a qualified workforce</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>High cost of health care</td>
<td>11</td>
<td>28</td>
</tr>
<tr>
<td>High labor costs</td>
<td>10</td>
<td>26</td>
</tr>
<tr>
<td>High cost of housing</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>High state and/or local taxes</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Competition within a challenging marketplace</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>High cost of energy</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>High cost of rent/facilities/office space</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Access to capital/getting a loan</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
Challenges

Just some of the challenges faced by carpet manufacturers and recyclers in California:

Strict Environmental Regulations
Environmental Regulations

• Dense population and lack of public transit make Los Angeles a non-attainment zone for ground level ozone
• Although cars are the major cause of pollution in the county, regulators have focused on point sources (read: manufacturers) of VOCs and NOx
South Coast Air Basin Smog Trend

Days Exceeding Federal Ozone Standard (0.075 ppm)

Maximum 8-Hour Ozone Concentration (ppm)
Assembly Bill 32 (Global Warming Solutions Act):

- Reducing greenhouse gas emissions to 1990 levels by 2020
- 30 percent from business-as-usual emission levels projected for 2020
- 15 percent from today’s levels.
- On a per-capita basis, that means reducing annual emissions of 14 tons of CO2e to 10 tons
Figure 3: California Greenhouse Gas Emissions in 2020 and Recommended Reduction Measures

**Total Emissions: 596 MMTCO2E**

- Agriculture
- High GWP
- Recycling & waste
- Industry
- Natural gas
- Electricity
- Transportation

**Reduction Measures**

- Reductions from uncapped sectors:
  - Total reductions of 27.3 MMT
    - Industrial measures: 1.1 MMT
    - High GWP measures: 20.2 MMT
    - Recycling & waste: 1.0 MMT
    - Sustainable forests: 5.0 MMT

**Total Emissions:**

- 422 MMTCO2E

**Reductions from capped sectors:**

- Total reductions of 146.7 MMT (including 112.3 MMT from specified measures):
  - Pavley standards: 31.7 MMT
  - Energy efficiency: 26.3 MMT
  - 33% RPS: 21.3 MMT
  - LCFS: 15.0 MMT
  - Regional targets: 5.0 MMT
  - Vehicle efficiency: 4.5 MMT
  - Goods movement: 3.7 MMT
  - Million solar roofs: 2.1 MMT
  - Heavy/medium veh: 1.4 MMT
  - Industrial measures: 0.3 MMT
  - High speed rail: 1.0 MMT

**Cap is set at 365 MMT**

**Business-as-Usual**

**Scoping Plan**
Challenges

Just some of the challenges faced by carpet manufacturers and recyclers in California:

High Cost of Energy
Energy

• 32% higher than the national average for electricity
• 11% higher than national average for natural gas
Challenges

Just some of the challenges faced by carpet manufacturers and recyclers in California:

High Cost of Landfill
Waste

- Waste to landfill cost 10% higher than national average
- Local ordinance prevents competitive bidding
Challenges

Just some of the challenges faced by carpet manufacturers and recyclers in California:

Retaining a Qualified Workforce
Retaining a Qualified Workforce

• Higher cost of living
• Average wages in California are 14.8% above the national average and are 4th highest in the country
• Cost of adherence to California labor laws
• Diverse workforce adds operational complexity
The challenges faced by carpet manufacturers and recyclers in California:

• Strict air quality regulations
• High cost of energy
• High cost of landfill
• Retaining a qualified workforce

Bentley Prince Street believes these challenges are opportunities to:

• Proactively address environmental issues
• Implement energy efficiency and renewable energy projects
• Participate in the culture of sustainability and innovation
• Foster the talents and strengths of our workforce
Proactively Address Environmental Issues

Air quality regulations have resulted in:

- Streamlined dye and chemical purchases
- Better quality control
- Cost savings

94% reduction; 89% normalized reduction

VOC emissions in tons

94% reduction; 89% normalized reduction
Proactively Address Environmental Issues

AB32 and other climate change policies are a net positive for our company:

• Measuring and reducing our GHGs since 1996 puts us below the regulatory threshold
• Began publicly reporting our GHGs in 2002
  - Increased the transparency of our environmental claims
  - Highlighted our environmental leadership

GHG emissions in tons

<table>
<thead>
<tr>
<th>Year</th>
<th>Tons of GHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>25,000</td>
</tr>
<tr>
<td>1997</td>
<td>22,000</td>
</tr>
<tr>
<td>1998</td>
<td>20,000</td>
</tr>
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<td>18,000</td>
</tr>
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<td>2000</td>
<td>16,000</td>
</tr>
<tr>
<td>2001</td>
<td>14,000</td>
</tr>
<tr>
<td>2002</td>
<td>12,000</td>
</tr>
<tr>
<td>2003</td>
<td>10,000</td>
</tr>
<tr>
<td>2004</td>
<td>8,000</td>
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<td>2006</td>
<td>4,000</td>
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<td>2007</td>
<td>2,000</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>0</td>
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</table>

66% reduction; 22% normalized reduction

BENTLEY PRINCE STREET

CLIMATE ACTION CHAMPION

2006

CALIFORNIA Climate ACTION Registry
Figure ES-1. Map of State Energy Efficiency Scorecard Results

[Map showing states colored according to their rank categories.]

- Ranks 1 - 10: Blue
- Ranks 11 - 23: Light blue
- Ranks 24 - 33: Lighter blue
- Ranks 34 - 51: White

Key:
- (tie) indicates states with the same rank.
Take Advantage of Incentives & Opportunities for Recycling

Pounds sent to landfill

97% reduction; 93% normalized reduction

Since 1994: Avoided $800k in landfill cost and earned over $3 million in recycling revenue
California leads with 36% growth in 'green' jobs

By Julie Schmitt, USA TODAY

Jobs in California’s so-called green economy increased by 36% from 1995 to 2009, beating the states 13% job growth, a study out Wednesday says.

The study, by Silicon Valley-based research firm Collaborative Economics, underscores California’s lead in the “green economy” and may indicate where other states can expect green-job growth.

California’s jobs in green businesses numbered 158,000 as of January 2008, accounting for less than 1% of jobs statewide, the research shows. But jobs in green businesses may be holding up better than others.

From January 2007 to January 2008, jobs in green businesses grew 5%, while total jobs in California fell 1%, the report says.

Collaborative Economics, which produced the report for Next 10, a non-profit focused on the economy and environment, counts businesses or business units that it defines as green and the jobs associated with those businesses. It data cannot be verified, jobs aren’t counted, Collaborative Economics considers its numbers conservative, the report says.

The green-job growth puts California at the forefront of a wide range of green technologies, the report says. It also shows that regions are developing green-job clusters off existing strengths. The San Francisco Bay Area leads in green energy generation, mostly solar. San Diego is strong in co-generation technologies, such as turning waste heat into energy. The Los Angeles and Orange County regions excel in transportation, including electric vehicles.

Unlike California’s software and biotech industries, which are centered in a few clusters, “Green jobs are dispersed all around California,” says Noel Perry, the venture-capital founder of Next 10.
107 LEED projects in Los Angeles county
Participate in the Culture of Sustainability & Innovation

16% of clean tech jobs are in CA

Half of clean tech venture capital is in CA
Retaining a Qualified Workforce

Diversity is more than ethnicity...

It’s also diversity of strengths!
What we believe is that each person comes with a unique set of talents that can be maximized for high engagement levels leading to quality product.

Inside Approach

RONNIE AVILA
Top 5 Strengths
- Includer
- Responsibility
- Restorative
- Adaptability
- Developer

JYPSY SIGALA
Top 5 Strengths
- Restorative
- Analytical
- Deliberative
- Discipline
- Learner

ADOLPH MICHEL
Top 5 Strengths
- Developer
- Adaptability
- Belief
- Woo
- Responsibility
Our Quality Partnership Drives Customer Engagement

Employee Engagement Model

- Basic Needs
- Management Support
- Teamwork
- Growth

Customer Engagement Model

- Confidence
- Integrity
- Pride
- Passion

Operational excellence and consistent delivery of brand’s promise
Unique experience, enhancing customer’s esteem
Fair treatment in business practice and unusual or problematic situations
Individualized relationships
Retaining a Qualified Workforce

Well Being

- On-site workout facility
- On-site trainers and nutritionist
- One on one fitness & nutritional consultations for all BPS associates, including all off-site associates
- Monthly Health Newsletters
- Quarterly wellness lectures & workshops
- Walking Club and Fitness competitions
Retaining a Qualified Workforce

Appreciating and honoring individual strengths:

• Maximizes team performance and productivity
• Reduces turnover
• Increases quality
Retaining a Qualified Workforce

Just some of the challenges faced by carpet manufacturers and recyclers in California: Challenges are opportunities to innovate and grow.

Strict air quality regulations
High cost of energy
High cost of landfill
Retaining a qualified workforce