California Carpet Stewardship Plan
Revised

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CARE California Carpet Stewardship Plan

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Executive Summary

The revised CARE California Carpet Stewardship Plan is submitted to fulfill part of the requirements of the California Carpet Stewardship Program (the 'Program'). AB 2398 is groundbreaking legislation that was signed into law on September 30, 2010. It is unique legislation, and the first of its kind nationwide for carpet stewardship. The legislation was negotiated and ultimately supported by legislators, California entrepreneurs, local governments, non-governmental organizations and the carpet industry.

AB 2398 designated the Carpet America Recovery Effort (CARE) as the Carpet Stewardship Organization for the carpet industry. The CARE California Carpet Stewardship Plan (Plan) is submitted, on behalf of the carpet manufacturers who are participating in the Plan, in compliance with AB 2398:

> *42972. (a) On or before September 30, 2011, a manufacturer of carpets sold in this state shall, individually or through a carpet stewardship organization, submit a carpet stewardship plan to the department*

As of December 1, 2013 there are seventy seven (77) mill participants in the Plan. Names of the participants can be found in Attachment II. CARE will provide any changes to the list to CalRecycle at least quarterly or as needed. A list of all manufacturers in compliance with AB 2398 is listed on the CalRecycle website, http://www.calrecycle.ca.gov/Carpet/ManufactList.pdf per statute.

Note that all numbers presented in this Plan are specific to carpet sales in California or post-consumer carpet diverted and recycled from California landfills, unless specified otherwise.

The time frame of the Plan is for the years 2011-2016. This time frame is appropriate because AB 2398 designates CARE as the Carpet Stewardship Organization for the industry until April 2015. AB 2398 stipulates that the carpet stewardship assessment will be $0.05/square yard until January 1, 2013. For purposes of this, the budget assumed the carpet stewardship assessment will remain at $0.05/square yard through 2016. Per statute, CARE has the ability to adjust the fee to adequately fund the Plan.

CARE will revise its stewardship Plan as needed to meet the goals of AB 2398. Results and progress will be reviewed quarterly. If the Plan is not progressing as expected, and not achieving the goals as identified in AB 2398, the Plan will be reviewed to determine if and how changes to the Plan should be made. This is an important element in any dynamic Plan. There has been considerable learning over the last nine quarters and these lessons learned are incorporated in this revised Plan.

While the Plan details fiduciary, financial, educational, and marketing strategies to accomplish the goals of AB 2398, it reflects decisions and choices among many potential strategies. It must be recognized that like any plan seeking to achieve ambitious stewardship targets, there are risks inherent in this Plan which must be balanced, such as whether it will be equally successful in achieving all goals within AB 2398 (e.g., increasing recyclability, incentivizing market growth of secondary products, increasing recycling output and recovery) simultaneously. Consistent with the statute, however, elements of this Plan are designed to further each of these principle objectives. Those responsible for the Plan intend to closely and diligently monitor the results and progress achieved in the market, and make changes needed to ensure that the Plan is meeting the needs, intent and expectations of AB 2398.

The Plan is designed to accept and manage all applicable post-consumer carpet (broadloom or tile, synthetic or wool) sold or shipped into the state of California as of July 1, 2011, regardless of polymer type or primary materials of construction.

The Plan specifies how the participants will meet the goals of AB 2398, including: to increase the recyclability of carpets, incentivize the market growth of secondary products made from post-consumer carpet, increase the recycling of post-consumer carpet, and increase the diversion of postconsumer carpets from landfills.

In just 5 short years, the Plan is expected to achieve a recycling rate (output) of 16% by 2016, which is 33% higher than the national goal of 12% agreed upon by the MOU Joint Committee in 2011. Given the status of current technology and the complexity of processing collected carpet materials to successfully yield reliable recycled output, only about half of all carpet initially diverted from landfills towards recycling efforts presently contributes to this final recycling rate output. Primarily, recycled output is limited to face fiber which can be readily sheered for high-value recycling, or full carpet shredding/grinding processes designed to capture higher volumes of lower-value fiber, which contain higher levels of contamination from non-fiber carpet components including latex glues and calcium carbonate filler. Non-nylon fiber types also present various levels of recyclability in the current marketplace. Thus, a 16% recycling rate output goal, currently represents a front-end gross recovery (collection) rate of roughly 32% of all carpet discarded annually in California. At this time CARE is diligently working to identify new technologies for the use of non-nylon materials and product outlets. Due to development, procurement, installation and start-up timing, a goal of 16% by 2016 is both ambitious, but also realistic. Once new technology and markets are in place, continued recycled output growth is expected. In anticipation of growth catalyzed by the new incentives and innovation, CARE has set an aspirational target of 24% recycled output by 2020. With current technologies and processes, this 24% aspirational goal would require an impressive level of participation by consumers over a relatively short timescale; diverting nearly ½ of all California discarded carpet to recycling collection programs in order to meet this goal. Potential recovery and recycling percentages attributable to various proposed activities described under this Plan are summarized in the detailed section containing summary Table V. Collectively, these activities each aim to contribute to achieving the goals set forth by this plan.

The proposed measures in this Plan will enable the management of post-consumer carpet in a manner consistent with the State's solid waste hierarchy and with AB 2398 requirements. With regards to solid waste management hierarchy, the Plan sets a priority on *carpet recycling*. Carpet recycling is emphasized in the Plan over source reduction with recognition that carpet manufacturers have the responsibility for the manufacturing of the products and have established their strategic objectives and programs to reduce the use of natural resources through a concurrent effort. Mills have made dramatic strides in reducing their environmental footprint over the last decade, with the average weight of carpet dropping 7% in 2012 to 4.2 pounds per square yard. Additional efforts are being taken by several manufacturers to increase pre-consumer fiber/yarn reuse, wastewater recycling, reduced use of adhesives and VOC glues, and other source reduction actions. The individual manufacturers report annually on progress on source reduction in their Annual Sustainability Reports. See the section on Source Reduction (page 22), for more information.

The opportunities for reuse exist primarily in carpet tile, and this is where we will focus our reuse efforts. Reusing carpet tiles can be very effective, especially carpet tiles that have not been used in high-traffic areas. See Reuse section (page 13), for more information.

For wastes that cannot feasibly be recycled (i.e., no outlets, negative economics, pieces too small to ID or process, contamination, etc.), the Plan includes the use of environmentally safe management (Carpet As Alternative Fuel (CAAF) or Cement kiln fuel/feedstock) of materials. Although included, presently little to no material is being sent to CAAF or Cement Kiln.

For purposes of this Plan, the emphasis is on carpet recycling into Type 1 materials (i.e., carpet fiber and backing to be recycled back into carpet, engineered resins, material for carpet cushion, and other consumer products) and Type 2 materials (i.e. carpet filler, primarily calcium carbonate, used as an ingredient in carpet and as a non-functional filler). After 9 quarters of operations under the Plan, Type 1 materials now account for >98% of recycled output from post-consumer carpet diversion in the State of California.

The Plan is focused on finding new technologies and market outlets for all recycled materials in order to increase the percentage of recycled output and close the gap between initial gross collection and recycled output. For example in 2012, the gross collection of discarded carpet totaled 112M pounds, which represents approximately 31% of all discarded carpet. This is an outstanding result at this early stage of program implementation. Additionally, about 32% of the 112M of gross collected carpet were converted into recycled output. Therefore, not only do we want to grow diversion, but the bigger opportunity is to increase the percentage of diverted material that is transformed into recycled output (yield) through new technologies and market outlets for ALL carpet fibers/materials. CARE believes a major opportunity for the carpet recycling industry is to increase the utilization of post-consumer polyester (PET) carpet fiber, an ever-increasing fiber source in carpet. See Growth and Development Incentives for more information.

The Plan seeks a balance between incentives to processors, which "push" product into the market, and via market development and growth, which "pulls" product through increasing production and usage of secondary products.

The Plan is designed to grow the market-based solutions for carpet recycling in California in two ways:

1. By incentivizing the processors who separate post-consumer carpet into materials that can be manufactured back into consumer products such as carpet, carpet cushion and engineered resins used in making plastic parts and other consumer products. The Plan relies on carpet recycling businesses and other entrepreneurs to collect, sort and process the post-consumer carpet. As of September 2013, there are approximately 20 California businesses, which employ approximately 182 Californians to perform these functions. There are also processors in other states who currently take and process post-consumer carpet diverted from California landfills.

2. Support technology and product market development that utilizes post-consumer carpet recycled output in new products by:
    a) Identifying existing recycled carpet products, determining available markets for those products, providing the producing companies general assistance as needed to develop and use sales and marketing tools, i.e., collateral material, testing for code compliance, and web site assistance.
    b) Assisting companies in identifying alternative uses for existing products, i.e., feedstock conversion.
    c) Seeking market opportunities for new product development and provide general technical and marketing assistance to companies as needed.
    d) Developing an outreach and education presentation to be made to target buying audiences on behalf of the recycled carpet industry, the State being a prime target.

Based on 9 quarters of data and considerable experience gained in administration of the Plan, CARE has outlined a number of new program initiatives to increase both landfill diversion and recycled output which may be summarized as follows (see Details section starting on page 31 for a full description of these initiatives):

1. The initial Type 1 and Type 2 subsidy payout program remains unchanged
2. A new 10 cent/lb. growth incentive for pounds above a target volume for Type 1 materials
3. A new 12 cent/lb. incentive paid to Tier 2 manufacturers (next step in supply chain) for non-nylon Type 1 materials used in products
4. Hiring a California based CARE resource to work on the Plan
5. Offer a major grant to a CA based University to study non-nylon outlets
6. Support market development, sales, marketing, and promotion
7. Increase program participation through outreach and educational materials, promotions and activities
8. Work with CalRecycle to develop similar grant programs to encourage recycled product use in public entities, i.e., modeled after such concurrent programs as Rubberized Asphalt Concrete (RAC), Tire-Derived Aggregate (TDA), and Tire-Derived Product (TDP) grants.

Based upon counties served and county populations, it is estimated by the carpet recycling companies currently operating in California that carpet recycling is accessible up to 98% of the California population in 2012. Based on the analysis of the Rural Counties Pilot program, there is no reason why this percentage will not be maintained or increased through the incentive program. Expansion of rural county coverage is set through 2015.

The Plan is not designed to cover 100% of the cost of carpet recycling; the Plan is an incentive-based program to grow the amount of recycling of carpet diverted from California landfills, per the requirements of AB 2398.

The Financing Mechanism within the Plan pays for output. The Plan pays a premium for Type 1 (higher value) recycling materials versus Type 2 recycling materials. Some of the funds are used for wastes that cannot be feasibly recycled (i.e., CAAF and Cement kiln fuel/feedstock) and there is a 15% cap on the funds for this application. These applications are described in more detail in the Plan. The Plan allows additional options for payout based on market dynamics and to incentivize market, product and process development.

Note that CAAF is not a type of recycling but it is a type of diversion that enables higher levels of carpet recycling. See Environmental Impact section for more information on CAAF.

It is estimated that about $20 Million will be collected from 2013 - 2016 through assessments under the current fee structure. By 2016, it is expected that >$21 Million or nominally 85% of all the collected Stewardship Assessments will be distributed to qualified recipients; ~15% will be used for Administrative fees and any remainder will be in Unused Funds to ensure fund viability quarter to quarter.

Unused funds are what remain after all funds are distributed to qualified recipients, and administrative fees are paid out, serving as a small fund reserve as participation in incentives varies over time. As the amount of output increases over time, the amount of unused funds will reduce. It is expected that unused funds may continue to build until the new incentive payout options are fully implemented.

By 2016, it is estimated that Type 1 and Type 2 recycled materials will receive 98% of the funds distributed to qualified recyclers (this does not include Tier 2 manufacturers). The Plan does not forecast any significant use of CAAF through 2016, due to current market demand for other fuels such as natural gas. It is estimated that cement kiln fuel feedstock will receive less than 3% of the funds distributed to qualified recipients, which is well below the 15% cap or limit on the CAAF/Cement Kiln category.

The Plan utilizes a multifaceted approach to take advantage of opportunities to educate via outreach to engage consumers, commercial building owners, carpet installation contractors and retailers, per AB 2398, to increase participation, collection, diversion and recycling of post-consumer carpet. Education and outreach efforts are detailed further in the Plan and include updating of CARE web site, www.carpetrecovery.org, which currently has sections devoted to each of the major stakeholder groups; ongoing campaigns with the trade press that reaches building owners, carpet installation contractors and retailers; ongoing presentations and updates face to face and via webinars, emails and letters to stakeholder groups, engagement of state, regional and local governments, planning/building departments, solid waste management agencies and haulers, rural counties, and non-governmental organizations; continuously supplying materials such as signage, brochures and window clings to retailers; and seeking out opportunities to secure earned media through interviews with consumer and news media including web, radio, and press. A special emphasis will be placed on reaching State Agencies and other public entities with recycled product purchasing preferences. This plan strikes a balance between push—through process incentives, and pull—through market development. It trends toward more product specific market development as new products and applications are brought on line. Collaborative efforts with CalRecycle, the DGS and other state agencies are one important key to sustainable recycling product growth.

For purposes of the Stewardship Plan, CARE employs the services of an independent certified public accounting firm. The roles and responsibilities of the independent accounting firm are stipulated in Section 13 of the Plan, Audits.

Details

1. CARE California Carpet Stewardship Plan

California Carpet Stewardship Legislation:

California Assembly Bill No. 2398 Chapter 681 2010 (the 'Legislation) was signed into law on September 30, 2010. Section 42972, in part states:

(a) On or before September 30, 2011, a manufacturer of carpets sold in this state shall, individually or through a carpet stewardship organization, submit a carpet stewardship plan to the department that will do all of the following:

(1) Achieve the purposes of this chapter, as described in Section 42970, and meet the requirements of Section 42975.
(2) Include goals that, to the extent feasible based on available technology and information, increase the recycling of postconsumer carpet, increase the diversion of postconsumer carpets from landfills, increase the recyclability of carpets, and incentivize the market growth of secondary products made from postconsumer carpet. The goals established in the plan shall, at a minimum, be equal to the goals established in the 2012 CARE MOU, if it has been adopted at the time the plan is submitted to the department.
(3) Describe proposed measures that will enable the management of postconsumer carpet in a manner consistent with the state's solid waste management hierarchy, including, but not limited to, source reduction, source separation and processing to segregate and recover recyclable materials, and environmentally safe management of materials that cannot feasibly be recycled.
(4) Include a funding mechanism, consistent with subdivision (c), that provides sufficient funding to carry out the plan, including the administrative, operational, and capital costs of the plan, payment of fees pursuant to Section 42977, and incentive payments that will advance the purposes of this chapter.
(5) Include education and outreach efforts to consumers, commercial building owners, carpet installation contractors, and retailers to promote their participation in achieving the purposes of the carpet stewardship plan as described in paragraph (1). These education and outreach materials may include, but are not limited to, any of the following:

(A) Signage that is prominently displayed and easily visible to the consumer.
(B) Written materials and templates of materials for reproduction by retailers to be provided to carpet installation contractors and consumers at the time of purchase or delivery or both.
(C) Promotional materials or activities, or both, that explains the purpose of carpet stewardship and the means by which it is being carried out.

(6) Include a process by which the financial activities of the organization or individual manufacturer that are related to implementation of the plan will be subject to an independent audit, which may be reviewed by the department.

(b) The plan prepared pursuant to this section shall be designed to accept and manage all suitable postconsumer carpet, regardless of polymer type or primary materials of construction.

2. Contact information of the corporate officer responsible for the CARE California Carpet Stewardship Plan

(A) Contact Name: Robert Peoples, Ph.D.

(B) Title: Executive Director, Carpet America Recovery Effort

(C) Name of Company or Stewardship Organization: Carpet America Recovery Effort (CARE)

(D) Mailing address and physical address: 100 South Hamilton Street, Dalton, GA 30720

(E) Phone number: 706-428-2127

(F) E-mail address: bpeoples@carpetrecovery.org

(G) Web address: www.carpetrecovery.org

(H) Location and custodian of records: See (C) and (D) above

3. Carpet Stewardship Organization and Participants in the CARE California Carpet Stewardship Plan

AB 2398 stipulates:

> *The bill would require, until April 1, 2015, the Carpet America Recovery Effort (CARE), a 3rd-party nonprofit carpet stewardship organization, to serve as the carpet stewardship organization and would allow, on and after April 1, 2015, a carpet stewardship organization appointed by one or more manufacturers, to submit a plan.*

CARE is a 501(c)3 organization, which began in 2002 as a result of a Memorandum of Understanding (MOU) for Carpet Stewardship signed by stakeholders including members of the carpet industry, government representatives, NGOs, and entrepreneurs. For more information on CARE, please go to www.carpetrecovery.org.

CARE is the facilitator and networker for the market-based post-consumer carpet recycling system in place across the United States. CARE actively supports its members (entrepreneurs, carpet industry, government entities and non-governmental organizations) to achieve its mission. The mission of CARE is to facilitate the carpet industry-led initiative to find market-driven solutions to the diversion of post-consumer carpet from landfills to meet time sensitive goals.

The CARE Board of Directors (BOD) includes 19 members. CARE BOD members are unpaid and are a multi-stakeholder group consisting of members of the carpet industry, entrepreneurs, government representative, members of the plastics industry, and suppliers to the carpet industry. See Attachment I for a list of the CARE Board of Directors.

CARE California Carpet Stewardship Plan Participants: As of December, 2013, 77 carpet manufacturers are participating in the CARE Stewardship Plan. See Attachment II for participants in the CARE Stewardship Plan. The official list of registered Plan participants is posted on the CalRecycle web site, http://www.calrecycle.ca.gov/carpet/ per statute. The location and custodian of records for the manufacturers can be found using the company address. CARE submits updated and detailed contact information to CalRecycle for all registered mills on a regular basis (typically quarterly).

4. Scope of the CARE California Carpet Stewardship Plan

The program described in the CARE California Carpet Stewardship Plan is:

(A) Designed to accept and manage all applicable post-consumer carpet, regardless of polymer type or primary materials of construction.

(B) The stewardship plan submitted follows the standard outline (see §18942 Stewardship Submittal Instructions).

For purposes of the CARE Stewardship Plan, definitions are included in AB 2398, and in the Product Stewardship for Carpet Regulations (November, 2011), with some revisions. See Attachment III for definitions.

Background on Carpet Recycling

In order to put the Plan in perspective for the reader who may not be familiar with carpet recycling, here are some important points about carpet recycling and the challenges and opportunities it presents to those in the business of carpet recycling:

- Carpet is made up of several components: face fiber, primary and secondary backing, adhesive system, and filler.
- The highest value component of carpet is the carpet face fiber. Carpet face fiber is made from several different synthetic polymers (e.g., Nylon 6, Nylon 66, Polypropylene, and Polyester (PET), Wool (a natural fiber) and combinations of polymers.
- Carpet recycling businesses separate the fiber from the carpet backing, process the fiber, and sell the processed fiber to a manufacturer who incorporates the processed material into consumer products.
- There are differences in the value of the polymers used to make the carpet fiber, i.e. Nylon 6 and Nylon 66 have higher value today, compared to other polymer types. The demand and supply dynamics can and have changed over time and are closely monitored by carpet recycling businesses.
- Carpet fiber is ranges from 25-40% of the total composition of the carpet.
- Residential carpets tend to have higher face weights (35-40%) of fiber than commercial carpets (25-30%). Thus, carpet recyclers prefer residential carpet, because they can harvest more fiber by weight from residential carpet than from commercial carpet.
- The remaining 65-70% of the carpet has very low or no value in the marketplace. Note that carpet filler (primarily calcium carbonate) can be separated and sold in the market; however its value in the market is severely limited by the cost/price of virgin filler material (typically 1-1.5 cents/lb. delivered).
- Carpet backing, primarily from commercial carpet tiles, is also recycled.
- Thus, the total opportunity for carpet recycling is a function of the components of the carpet, their ability to be processed and their value in the market.
- Today, it is estimated that up to 30-40% of a post-consumer carpet, by weight, can be cost-effectively recycled. The remaining materials currently have little or no value in the market.

5. Performance Goals and Activities

AB 2398 provides:

> *Include goals that, to the extent feasible based on available technology and information, increase the recycling of postconsumer carpet, increase the diversion of postconsumer carpets from landfills, increase the recyclability of carpets, and incentivize the market growth of secondary products made from postconsumer carpet. The goals established in the plan shall, at a minimum, be*

equal to the goals established in the 2012 CARE MOU, if it has been adopted at the time the plan is submitted to the department.

1. Increase the recyclability of carpets

Performance Goals: Improving recyclability of carpets includes the ease by which carpets can be recycled (accessibility to recycling and processing facilities), and the ease by which carpets can be separated into component parts to be recycled (processing technology). Rather than setting a quantitative goal, the CARE goal will be to identify, qualify and report on all technologies that significantly improve the ability for carpet to be recycled.

1. CARE will aid in development of technology to recycle more of the carpet components, such as the work that was previously accomplished with fiber identification technology.

2. CARE will work to identify new technologies, equipment for processing and product outlets for the recycle of post-consumer carpet.

3. CARE will continue to work with the carpet recycling industry to identify ways to increase the amount of PET carpet that can be recycled. CARE will further expand our efforts to utilize this polymer with manufacturers, entrepreneurs, universities and other research institutions to develop new technologies, new product developments and market outlets.

4. CARE will provide general assistance to help grow market awareness and develop new secondary products. This will be accomplished through the annual CARE Conference, Entrepreneur meetings, speaking opportunities, publications, blogging and attendance at industry and government conferences.

CARE has previous experience in working with industry and suppliers to improve the recyclability of carpet. For example, CARE worked extensively with the carpet recycling industry suppliers to develop fiber identification technology, using infrared (IR) technology. This new technology allows for carpet to be rapidly and efficiently separated by polymer type, thus significantly reducing the time needed for identification. Further, the IR-based fiber identification technology greatly improved the reliability of fiber identification. The technology is more rugged and portable (user friendly) than previous alternatives. CARE is continuing to explore lower cost ID technology.

CARE will also update its estimate on the percent of carpet that is recyclable. For example, as technologies develop to capture and purify the fiber that remains in the carpet carcass, CARE will track and report this improvement. CARE has also begun to track the amount of recovered carpet that is ultimately sent to the landfill (either PCC or as process waste).

Description of how these goals will be achieved:

CARE will manage a market driven set of efforts designed to pull product through demand achieved by targeted outreach and education to potential buyers via the following approaches:

- CARE has implemented new incentive programs to drive an increase in carpet landfill recovery, output of Type 1 pounds and use of Type 1 pounds in final

products. Details may be found in the **Growth and Development** section of this Plan (page 31). CARE will review program progress quarterly and will make modifications as necessary.

- CARE will continue to publish quarterly results in an easy to understand graphical format which also highlights trends.

- CARE will publish best practices for the recycling of carpet in the CARE Annual Report. Each year, carpet manufacturers report their progress and results for increasing sustainable practices to CARE. CARE publishes these results in the Carpet Industry Initiatives section of the CARE Annual Report. The CARE Annual Report will include a separate section for California results, as required by AB 2398. As such, it is expected that the integrated document will inform and enhance each other.

- CARE will continue researching recycling innovations from other industries and how to apply to carpet recycling. CARE offers speaking opportunities for academia to present their research results on carpet recycling at the CARE Annual Conference.

- CARE will monitor and search on publicly available carpet recycling research studies over the previous year, and track the trend lines.

- CARE will report annually on the number of collection, sorting and processing facilities available for post-consumer carpet discarded in the state of California and track and report on the trends and changes in this data.

- CARE will monitor and report on how the AB 2398 subsidy funds are spent and invested by member companies. Reporting will be on an aggregate basis and not discuss individual company business information.

- CARE will provide education and materials to DGS in support of statute mandated revisions to relevant procurement rules to ensure post-consumer carpet is removed from state buildings for recycling and/or management in a manner consistent with this bill.

- CARE will provide outreach and education to retailers, installers and local agencies to raise awareness and increase participation consistent with and supporting the 75% goal of AB 349.

2. Incentivize the market growth of secondary products made from post-consumer carpets.

Performance Goals: Increase the volume of secondary products made from post-consumer carpet by at least a percentage equal to or greater than the growth in carpet recycling.

Description of how these goals will be achieved:

- CARE will annually survey all manufacturers of secondary products to quantify volumes of new products.

- CARE will promote secondary products made with post-consumer carpet on its web site and its outreach efforts.

- CARE will publish a list of secondary products on its web site. This list is updated periodically and includes contact information for the purposes of marketing these innovations.
- CARE will continue to feature secondary products at tradeshows and meetings such as the CARE Annual Conference, Entrepreneur Conferences, and plastic industry events.
- CARE will work with State agencies such as CalRecycle and DGS to include recycled carpet content products as a SABRC category leveraging the findings and recommendations of the statute specified DGS study regarding State carpet purchase specifications. CARE will work with Caltrans to find needs that existing carpet recycled products can fill and thus to enhance procurement of products containing post-consumer carpet. This is seen as a critical element to successful growth of the program and meeting Plan goals.
- CARE will prepare an outreach and education presentation and/or other materials that include visuals of recycled products in use. Materials will be made available on behalf of the industry to targeted buying audiences, beginning with State agencies and public entities.
- CARE will work with CalRecycle to explore development of incentive grants to purchasing entities for including recycled carpet products in their projects, modeled off other similar efforts such as the tire program.
- Note that CARE has included in its sustainability funding guidelines that a portion of the Fund available for payment may be allocated specifically as a "Discretionary Incentive Fund" to be paid to incentivize those activities deemed to be innovative and breakthrough technologies or product development, and/or have demonstrated exceptional performance toward achieving the goals of AB2398. The portion or percentage of the Fund for this purpose will be re-evaluated over time.

3. Increase the reuse of post-consumer carpet.

Performance Goals: In 2013, respondents to the 2012 CARE Annual Survey reported that approximately 351 million pounds of post-consumer carpet had been diverted from the nation's landfills and 294 million pounds was reused and recycled. The goals for 2011-2016 will be to increase the reuse of post-consumer carpet equal to or greater than the percentage increase in recycling post-consumer carpet if proven feasible.

The opportunities for reuse exist, primarily in carpet tile, and this is where CARE will focus our efforts. Reusing carpet tiles can be very effective, especially carpet tiles that have not been used in high-traffic areas.

The reuse of broadloom carpet is challenging, because it is customized (cut to size) and when ripped out, this carpet is often very dirty. Refurbishing and cleaning dirty broadloom carpet presents significant health and safety issues. For these reasons, cleaning and refurbishing broadloom carpet can be challenging, and the opportunity to reuse post-consumer broadloom carpet is limited and will have no material impact on landfill diversion. Note that when consumers reuse carpet, CARE will not be able to track that activity.

Description of how these goals will be achieved:

- CARE will annually survey all collectors and recyclers of California post-consumer carpet and quantify the amount of carpet that is recycled and reused.
- CARE will work with recyclers to reach out to charitable organizations, such as Resource Centers, Habitat for Humanity, and others to increase reuse of carpet in these outlets, as an important element of promoting reuse as part of the waste hierarchy.
- California also has information on where to take carpet for reuse: http://www.calrecycle.ca.gov/FacIT/Facility/Search.aspx http://www.calrecycle.ca.gov/ConDemo/Recyclers/RecyclerSearch.aspx
- CARE will promote the value of reusing carpet on its web site and its outreach efforts, such as in the Carpet and Rug Institute (CRI) online blog, articles and within presentations. CARE tracks all articles and reports on the coverage quarterly. For those who are interested in signing up for the CRI blog, please click on this link: http://www.carpet-and-rug-institute-blog.com
- CARE with work with DGS to promote appropriate reuse strategies among state agencies in a manner consistent with the Plan.

4. **Increase the diversion and recycling (output) of post-consumer carpet.**

AB 2398 and the regulations provide that:

The goals established in the plan are at a minimum equal to the goals established in the CARE MOU, while recognizing the current recycling infrastructure and capacity in California is higher than the nation, and estimating changes in market conditions, and anticipating recycling infrastructure and capacity in California.

Performance Goals: See Table V for a forecast of gross recovery and recycling output goals. Note a recycle output rate of 16% by 2016 assumes an estimated required gross recovery (collection) rate of 2x or more, or approximately 32+% front-end collection.

Note: In August 2011, the MOU Joint Committee 2012 agreed to suspend negotiations for a new MOU and issued a report (see footnote 1, page 16). In the report issued by the MOU Joint Committee, the Committee established a goal of 12% post-consumer carpet recycling (output) by 2016. The goals for California are higher than the US goals. See bullet point 4 below.

- The timeframe of the California Carpet Stewardship Plan is 2011-2016. This updated Plan now includes actual results from Q3 2011 through Q3 2013 since the law was put into effect July 1, 2011. Further:
- AB 2398 stipulates that CARE will be the Carpet Stewardship Organization (CSO) for the carpet industry until April 1, 2015. Since CARE began as CSO in 2011, the Plan extends from 2011- 2016, which gives a full 5 year perspective.
- AB 2398 stipulates that the Carpet assessment will be $0.05/square yard until January 1, 2013. For purposes of this Plan, we assumed that the assessment would remain at $0.05/square yard through 2016.
- The goals of the Plan exceed the national goals outlined in the MOU 2012 Joint Committee Report, which was 12% recycling (output). It is expected that this Plan will achieve a 16% carpet recycling (output) by 2016 for California. This level of recycling will

represent a 33% increase over the proposed recycling rate in the 2012 MOU Joint Committee Report. Given the status of current technology and the complexity of processing collected carpet materials to successfully yield reliable recycled output, only about half of all carpet initially diverted from landfills towards recycling efforts, presently contributes to this final recycling rate output. Primarily, recycled output is limited to face fiber which can readily sheered for high-value recycling, or full carpet shredding/grinding processes designed to capture higher volumes of lower-value fiber, which contain higher levels of contamination from non-fiber carpet components including latex glues and calcium carbonate filler. Non-nylon fiber types also present various levels of recyclability in the current marketplace. Thus, a 16% recycling rate output goal, currently represents a front-end gross recovery (collection) rate of roughly 1/3 (32%) of all carpet discarded annually in California. At this time CARE is diligently working to identify new technologies for the use of non-nylon materials and product outlets. Due to development, procurement, installation and start-up timing, a goal of 16% by 2016 is both ambitious and realistic. Once new technology and markets are in place, continued output growth is expected. However, in anticipation of growth catalyzed by the new incentives and innovation, and new recycler entries in the State, CARE has set an aspirational target of 24% by 2020 (see next bullet). With current technologies and processes, this 24% aspirational goal would require an impressive level of participation by consumers over a relatively short timescale; diverting nearly ½ (approximately 48%) of all California discarded carpet to recycling collection programs in order to meet this goal.

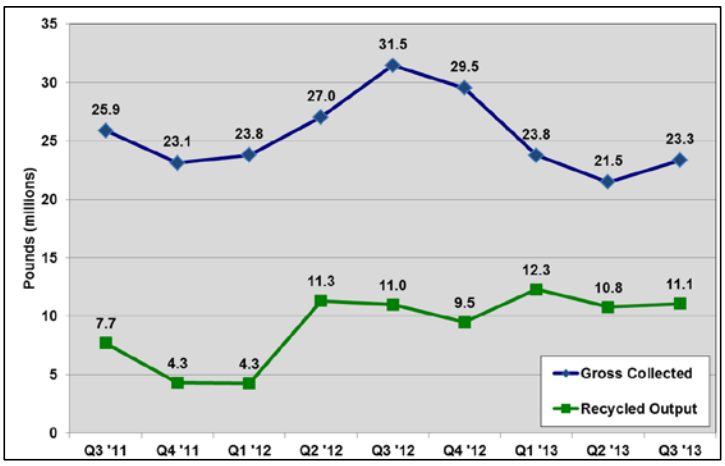
- CARE can envision a path to a higher goal level if certain conditions are met. A recycled output goal of 24% by 2020 is realistic if the following criteria follow:
    1. The macro U.S. economy growth accelerates with no setback between now and 2016.
    2. Non-nylon focused efforts result in new outlets coming on line by mid-2015 at the latest that can recycle a minimum of 5M pounds per quarter. (This represents a 50% increase vs. what is being done mid-2013.)
    3. Three (3) new PCC processors with total 24M PPY annual output come on line by mid-2015.
    4. Collector's data becomes included in quarterly reporting and equating to minimum 25% jump in collected pounds as reported by processors and using Q2 2013 as base*. (This represents an additional collection of about 5M pounds per quarter.)
    5. CA State government agencies procurement enables 20M pounds annual consumption of PCC content products by year-end 2015 (e.g., carpet, pad, decking, GeoHay, signage, or other products).
    6. CalRecycle will provide verification data on CA State government procurement showing meaningful and continuous progress in purchases of PCC content products.
    7. CalRecycle works with CARE to assist the accelerated approval for permits for kilns and CAAF outlets and non-mixed PCC waste.

    * The base of 2Q 2013 was chosen since we have some verbal indication of non-reporting in this timeframe. SPC discussions are underway for how to enable participation by collectors to add to the database.

After nine quarters of operation good progress has been made in recycle output despite the loss of two significant California based recycle operators in 2013. These data are summarized below in Figure 1. Trends for both metrics show an increasing slope and this is more important than quarterly fluctuations, which tend to be tied to seasonal selling of carpet and hence associated rip out. It should be noted that replacement represents the vast bulk for carpet flow to landfill. Also worthy of note is that there are collectors who do not participate in the subsidy program and thus do not report

their collection numbers to CARE. Preliminary estimates indicate that such non-reported collections could equate to a significant additional portion (estimated ca. 20% or more) of carpet collected each quarter. The opportunity remains to increase the recycled output (yield) from all diverted material.

Figure 1
Actual Recovered and Recycle Output Trend Chart*
July 2011 - September 2013



* Note: The significant drop from Q2-Q4 2012 was associated with a Type 2 outlet that was not proven viable in this time period.

Comparison of Forecasts to Proposed MOU 2012 Goals[1]

AB 2398 Section 42972 provides:

> *The goals established in the plan shall, at a minimum, be equal to the goals established in the CARE MOU, if it has been adopted at the time the plan is submitted to the department.*[1]

Please note that there is no MOU 2012. However, there is a MOU 2012 Joint Committee Report. The goals of the Plan exceed the national goals outlined in the MOU 2012 Joint Committee Report, which is 12% recycling (output). It is expected that this Plan will achieve a 16% carpet recycling (output) by 2016 for California. This level of recycling will represent a 33% increase over the proposed recycling rate in the 2012 MOU Joint Committee Report. In anticipation of growth catalyzed by the new incentives and innovation, CARE has set an aspirational target of 24% by 2020.

Description of how these goals will be achieved:

- As the resource for the carpet recycling industry, CARE educates its members and interested parties on carpet recycling (see Education section for more information on communication and education outreach), as well as provides

[1] The MOU 2012 Joint Committee suspended negotiations in August, 2011. A written report was unanimously agreed to by the MOU Joint Committee, and was issued in September 2011. Copies of the report may be obtained from CARE. Elements of the written report such as definitions and goals for 2012-2016 informed the CARE California Carpet Stewardship Plan.

resources to those entrepreneurs who are actively involved in or who are considering carpet recycling in the state of California.

- Incentives from the Stewardship Plan will be used to support the market-based solutions for growing and expanding carpet recycling in California. See funding mechanism for more information on incentive payment and financial management.

- CARE will track both diversion and recycling (output) from recycling facilities and will report on changes annually in the CARE Annual Report to CalRecycle.

- The industry will report on diversion and recycling activities.

- The industry will work in collaboration with carpet recyclers to expand opportunities to collect and process post-consumer carpet that is diverted from California landfills, including expanding outlets for consuming output, as a result of AB 2398.

- Increases in diversion will likely arise from:

    - Expanded opportunities for discarded carpet to be diverted, specifically for recycling, through access to convenient diversion and education.

    - The Plan includes environmentally safe management of materials, such as CAAF, kilns or WTE that cannot feasibly be recycled. (See Waste Management Hierarchy and Financing Sections). A higher portion of post-consumer carpet diverted will be recycled instead of used for CAAF or WTE as other end uses increase and driven by sound economics.

    - Post-consumer carpet materials, such as separated fiber, are more valuable if there are increases in oil prices. Thus, diversion and recycling activities are expected to increase if oil prices increase significantly over $100/barrel. Conversely, low oil prices and/or a weak economy place downward pricing pressures on recycled post-consumer carpet materials and can adversely impact both recovery and recycle output. To state the obvious, CARE has no control over such macroeconomic factors.

    - Higher solid waste disposal tipping fees will drive new recycling activity.

    - Increases in new program activities, (e.g., increases in demand for products with recycled content, increases in demand for lower cost raw materials such as nylon, other plastics, etc.), development of new recycling facilities, entrepreneurial activities and improvement in technology efficiencies will help drive more input at recycling facilities.

Today, it is estimated that up to 30-40% of residential nylon carpet, by weight, can be cost-effectively recycled. The remaining materials have little or no value in the market.

- Increases in **recycling output** will likely arise from:
    - Market and demand growth fueled by CARE assistance to companies and industry wide outreach and education.
    - CARE focused initiatives on non-nylon materials.
    - Cleaner carpet feedstock to recycling facilities and better technology for utilizing the carpet going into recycling facilities will evolve over time, in other words the current 30-40% efficiency should increase over time for the oil-based components.
    - Improved recycling equipment technologies
    - New recycling technologies and products
    - AB 2398 will drive increases in recycling output

Methodology Used for Estimating the amount of carpet available for diversion in California for the year 2011 and beyond

Starting July 1, 2011, carpet manufacturers began documenting the exact sales in square yards sold or shipped into the state of California. Thus, starting July 1, 2011, the Plan has actual data on sales into California, and will use data as the "S" value (Sales) in the formula below.

The methodology used to calculate the amount of carpet available for discards in California is based on the methodology in the MOU 2012 Joint Committee Report. NOTE: The formula has been updated, revised and reviewed by CalRecycle in the fall of 2012 based on data collected during the first four quarters of actual program operation.

The purpose of the methodology is to be able to update the discards on an annual basis, using actual sales, upgraded by factors that influence the calculation. Those factors include changes in imports/exports, percent of the market that is replacement, average weight per square yard, and demolition. Following is an overview of the methodology.

Carpet Available for Diversion in California (Discards)

The CARE AB 2398 Stewardship Plan provides a strong and accurate mechanism to generate the numerator of California's % carpet landfill recovery and % carpet recycling output values. These values come from the quarterly reports generated by each recycler. Processors are audited against the Agreed Upon Procedures (AUP) on a regular rotating basis.

CARE acknowledges that the denominator portion of the % recycling equation has several, less precise methods of estimating its value. In fact, regardless of which method is used to estimate the amount of potential discards available from California landfills, numerous assumptions must be made to arrive at a number.

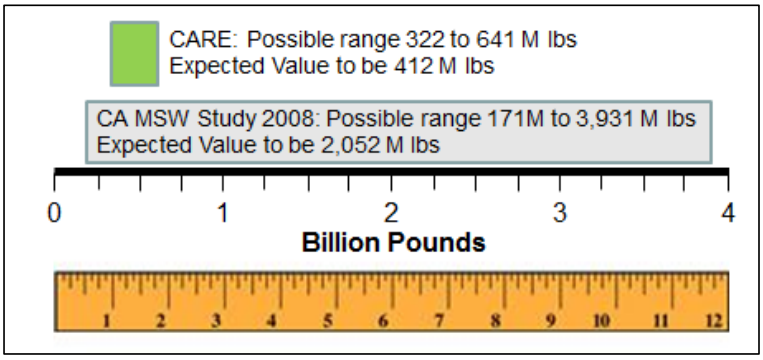
One method considered to estimate the discards includes the California Solid Waste Study, which is conducted every four to six years. The independent firm, Cascadia Consulting Group, conducted this study. This statistical study, conducted in 2008, resulted in a wide error range. Estimated annual disposal in California was 2.0 billion pounds with an error range from 171M to 3.9 billion pounds. CARE has determined that such a wide estimate is not useful in tracking growth of recovery of post-consumer carpet from California landfills. Figure 2 helps put the range difference into graphical perspective for the expected annual discards of post-consumer carpet in California.

Another method of estimating the discards of carpet involves the use of industry numbers of material produced and sold in California each year. This number is quantitative and accurate. Now that AB 2398 has been in force for more than nine quarters, industry tracking of shipments of new carpet into California allow for a much more precise estimate of discards. This is the CARE Denominator method and it is explained below.

It should be noted that neither method for denominator calculation is considered absolute as both methods are estimates and dependent upon the data reported. CARE acknowledges that some exports occur outside the CARE system and are not reported. This results from collectors who are not part of the subsidy program and thus have no incentive to report data. It is known that a portion of their collections are shipped outside the United States. CARE is looking at ways to enroll this segment of collectors to improve tracking and reporting measurements. However, CARE believes it is best to establish a set defined method and reference by which growth and trends in the recycling rate can be measured, which is the most important outcome. The Plan will demonstrate growth in both recovery of PCC from California landfills (gross recovered carpet) collected, as well as the

conversion of collected PCC into useful products (recycled output). Future work will involve a continued look at refining methods of estimating the denominator, but until that time CARE will use the following denominator estimate.

Figure 2
Estimated Precision Range of CARE Denominator Method



CARE has engaged Market Insights/Torcivia (Reading, PA) as an independent source of market data and analysis. The following Table I illustrates the type of information supplied by Market Insights as derived by analysis of U.S. and CA markets. Torcivia sources data for its calculations from U.S. Census market & economic databases and IHS Global Insights forecasts of this market & economic data. California calculations are derived from U.S. Census data for the state and are forecasted by Woods & Poole Economics and the National Association of Home Builders (NAHB) in the case of housing starts.

Table I
Example of Independent Market Information

	Total U.S. Overall Market				U.S. Market Segments				California Market Segments				Miscellaneous Data	
	Dollar Value Consumption (at mill-sell)				Dollar Value Consumption (at mill-sell)				Dollar Value Consumption (at mill-sell)				Demolition Rates	
Year	Ships. By U.S. Mills	Exports	Imports	Apparent Consmp.	Total	Resd'l Replace.	New Resd'l	Comm'l	Total	Resd'l Replace.	New Resd'l	Comm'l	Resd'l	Comm'l
	($, MM)	($, MM)	($, MM)	($, MM)	($, MM)	($, MM)	($, MM)	($, MM)	($, MM)	($, MM)	($, MM)	($, MM)	%	%
2002														
2003														
2004														
2005														
2006														
2007														
2008														
2009														
2010														
2011														
2012														
2013														
2014														
2015														
2016														

Note: Table contains proprietary and copyright protected data which has been redacted.

Formula Used for Calculating the Carpet Available for Diversion in California (Discards)

Discards = (((Sales * R)* P) + D)

The factors used to calculate the amount of carpet available for diversion include:

S= Carpet Sales into California for the reporting period (square yards)

i. Sales Data beginning with the 3rd quarter of 2011 comes from the independent accounting firm who is collecting the confidential sales data from the carpet manufacturers registered with CARE. This data drives the future forecasts for 2013-2016, presented in the current Plan.

ii. Sales data for 2011 and beyond come directly from the manufacturers reporting to CARE on all carpet sold or shipped to the state of California. Future forecasts will be updated with the actual sales data after 2013. The updated forecasts will be supplied to CalRecycle as part of the Annual Report.

R= Percent of carpet that is replacement, or carpet replacing existing carpet. Replacement carpet is the carpet destined for the landfill. (This data will be supplied by an outside market research firm). The carpet industry has worked with Torcivia Market Insights to quantify the replacement rate to be 85% currently.

P= Average weight of carpet per square yard. In 2012, the average weight was 4.2 pounds/square yard and this number was reconfirmed in 2013. (Raw data was supplied by the industry and analyzed by CARE. Weighted averages of carpet weights of broadloom and tile used in the commercial and residential sectors were calculated.)

D= Pounds of carpet from demolition projects not replaced (this data is supplied by outside market research firm.) In 2012, the weighted demolition rate (85% residential and 15% commercial) was estimated at 0.34%, (estimated provided by Torcivia Market Insights). D is converted to pounds by multiplying the percentage by the product of Sales x R x P.

Note that the term demolition represents the teardown of a building. There is no easy way to know the actual square yards of carpet coming out of such a process. By assuming the actual demolition rate obtained from Marketing Insights/Torcivia we are likely overestimating the total volume of carpet sent to landfill. However, this is a tiny fraction (~1%) of the overall amount and does not significantly alter the flow.

Deselection is a separate element of the PCC flow to landfill. CARE does not currently have an independent estimate of this parameter. However, it is also believed to be very small. CARE will work to develop a more quantitative estimate of deselection in 2014.

Application of the formula to generate discards is shown in the following example using actual data from Q2 2013 and rounded for clarity.

Discards = (((Sales * R)* P) + D)

Sales Q2 2013: 25.4 million square yards

Discards = (25.4*0.85*4.2) = 90.7 + D

where D = 90.7*0.0034 = 0.31 million pounds

Thus, Discards = 90.7 + 0.3 = 91.0 million pounds in Q2 2013

CARE firmly believes this approach to calculation of recovery and output allows accurate tracking and meets the spirit of measuring continuous and meaningful progress (PRC section 42975(a)).

NOTE: The Plan assumes the market share of soft floor covering (carpet) will remain steady (~55%) versus hard floor covering (~45%). The Plan also assumes that there will be no major shifts in the market share of soft versus hard floor covering for the years included in the scope of this Plan (2012-2016). If there is a change in market share, the calculations for discards will be adjusted accordingly and based on actual data. Also, there is export and import of carpet from the State of California. Historical data suggests these two factors offset within the error of estimates and thus are not included as discrete variables in the equation shown above.

Presentation of Information

CARE now has nine full quarters of performance data that have been analyzed. A standard format for presentation has evolved for sharing this information in a clear and consistent manner with the public. Quarterly reviews are posted on the CARE and CalRecycle websites after final approvals. The quarterly review document produced by CARE provides an excellent synopsis of trends over the program life while providing quantitative data in a user friendly format.

5. Solid Waste Management Hierarchy

AB 2398 requires:

> *(3) Describe proposed measures that will enable the management of postconsumer carpet in a manner consistent with the state's solid waste management hierarchy, including, but not limited to, source reduction, source separation and processing to segregate and recover recyclable materials, and environmentally safe management of materials that cannot feasibly be recycled.*

The proposed measures in this Plan enable the management of post-consumer carpet in a manner consistent with the state's solid waste hierarchy and with AB 2398 requirements. With regards to solid waste management hierarchy, the Plan sets a priority on *carpet recycling*. For wastes that cannot feasibly be recycled, the Plan includes the use of environmentally safe management (CAAF or Cement Kiln fuel/feedstock) of materials. Note that no CAAF usage was reported for 2011 and 2012. There is a quarterly cap of 15% on subsidies on CAAF and kiln outlets. Waste to Energy (WTE) is not supported by the subsidy program, but does find minimal use by processors. It is expected that outlets consistent with the waste hierarchy starting with source reduction, reuse and recycling will be significantly greater than, and grow at a greater rate, than energy recovery alternatives.

Source Reduction

For purposes of the Plan, source reduction is defined as: the result of using less product or material in manufacturing and use of carpet, and/or reducing the amount of discarded carpet generated.

Carpet manufacturers are continuously working on programs to reduce the amount of natural resources used in making carpet. They regularly report on the life-cycle impacts of carpet manufacturing through their individual Sustainability reports. For example, over the years, the average weight of carpet has decreased, and in the 2012, it is estimated that the average weight is 4.2 pounds per square yard, a decline of 0.3 pounds (-7%). Therefore, incentivizing the strategies and programs for reduction is not within the scope of the CARE Carpet Stewardship Plan, but rather is a strategic objective, and managed by, the individual carpet manufacturers.

By leveraging parallel manufacturer source reduction programs and/or investments, the funds generated from the assessments will be directed towards carpet recycling to maximize the impact in achieving the goals of AB 2398.

To meet the requirements for reporting on source reduction, CARE will report on the average weight of the products, which will be included in the above formula. CARE will track and report the trend line on average weight of carpet annually. Note that the average weight of carpet used in the first version of this Plan and based on 2010 data was 4.2 lbs/square yard. That number has remained constant through mid-2013. CARE will also report on the amount of carpet discarded in California annually. It should be noted that the face weight of a square yard of carpet is a function of several interrelated parameters and is also tied to styling, thus, it is not anticipated, over the life of this Plan, that the average weight per square yard will be dramatically reduced unless market trends shift significantly.

Durability

Note that carpets have been designed and engineered to be highly durable. There are many examples of carpet that have been installed and still in operation for decades, such as in schools, and other applications. It is said within the industry that carpets often "ugly" out before they "wear" out, meaning that consumers will change out their carpet due to style or taste, rather than because the carpet is actually worn out. The high durability of carpet also makes recycling more of a challenge.

Recycling

The Plan is designed to promote the recycling of post-consumer carpet back into new products as the top priority. This will be accomplished by focused product and market development efforts led by CARE in cooperation with the recycling industry and with assistance from CalRecycle while applying the Financing Mechanism to select for recycling. The State of California is a willing and able buyer through programs like SABRC and EPP and as such will be a prime target. See Financing Mechanism section for more information.

By 2016, this Plan sets a goal to achieve a recycling output (Type 1 and Type 2) of 16% of the total post-consumer carpet discards in the State of California. It is worthy of note that as of 3Q 2013, Type 1 outlets currently represent 99% of all collected PCC material converted to recycling output, equivalent to an 11.1% recycled output level despite the loss of two key recyclers in the 2nd and 3rd quarters.

Figure 3 shows a comparison of the Waste Management Hierarchy profile in 2016. Note that there was essentially no use of CAAF or cement kilns in 2011 or 2012 and a minimal $5.5K through 3Q 2013. The Plan is not projecting any significant use of CAAF or kilns through 2016, due to current market conditions. This is subject to change as markets develop.

Figure 3
Waste Management Hierarchy by Percent, 2016 Forecast

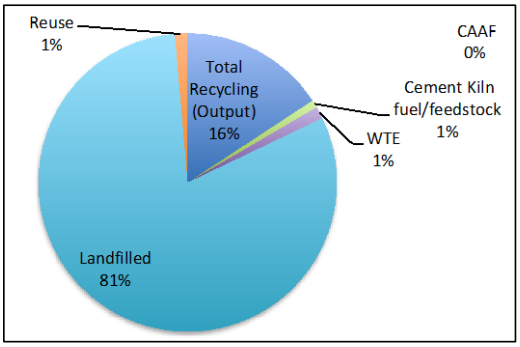
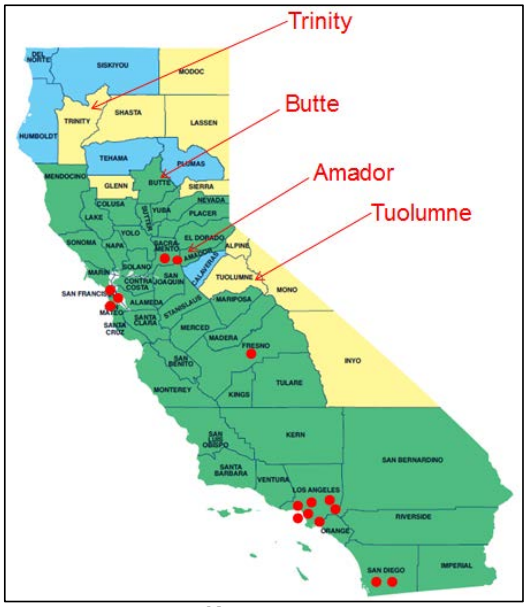


Figure 4
Map of CARE Carpet Reclamation Partners in the State of California
September 2013



Key
Green = Carpet is collected from these counties
Blue = Rural Pilot Counties
Red Dots = Locations of CARE Reclamation Centers
Red Arrows = next 4 rural counties to be added

6. Collection Systems

The Plan is designed to grow the market-based solutions for carpet recycling in California, by incentivizing the processors who separate post-consumer carpet into materials that can be manufactured back into consumer products such as carpet, carpet cushion and plastic parts. The Plan relies on carpet recycling entrepreneurs and others to collect, sort and process the post- consumer carpet.

As of August, 2013, there are 20 California businesses, which employ approximately 182 Californians to perform these functions. There are also processors in other states who currently take carpet diverted from California landfills. The list of California reclamation partners as of August 2013 is included as Attachment VIII and will be updated semi-annually throughout the term. Figure 5 provides an illustrative map of CARE Collectors. For the most current list and interactive map of locations, please go to the CARE website, at http://carpetrecovery.org/recovery-effort/collector-finder-map/.

Please note: As a stewardship organization CARE has no financial or management responsibility for participants in the AB 2398 program. While CARE may on occasion provide advice and/or support to participants CARE assumes no financial or remedial responsibilities for the success or failure of any business or their operations participating in the program.

Figure 5
Map of U.S. CARE Collection Network

For interactive map and location contact information visit:
~~http://carpetrecovery.org/collector-finder/index.html~~
http://carpetrecovery.org/recovery-effort/collector-finder-map/

The following companies have requested AB 2398 subsidy funding one or more times over the last nine quarters:

1. Los Angeles Fiber Company, Los Angeles, CA
2. Reliance Carpet Cushion, Los Angeles, CA
3. SOEX Group, Fresno, CA
4. Mission Recycling, Pomona, CA
5. Carpet Collectors, Sacramento, CA (CLOSED)
6. The Carpet Recyclers, La Mirada, CA (CLOSED)
7. Columbia Recycling, Dalton, GA
8. Heritage Recycling, Kansas City, MO
9. Bonded Logic, Chandler, AZ
10. Interface Flooring, LaGrange, GA
11. Shaw Industries, Dalton, GA
12. Tandus Flooring, Dalton, GA

Types of Services Provided by CARE Carpet Reclamation Partners:

- Diversion/Reclamation from Commercial Sites
- Collection from Residential Sites
- Sorting of Carpet by Polymer Type. Devices used are Infrared (IR) Technology Detectors, which identify the polymer used to make the fiber. The various polymers include:
    - Nylon 6
    - Nylon 6,6
    - Polypropylene
    - Polyester
    - Wool
    - Other

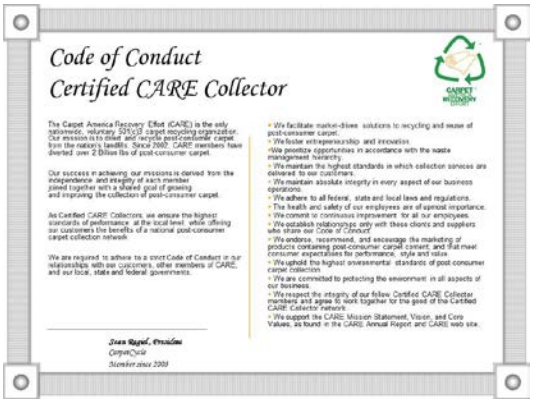
- Baling, and Labeling by Fiber Type
- Shipping to First-Line Processors
- Processing
    - Shredding
    - Shearing
    - Hammer milling
    - Classification
- Production Yields from the above processes
    - Fiber
    - Shredded Carpet Tile
    - Depolymerized Chemical Components
    - Carpet Filler (primarily calcium carbonate)
    - CARS (carpet as a rock substitute)
    - CAAF (carpet as alternative fuel)
    - Material for Waste-to-Energy
    - Landfilling Unusable Materials
- Baling processed materials and labeling
- Shipping to Manufacturer for End Products
- Providing Certification Certificates to Customers
    - Used for LEED certification projects
- Educating End Users and Consumers
    - Presentations
    - Articles
    - Interviews
    - Webinars

7. Description of Best Management Practices

CARE has developed a set of guidelines for the handling, processing and storage of post-consumer carpet. These guidelines are posted on the CARE website and may be found at - ~~http://www.carpetrecovery.org/AB2398.php~~ http://carpetrecovery.org/california-ab-2398/

CARE has put in place the CARE Certified Collectors Program. The program was introduced in January, 2012. Certified CARE Collectors sign a Code of Conduct as illustrated in the following figure.

Figure 6
CARE Code of Conduct



Code of Conduct Certified CARE Collector (text from graphic above)
The Carpet America Recovery Effort (CARE) is the only nationwide, voluntary 501(c) 3 carpet recycling organization. Our mission is to divert and recycle post-consumer carpet from the nation's landfills. Since 2002, CARE members have diverted over 2 Billion pounds of post-consumer carpet. Our success in achieving our missions is derived from the independence and integrity of each member joined together with a shared goal of growing and improving the diversion of post-consumer carpet. As Certified CARE Collectors, we ensure the highest standards of performance at the local level, while offering our customers the benefits of a national post-consumer carpet diversion network. We are essential to the continued success of CARE and the carpet recycling industry.
We are required to adhere to a strict Code of Conduct in our relationships with our customers, other members of CARE, and our local, state and federal governments.

- *We facilitate market-driven solutions to recycling and reuse of post-consumer carpet.*
- *We foster entrepreneurship and innovation.*
- *We prioritize opportunities in accordance with the waste management hierarchy.*
- *We maintain the highest standards in which collection services are delivered to our customers.*
- *We maintain absolute integrity in every aspect of our business operations.*
- *We adhere to all federal, state and local laws and regulations.*
- *We are dedicated to the safety and health of our employees.*
- *We endorse, recommend, and encourage the marketing of products containing post-consumer carpet content; and that meet consumer expectations for performance, style and value.*
- *We agree to uphold and maintain compliance with the Certified Collector criteria.*
- *We are committed to protecting the environment in all aspects of our business.*
- *We respect the integrity of our fellow Certified CARE Collector members and agree to work together for the good of the Certified CARE Collector network.*
- *We support the CARE Mission Statement, Vision, and Core Values, as found in the CARE Annual Report and CARE web site.*
- *"Dumpster diving" or "scavenging" carpet is an unsafe practice that we do not condone or support.*

CARE Certified Collectors Criteria

Certified CARE Collectors must adhere to criteria, as follows:

Certified CARE Collectors must stay up to date as members in good standing with CARE in order to be listed on the website. A membership committee will review all initial applicants. Existing members will be reviewed annually thereafter.

It is the intention of the program to educate and communicate with consumers, manufacturers, and other customers the importance of using only certified Collectors. The program will include education outreach to educate the target audiences of the CARE Certified Collectors membership.

CARE Certified Collectors must agree to:

a. Completing the annual survey each year
b. Members meet their local and state requirements for insurance, taxing and hiring and obtain all required permits and keep copies on file in case of audit by CARE
c. Members carry general liability insurance and the minimum state requirements for unemployment and workers comp (if applicable)
d. Member in good standing with CARE (dues are current)

e. Representative at the annual and/or entrepreneur conference in the first two years, then every year thereafter.
f. Certified CARE Collectors will hold CARE harmless. Hold Harmless, means a provision in an agreement under which one or both parties agree not to hold the other party responsible for any loss, damage, or legal liability. In effect, this clause indemnifies the parties on a unilateral or reciprocal basis (as the case may be).
g. Signed Code of Conduct
    i. Quality standards
    ii. No landfill policy
        1. Member has internal landfill reduction policy
    iii. Self-reporting- sign and date the survey indicating that the information reported is, to the best of the respondent's knowledge, accurate and truthful

A formal complaint process has been put in place to deal with breeches of the Certified CARE Collector Code of Conduct. This is a confidential process and includes an appeals procedure.

Access to Carpet Collection within California

The Proposed Product Stewardship for Carpet Regulations requires:

> *Description of how each consumer that pays a carpet stewardship assessment, including but not limited to those in rural areas, will be provided reasonably convenient opportunity(ies) in each county to manage their post-consumer carpet.*

It is estimated that the current carpet recyclers in California reach most of the major retail stores in California. The recyclers have a network of collection points where they drop empty trailers and swap out when full (usually at large carpet retailers or installers) or independent collectors collect/sort carpet and deliver to facilities.

Based upon counties served and county populations, it is estimated by the carpet recycling companies currently operating in California, that carpet recycling is accessible up to 98% of the California population in 2012 as estimated by examining the population distribution in California and mapping against available collection opportunities. There is no reason why we will not maintain or increase this percentage, through the incentive program.
In order to significantly increase the diversion of carpet across the state, recyclers are focused on establishing partnerships with more retailers, installers, transfer stations and MRFs. It is very important that transfer stations provide carpet that is source separated, and not co-mingled with trash.

Rural County Carpet Collection Program

Pilot Project

In an effort to reach more of the rural communities, CARE undertook a pilot project with Rural County Representatives of California (RCRC) Environmental Services Joint Powers Authority (ESJPA), CalRecycle, local governments and carpet recyclers in the state of California. The goal of the pilot project is to determine business model(s) for consumers to have reasonably convenient opportunities in each county to manage their post-consumer carpet. Six rural counties were chosen to participate in the pilot project. Figure 4 shows the 6 rural counties in blue for reference and they include: Del Norte, Calaveras, Humboldt, Plumas, Siskiyou, and Tehama.

The rural pilot program began in February 2012 and continued to run a full year to generate data for assessment. The program ran until the end of February 2013. Results from the pilots were reported to CalRecycle and were included in the 2012 CARE Annual Report to CalRecycle submitted July 1, 2013 and will be covered in future annual reports. The following summarizes results to date. Future actions are addressed under the

subsequent section entitled, Rural County Expansion. CARE elected to continue the rural pilot program during the analysis phase after the full year pilot ended.

- Pilot Counties: Calaveras, Del Norte, Humboldt, Plumas, Siskiyou, Tehama
- There were 15 trailers (28') that were filled over 12 months as of April 2013.
- Total costs for the pilot program was $21,525 or $1,435/ trailer (this also includes signage and literature, trailers, etc.)
- The average weight per trailer was 13,500 lbs.
- The average cost was ~10.6 cents/lb.
- In some instance it may take 6-12 months to fill a single trailer.
- CARE covered expenses including, transportation, logistics, and marketing, for this program.

Please note rural costs for collection under this pilot program were approximately 10 times that of urban collection. Although costs associated with the rural counties represent a small portion the of overall AB 2398 costs, this program remains an important component of the Plan. Higher costs were expected and as the rural programs become more established, it is anticipated that these costs will decrease beyond their current levels.

Rural County Expansion

Based on lessons learned from the pilot project and working with the ESJPA, CARE will implement a rural county collection program according to the following schedule using the successful business model employed during the pilot. That model is based on working with rural counties to share best practices and experiences, educate operators on carpet collection logistics, provide literature and signage, provide logistical support for trucking and cover transportation costs from the rural collection site to a regional processor. In addition, the original pilot counties have expressed willingness to share experiences and provide advice and counsel to new counties in the program as it expands.

- Go from current 6 to 10 rural counties operational by January 2014 (see Figure 4)
- Go from 10 to 16 rural counties (currently estimated to be 22 counties in total) by July 2015
- Implement remaining rural county expansion as experience and interest dictate between June 2015 and June 2016. Pending further analysis there may be a few instances of one rural country serving an adjacent county due to extremely low volumes and/or no carpet retail operations in the county. CARE expects this will be the exception and do not anticipate more than 2 or 3 such instances at most.
- Develop new marketing and communication materials and public outreach messaging to inform rural county residents, and local personnel at the collection sites. Reissue of updated brochures for all 10 counties was underway in August 2013.
- CARE will make resources available to aid in set up, signage and on-going logistics.

9. **Market Development & Promotion**

Incentives or promotional education and outreach methods to increase recycling of carpet into secondary products made with post-consumer carpet recycled content:

- Promote secondary products on CARE web site: ~~www.carpetrecovery.org/ideas.php~~ http://carpetrecovery.org/recovery-effort/innovation/
- Promote secondary products at CARE Annual Conference and Entrepreneur meeting.
- Work with CalRecycle and the DGS to include recycled carpet products in SABRC and EPP.

- Prepare an industry wide PowerPoint presentation that will be made to target buying audiences show casing PCC containing products in use with the objective of finding projects on which these products can be used.

- Educate and promote program through venues such as the CARE annual conference. In 2012, the Annual Conference was held in San Diego, CA, in part in order to educate and communicate progress made on AB 2398. The 2014 CARE Annual Conference will be held in Seattle, WA. CARE is working closely with Seattle Public Utilities to leverage regional businesses and enhance procurement opportunities in the Pacific Northwest to create market demand for post-consumer carpet products. It is too early to plan locations for future CARE Annual Conferences, but west coast venues and the State of California will be a factor in those decisions.
- Actively engage opportunities to present at industry, professional and/or community conferences and events, including, but not limited, to California Resource Recovery Association (CRRA) and Solid Waste Association of North America (SWANA).
- Promote secondary products on states' web sites (i.e. Washington State, California, etc.).
- Provide marketing support to entrepreneurs, to assist them in raising awareness of new secondary products (i.e., GeoHay, Reliance Carpet Cushion). For example, CARE has assisted entrepreneurs in developing their web sites, created advertising, including information about new products in presentations and articles. Examples of the marketing support can be found on the CARE web site.
- CARE will continue to promote procurement under NSF 140. CARE members are actively engaged on NSF committees to ensure that emphasis on recycled content and recycling is awarded points in NSF 140.
    - The CARE web page has a link on Great Ideas, which highlights products made with post-consumer carpet recycled content. Click on this link for more information: ~~http://carpetrecovery.org/ideas.php~~.http://carpetrecovery.org/recovery-effort/innovation/ CARE intends to update product listings and produce a brochure highlighting the latest offerings. Additional promotional materials are also under development and will be updated and enhanced over the course of the Program term, as new materials and products are available
    - CARE highlights new carpet products with post-consumer carpet recycled content in the CARE Annual Report, at its Annual Conference, trade publications, speaking engagements, the annual Entrepreneur meeting and CARE BLOG (~~http://carpetrecoveryeffort.blogspot.com/~~http://carpetrecovery.org/newsblog/blog/~~)~~.

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10. **Financing Mechanism**

The Product Stewardship for Carpet Regulations requires:

> *Include a financing mechanism that provides sufficient financing to recover, but not exceed, the cost of the carpet stewardship program, including the administrative, operational, and capital costs of the plan.*

CARE will revise its Carpet Stewardship Plan as needed to meet the goals of AB 2398. Results and progress will be reviewed quarterly. If the Plan is not progressing as expected, and not achieving the goals as identified in AB 2398, the Plan will be reviewed to determine if and how changes to the Plan should be made.

Following are the Guiding Principles used to develop the Financing Mechanism:

1. Maintain a carpet flooring industry that is both sustainable and viable
2. Comply with Requirements of AB 2398

a. Goals established in the Plan shall, at a minimum, be equal to the goals established in the 2012 CARE MOU if approved by the time of submittal of the Plan[1].

3. Meet Goals of AB 2398 to Incentivize
   a. Market growth of secondary products made from post-consumer carpet
   b. Recyclability of carpets
   c. Growth of recycling of post-consumer carpet
   d. Growth of diversion of post-consumer carpets from landfills

4. Achieve Economic Sustainability
   a. Funds should maximize increased long-term use of post-consumer recycled carpet content in new and existing products.
   b. Funds utilized for use, not investment. The fund pays for actual output, i.e. performance, not for potential opportunities.
   c. Fund output, not input (see Attachment III for definitions of 'input' and 'output')
   d. Collectors' market prices should provide economic basis for supporting goal
   e. Incentive funds are paid out each quarter
   f. Analyze Financing Scenarios and recommend most effective options to meet the Goals of AB 2398
   g. Minimize administrative costs
   h. The Fund should be economically healthy by maintaining a modest but needed unused funds category.
   i . The Fund cannot borrow even from anticipated future assessments.
5. Stewardship Fund Management Hierarchy
   a. Priority is on funding Type 1 and Type 2 Recycling Output Materials
      i. CAAF will only be used to enable recycling
   b. Define maximum amount to single hierarchy entity to create broad user base
   c. Alternative fuel use should be used to enable the achievement of recycling goals while developing more economic end uses.
   d. Diminish financing for alternative fuel over time.
6. Adjust funding mechanism as needed, based on market conditions and progress made to meet or exceed the Plan goals for AB 2398.

Implementation of these guidelines is described in the next section.

Growth and Development Incentives

The rising percentage of polyester carpet in the diverted PCC stream has resulted in pressure on business models and recycling economics. CARE plans to implement a dynamic approach to incentivizing growth of total landfill diversion, increased recycled output yields and market development of new products and processes. It should be noted that California landfill diversion has been relatively flat over the first 9 quarters of this program. However, there is significant opportunity for improving output yields of processed PCC. Considerable thought has gone into innovative ways to incentivize the development of polyester market outlets. This approach must be flexible and adaptive to allow for timely response to the market dynamics of both material flow and pricing. Careful analysis of available funds and how the balance would be impacted are important considerations to ensure solvency of the program. These considerations must be balanced by a need to meet recycler's investment requirements for the development and implementation of new technology and capital investment which enables new outlets for all materials. While the current conceptual approach is focused on polyester carpet, it is not restricted to such and may be applied to other non-nylon PCC or the transportation dimension. Additional approaches are under constant evaluation by CARE including: differential fees based on fiber type, 2nd tier (Tier 2) manufacturer payouts and square yard fees. Implementation of any of these approaches is considered part of this Plan.

The revised CARE California Carpet Stewardship Plan was submitted in May 2013 to fulfill part of the requirements of the California Carpet Stewardship Program (the 'Program'). During the synthesis of the revised Plan, several significant developments were beginning to unfold in the State regarding carpet processors. The full impact and implications of these developments could not be appreciated nor evaluated in

time for the revised Plan submission target of May 30. In addition, a noticeable build-up of funds beyond what was budgeted in the current Plan began to accrue.

In response to these developments, and using feedback from stakeholders, the Sustainable Plan Committee (SPC) began to examine several new elements for incorporation into the revised Plan. Over the March thru June timeframe the SPC conducted numerous meetings and carried out "what-if" analyses to examine a variety of new incentive options to address several issues including:

- Growth in the fund balance beyond Plan expectations
- The rapid growth in PET face fiber in the recycle stream
- The unintended and unanticipated flow of incentive funds back to retailers
- The serious regulatory issues encountered by one recycler
- The failure of a new technology to demonstrate feasibility (CARS)
- The shut down and eventual liquidation of The Carpet Recyclers in La Mirada
- The eventual shutdown of Carpet Collectors in Sacramento

After the analysis was completed, the SPC recommended to the SFOC for approval a set of aggressive initiatives it believes will increase PCC recovery, recycle output and drive new product into the marketplace. These initiatives are as follows:

1. The existing subsidy program continues at 6 cents for Type 1 and 3 cents for Type 2 processed PCC output. In addition, a NEW 10 cent/lb. growth incentive will be paid on all qualifying Type 1 pounds above an annual target. The initial target is set at 8.5M pounds and represents the 2012 average Type 1 output.

   Here is how the bonus will work. The total bonus pool will be calculated on the pounds exceeding the baseline established in 2012 at 8,500,000 pounds per quarter. Every pound that exceeds this baseline will create a bonus pool of $0.10/pound. This bonus pool will be distributed to every participant in the quarter on a prorated basis. The percentage the company processed of the industry total will be used to allocate the growth incentive. As you can see in the chart below, the more a company processes the more they will be paid from the bonus pool. If the baseline target is not exceeded for the quarter, no company will be eligible for a bonus payout.

   Part of the logic for this growth bonus is to reward the total processing industry. If all processors see the potential for added payout, they will be driven to exceed the 2012 industry average target. It does not help the program if one processor grows at the expense of another. The SPC feels that this approach will, in fact, help grow the total recovery of post-consumer carpet from California landfills. The following table summarizes how such a growth incentive would be calculated.

Table II
Example of Type 1 Growth Incentive Calculations

Example Quarter: Total Lbs processed	10,000,000
2012 Baseline Lbs	8,500,000
Lbs Exceeding Baseline Amount	1,500,000
Payout @ $0.10/lb	$ 150,000

DISTRIBUTION OF FUNDS	Pounds of Carpet Processed	% of Total	Bonus Payout
Company A	5,000,000	50%	$ 75,000
Company B	4,000,000	40%	$ 60,000
Company C	1,000,000	10%	$ 15,000
TOTALS	**10,000,000**	**100%**	**$ 150,000**

2. A NEW non-nylon incentive was implemented to encourage the development of processes, products and market outlets for non-nylon PCC. Under this plan a $0.12/lb. incentive will be paid to companies who convert qualifying Type 1 non-nylon PCC into next stage or end use products. These manufacturers are referred to as Tier 2 and represent the next stage in the supply chain.

   Similar to the original incentive payout plan, firms will qualify for $0.12/pound if the following criteria are met by the end use product:

   - Company creates a finished product that is ready to sell to the general public and/or has been converted into a new form for use in manufacture of a final product that uses the Type-1 non-nylon materials. As an example finished products or plastic pellets are eligible for this subsidy.
   - The Type-1 non-nylon materials will usually be purchased from processor(s) who certifies the amounts purchased meet the Type 1 criteria.
   - Company will submit the amount purchased (or produced) minus any production losses which equals the Net amount used in the end product. The Net amount is what qualifies for funding. The product must be sold and shipped.
   - Company will complete a confidential quarterly report to be submitted to CARE. The reporting deadline is 30 days after the end of the quarter.
   - Company will need to keep records that are both accurate and auditable by CARE's independent auditors.
   - All records must be based on pounds even though products may not sold by the pound.
   - Company must agree representative(s) of CARE will be granted full access to your company's processes which result in finished products.
   - Company must submit a quarterly letter, signed by an officer of the, company certifying your data and that you are in full compliance with all local, state and federal regulations to operate your business
   - Company is a member in good standing of CARE.

   In an effort to understand the full impact of these non-nylon funding initiatives and better define the options that qualify, the SPC undertook a series of "what if" analyses. The following table lays out the examples that qualify under different scenarios.

Table III

End User Payout Scenario Examples

	Company	Activity	Payout	Company	Activity	Payout	Comments	Total Payout
1	Processor A	Converts raw carpet into Type 1 material	$.06/lb				Today's scenario	$.06/lb
2	Processor A	Converts raw carpet into Type 1 material	$.06/lb	Company B	Uses Type 1 to produce a consumer good like pad	$.12/lb		$.18/lb
3	Processor A	Converts raw carpet into Type 1 material	$.06/lb	Company C	Produces a material that is used by Company D to produce a consumer good.	$.12/lb	Company C receives the $.12/lb?	$.18/lb
4	Processor A	Converts raw carpet into Type 1 material	$.06/lb	Company C	"C" produces pellets, "D" makes fiber/yarn," E" produces a carpet.	$.12/lb	Company C receives the $.12/lb?	$.18/lb
5	Processor A	Converts raw carpet into Type 1 material	$.06/lb	Processor A = Company A	Uses Type 1 to produce a consumer good like pad	$.12/lb	The company must establish a way to "invoice" the processing step to be elgible for $.06/lb payout seperately from invoice for the "Conversion" Process.	$.18/lb
6	Processor A	Process raw carpet into Type 1 material (25% Ash) but if it is of mixed polymers it does not qualify.	$.06/lb	Company B	A new product (Park Benches) is created using mixed polymers, it does not qualify because the polymers were not sorted.	$.00/lb	Since this is new ground, The SFOC will review each scenario on a case by case basis.	$.06/lb

3. In an effort to advance independent research at a California University on the uses of non-nylon, the Plan will offer a $300K grant through an RFP process. The grant will run thru the end of 2014. CARE

would like to strongly encourage a partnership between the California University selected and one of the following two schools: Georgia Institute of Technology or North Caroline State University. These institutions have been chosen since both understand the textile/carpet industry, the polymer chemistry involved and recycling. CARE issued the RFP in October. Selection of the winning institution, expected in early Q1 2014, will be done by the SPC based on a scoring system to be determined, but driven by maximum impact and probability of success. It should be noted CARE may increase the funding level of such grants up to $500,000 per year and/or offer additional grants of similar magnitude in subsequent years. This flexibility is part of the revised Plan.

4. CARE now has a fulltime California based resource to work in support of the Plan starting November 2013. An RFP was issued and 22 applications were received. The California Program Manager was hired and is now fully engaged with both mills and California recyclers.

   The primary focus of this new resource will be to aid CARE in Plan execution with emphasis in the following areas:
   - Assist existing or potential carpet recyclers and/or processors with general manufacturing, communication and business issues. Ensure recyclers and processors are completing quarterly reporting to meet Plan requirements.
   - Manage the existing Rural County Program (6 counties) and its next phase expansion to include 4 additional counties. In cooperation with the Rural County team, identify, educate and prepare 4 new counties to participate in the program and be operational by January 2014. Train participants on program operations, logistics reporting and marketing communications. Regularly visit facilities to insure smooth operations.
   - Participate in regular AUP visits and reviews, along with CARE team and outside resources (accounting firm). Identify and report any issues, and assist in corrective actions needed.
   - Prepare quarterly reports with data from the Rural Counties program, and from carpet recycling results in California. Collect data from participants, summarize and analyze.
   - Develop Education, Communications and Outreach materials for targeted audiences (recyclers, processors, installers, retailers, NGOs, local governments and targeted consumers). Prepare and manage communications budget for the Program. Participate and employ communications tactics such as social media, interviews, presentations, web site updates, conferences, and customer visits, as directed by CARE. Assist CARE in preparing key messages as needed.
   - Work with CARE to generate data, documentation, and reports to aid Plan execution and maximize probability of success of individual processors and the Plan overall.

CARE recognizes the budget process for a start-up is a best guess. Thus, as part of this Plan, CARE has allocated $25,000-50,000 per quarter including expenses in support of the new, in State Program Manager. In addition, CARE will run the University grant program over the range of $50,000-$75,000 per quarter depending on proposals received. Finally, the incentive ranges may be adjusted from zero to as much as $0.20 per pound under this Plan to allow flexibility and responsiveness to market dynamics.

In an effort to understand the full financial impact of these funding initiatives, the SPC undertook a series of "what if" analyses to examine the flow of revenue and potential incentive payouts and additional program costs. It should be noted, many scenarios were evaluated before settling on a model felt to be "reasonable and realistic." CARE has no way of knowing how the marketplace will respond and will monitor the outcomes closely quarter by quarter. This approach was used to build the budget scenario shown in Table V. CARE reserves the right to modify or cap payouts if necessary to preserve the integrity of the fund.

The SFOC approved these new program elements after careful review at their June 27, 2013 meeting. These new initiatives were developed by the SPC based on stakeholder feedback and actual events in the recycle marketplace between January and June 2013. The SFOC asked CARE to monitor progress on a quarterly basis and recommend any modifications that might be deemed appropriate. In June 2014, one year after launch, the SFOC intends to revisit the initiatives to assess impact and progress. At that time a decision will be made on continuation and any adjustments that may be needed. The SFOC will annually review the Plan payouts and progress to maximize impact while ensuring financial stability of the fund.

CARE is also aware that 4-6 collectors are operating in the State of California and who do NOT participate in the incentive program (they are not processors). CARE recognizes the important role collectors play in the carpet recycling industry. While there is currently no incentive planned for this group, CARE will consider from time to time the value of including this group in the incentive program as a way to collect more accurate recovery data and stimulate growth in recovery and output.

CARE continues to explore new ideas, incentives and resources to advance the success of AB 2398. In recognition of the need for flexibility to respond to marketplace dynamics, CARE may add additional human resources, either via direct hire or consulting contact, to aid in advancing the programs.

Finally, CARE recently initiated discussions for a partnership with the California Manufacturing Technology Consulting (www.cmtc.net). CMTC is a non-profit consulting company whose mission is to create solutions for the improvement of our customers' performance by fostering innovation and sharing knowledge. At no cost to CARE or small California manufacturers, CMTC will conduct a discovery process and provide recommendations to improve operations across the full business and technology space. Businesses are free to execute the recommendations or hire CMTC to aid the process of implementation. The only obligation businesses incur is to answer a survey after 6 months to assess progress.

CARE believes the major incentives outlined above, coupled with the new/expanded stakeholder engagement, education and outreach activities, will significantly enhance the recovery and recycle of PCC in the State of California.

Financial Assurances

CalRecycle has requested that CARE consider a mechanism to provide financial assurances in the event a liability is created and the processor is unable to resolve the situation. Two recent examples underpin this request. The first was the 20M pound pile amassed by Carpet Collectors in Sacramento. This was a situation that became known to CARE. The second was a warehouse in Oakland apparently filled by a recycler with a large quantity of PET and other non-valuable PCC after selling off the nylon. The recycler simply walked away from the site. This recycler was not known to CARE as the recycler was not registered with CARE or a participant under the Plan.

The SPC is undertaking a review of possible mechanisms to fund such an assurance pool. CARE has a goal of weighing options and finalizing a position with respect to the Plan by end of Q1 2014. Furthermore, significant additional safeguards have been put in place to ensure participating members remain in compliance with federal, state and local regulations including a quarterly attestation letter accompanying reports and incentive requests. In addition to the quarterly letter, which must be signed by an officer of the corporation, reporting requirements include starting and ending inventories of PCC along with starting and ending inventories of processed goods. These metrics were implemented to monitor levels of materials and signal any dramatic increases beyond those expected due to seasonal variations and market changes. Reviews of AUPs have also been tightened with the independent accounting firm conducting such reviews.

Ensuring that the AB 2398 Assessment is Clearly Visible on Invoices

AB 2398 requires:

> *The bill would require, as of July 1, 2011, until January 1, 2013, a manufacturer of carpet to add an assessment of $0.05 per square yard upon the purchase price of all carpet sold in the state by that manufacturer.*

AB 2398 further requires:

> *The assessment shall be added by a manufacturer to the purchase price of all carpet sold by manufacturers to a California retailer or wholesaler or otherwise sold for use in the state. The assessment shall be clearly visible on invoices or functionally*

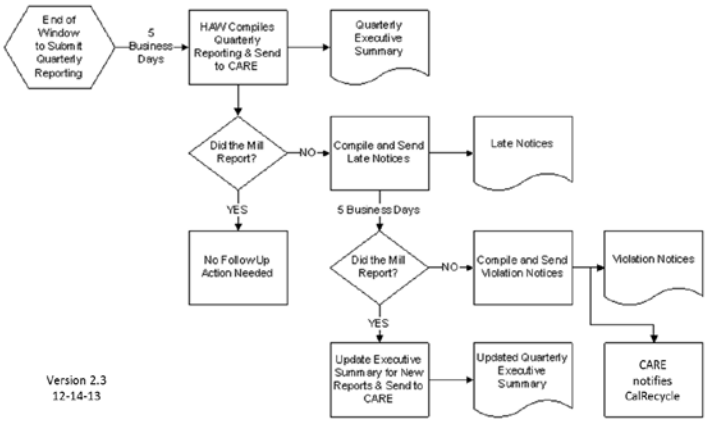
equivalent billing documents as a separate line item and shall be accompanied by a brief description of the assessment or a label approved by the department

Those who contacted CARE about AB 2398, such as manufacturers who participate in the CARE Plan, retailers, dealers and others who prepare invoices, were given instructions on how to include the assessment on their invoices as a separate after-tax line item. The examples show how to include the assessment so that the assessment is clearly visible. These instructions are also posted on the CARE web site. ~~http://carpetrecovery.org/AB2398-Retailer.php~~ http://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-retailers-and-dealers/. The instructions are attached as Attachment VII.

If any mills are NOT meeting the requirements for participation in the Plan (e.g. submitting quarterly reports on time, proper invoicing, membership in CARE, etc.), CARE has the authority and responsibility to formally alert the manufacturer that they will be dropped from the Plan. The impact of being dropped from the Plan is that the manufacturer will either no longer be in compliance with the regulation, or the manufacturer must submit their own Plan for approval or form a new stewardship organization, which may only be done after April 2015. The manufacturer's name will be dropped from the CARE web site listing, and CARE will send notification to the manufacturer, copying CalRecycle. CalRecycle can take enforcement action as defined in the regulation. Further, it should be noted that failure to report quarterly is one example of non-compliance. Manufacturers must report even if no carpet is sold in that quarter to remain eligible under the Plan. Another example is failure to renew membership in CARE.

Over the past 2 quarters, CARE has worked closely with the independent accounting firm to put processes in place to track compliance and timely follow-up for those who fail to comply. As a result, the backlog of non-compliance has been reduced to just 4 very small mills. It is important to recognize >90% of revenues come from the top 10 mills, all of which are in full compliance. The summary compliance flow is shown in the following figure.

Figure 7
Auditor Quarterly Review Process Flow



Record Retention

The Proposed Product Stewardship For Carpet Regulations requires that records be retained for three fiscal years. Those who contacted CARE about AB 2398, such as manufacturers who participate in the CARE Plan, retailers, dealers and others who sell or ship carpet into California, were given instructions on record retention. The instructions may be found on the CARE web site, ~~http://carpetrecovery.org/AB2398-Retailer.php~~ http://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-retailers-and-dealers/

Following are the instructions given by CARE to participants:

Retain the following records for sales of carpet into California, for a period of three fiscal years:

1. Manufacturer of the Carpet
2. Date(s) the Retailer Ordered or Purchased the carpet from the Manufacturer
3. Date(s) the Retailer Sold or Offered the carpet for promotional purposes
4. Retailer Invoice(s) or functionally equivalent billing documents showing California Carpet Stewardship Assessment
5. Certification Letter(s) from the department if provided by a manufacturer to demonstrate that carpet from the manufacturer is or was subject to a department-approved Stewardship Plan

Definition of Fund Recipients for California AB 2398 Funds:

The recipients of funds generated from the AB 2398 Carpet Stewardship Assessments are carpet processors who have processed carpet diverted from landfills in the state of California. Carpet processors are companies or facilities that take used carpeting (whether handled by a sorting facility or brought directly by a collector) and process it for use as a feedstock in a manufacturing facility. In addition, downstream manufacturers have been added to the program to create pull-through specifically for non-nylon materials recovered from post-consumer carpet. The Plan refers to these downstream manufacturers as Tier 2 manufacturers.

Table IV is an overview of processing technologies that would be included or excluded from qualifying for incentive funding.

Note that reuse is not a recipient of funding, because of the limited amount of post-consumer carpet available for reuse, due to safety, hygiene and other issues. See Reuse section for more information. The financing mechanism shall not create an unfair advantage in the marketplace. Note that CARE will be working with both its auditors and CalRecycle to eliminate any reporting issues, or misreporting.

If an applicant does not qualify for funding, the applicant may appeal to CARE for re-consideration in writing. The applicant must state in the documentation why the request for funding should be re-considered. CARE will respond to all requests for re-consideration within 30 days.

Table IV
AB 2398 Processing Technologies

Included	Excluded
1. Shredding	1. Collecting
2. Shearing	2. Sorting
3. Chemical Processing	3. Cutting to Flats
4. Thermo-forming	4. Repelletizing
5. 100% wool products (face fiber) used for weed control/erosion	5. Conduxing
6. Wet separation methodologies	6. Repurposing
7. Fuel preparation (size reduction)	7. Reuse
8. Sifting (calcium carbonate)	8. Materials processed for WTE (or whole carpets)

Processors shall qualify to receive financing as follows:

1. Qualified recipients must meet all regulations to operate a business in their state.
2. Recipients must verify that the carpet processed was diverted from California landfills. Records must include:
    a. Bills of lading

   b. Weight tickets or other functional documents verifying the amount of carpet diverted in pounds from the state of California landfills
   c. Copy of Invoice
3. Recipients must submit a signed Request for Payment to CARE, within 30 days of the last day of the quarterly reporting period.
   a. Recipients must complete and sign the Quarterly Request for Payment.
   b. A principal of the business requesting funds must sign the Statement.
4. Funds will be allocated to support the solid waste management hierarchy (see above).
5. CARE and the manufacturers shall allocate revenues and expenditures applicable to the program in accordance with Generally Accepted Accounting Practices.
   a. CARE has secured the services of an independent accounting firm to manage the accounting and AUP requirements of the regulation.
   b. All assessments will be submitted by carpet manufacturers to the independent accounting firm a quarterly basis, using confidential and secure links. See Auditing Section for more information.
   c. All financial transactions and reports are kept separate from the CARE operating budget. The Operating Results will be posted publicly each quarter on the CARE web site. See Auditing Section for more information.
6. Applicants must be in full compliance with all local, state and federal regulations and requirements to operate their business. Applicants must submit verification of ash content to meet Type 1 requirements for payout. The ash test protocol may be found at: ~~http://www.carpetrecovery.org/pdf/AB2398/AshTestProtocol.pdf~~ http://carpetrecovery.org/wp-content/uploads/2014/04/AshTestProtocol.pdf
7. Applicants are members of CARE in good standing.
8. Applicants are processing post-consumer carpet material from California.
9. Applicants are submitting requests for payment for processing carpet that increase the diversion, recycling and market development results to support the goals of AB 2398.
10. All statements made on the request for payment are true.
11. Falsified statements may be prosecuted.
12. Applicants will allow officials and agents of the Carpet Stewardship Organization (CSO), (i.e. CARE), such as accounting firm representatives, to visit facilities, access relevant documents/data, and verify statements made by the applicants.
13. Applicants acknowledge that current level of funding is not a guarantee of the same/similar payments in the future for recycling results.
14. Applicants for Sustainable Funding must submit a confidential forecast, which must include their current level of post-consumer carpet pounds recycled for the most recent 12-month period. Additionally, this submittal must include a projection of pounds to be recycled during the next 12-month period in total and in each of the quarterly periods.
   a. This information is used by CARE for the purpose of planning potential fund payment requirements in future periods.
   b. Further, this information could be used to assess potential for growth funding options.
   c. This information would allow for the projection of Fund balances or shortfalls.
15. A portion of the Fund available for payment will be allocated specifically for payment for CAAF activities. The portion or percentage of the Fund for this purpose will be re-evaluated over time.
16. A portion of the Fund available for payment will be allocated specifically as a “Discretionary Incentive Fund” to be paid to incentivize those activities deemed to be innovative and breakthrough technologies or product development, and/or have demonstrated exceptional performance toward achieving the goals of AB 2398. The portion or percentage of the Fund for this purpose will be re-evaluated over time.
17. Effective 2Q 2013, the reporting cycle for mills and recyclers will change from 60 days to 30 days after the end of the quarter. There will be no grace period. This will shorten the time period for funds being released to recyclers by approximately 30 days.

Forecasted Budget for AB 2398 Distribution of Funds, Administrative Fees and Unused funds, 2013-2016

The forecast presented in Table V includes the following assumptions. Note: This is a rolling forecast, which will be updated at least annually.

Assumptions for Funding Distribution to Processors:

1. Carpet Sales will increase by ~1.5%/yr. through 2016
2. AB 2398 stipulates that the Carpet assessment will be $0.05/square yard until January 1, 2013. For purposes of this budget, we assumed that the assessment would remain at $0.05/square yard through 2016. However, CARE will reassess the fee on an annual basis and make adjustments if justified.
3. Actual data from nine plus quarters of reporting may be used to smooth averages and inform reporting.
4. Discards of carpet in California will be based on the agreed upon formula and driven by actual sales reported by the mills on a quarterly basis.
5. Payout Assumptions: (2011 was Year 1)
    a. **Type 1 Recycling output**: $0.06/lb. for Year 1. For Year 2 and beyond the payout will be $0.06/lb. for Base and may be increased (i.e., $.10/lb.) for growth over a set target.
    b. **Type 2 Recycling Output (i.e., Carpet Filler)**: $0.03/lb. and may be increased or decreased in the future based on market dynamics.
    c. **CAAF or Cement kiln fuel/feedstock (output**): $0.03/lb.
        i. CAAF and /or Cement kiln fuel/feedstock will be capped at 30% of the volume and 15% of the total funding distributed.
6. Assumes actual CARE expenses on an on-going basis.
7. Assumes annual payment to CalRecycle that may not exceed 5 percent of the aggregate assessment collected for the preceding calendar year.
8. Assumes Administrative expenses will not increase by more than 4% per year.
9. Unused funds will build up to 2016.
10. Note that all funding for AB 2398 are kept in a separate ledger from CARE Operations. AB 2398 funds are used only for AB 2398 distribution and administrative costs; AB 2398 funds are not used for CARE operations.
11. CARE will examine progress and market dynamics from time to time and explore innovative ways to incentivize market growth, outlets and process or product R&D. Such evaluations may include, but are not limited to, differential pricing based on fiber types, reporting incentives, market outlets, funding university projects, market studies, etc.
12. The Plan will include funding for attendance and participation by a CalRecycle representative in the CARE annual meeting. The annual conference fee is capped at $2,000. This ensures a close working relationship and direct feedback from CalRecycle to CARE members and vice versa.
13. CARE is exploring several creative funding models to facilitate growth of landfill recovery, enhanced economic stability for collectors and recyclers/processors and growth in recycled output pounds. This Plan allows for the use AB 2398 funds for market incentives to stimulate growth in PET market outlets via process development, product development, downstream manufacturer payouts and possible transportation subsidy payments.
14. The Plan has been modified to be more flexible and dynamic in its ability to respond to market dynamics and learnings based on data analysis and feedback from those in the field.

The budget for 2011 only included assessments collected for ½ year, July 1-December 31, 2011. However, expenses were incurred for start-up of AB 2398. Therefore, administrative expenses for 2011 were proportionally higher, on a percentage basis, in 2011 than in subsequent years. Current expenses which include CalRecycle fees, CARE direct expenses, audit and accounting fees, AB2398 related travels and miscellaneous expenses will be 9-18% in 2013.

Unused funds are what remain after all funds are distributed to qualified recipients, and administrative fees are paid out. As the amount of output increases over time, the amount of unused funds will reduce. It is expected that unused funds will continue to build until the new incentive payout options are put in place.

Unused funds

It is not the intent of the Plan to build unused funds. It is the intent to have a fiduciary and financial approach to incentivize recycling to the maximum possible, without decreasing the ability to provide incentives in the future, or on an as needed basis. It is the intent of CARE to monitor results and adjust appropriately. Without unused funds CARE would not be able to accomplish the Plan objectives.
For example, the total assessment collected in 2011 was $2.5 million. The processors qualified for $0.7 million in payout. Administrative fees were $0.4 million. The unused funds are the net funds remaining after all of the payouts and fees are paid for 2011:

Assessment Collected	**$ 2.50 Million**
Total Funds Distributed to Processors	**$ 0.70 Million**
Total Administrative Fees	**$ 0.40 Million**
Unused Funds	**$ 1.40 Million**

Total Distributed was $1.1 Million, leaving $1.4 Million in unused funds, which are available to incentivize further Recycling Output performance.

Table V
AB 2398 Financing Mechanism
Budget, 2011-2016

	Actual		Forecast			
Distribution of Funds ($000)	**2011***	**2012**	**2013**	**2014**	**2015**	**2016**
Carpet Sales (in Million yd2)	50	98	100	102	103	105
Stewardship Assessment ($/yd2)	$ 0.05	$ 0.05	$ 0.05	$ 0.05	$ 0.05	$ 0.05
Stewardship Assessment ($000)	$ 2,500	$ 4,900	$ 5,000	$ 5,075	$ 5,151	$ 5,228
Total Discard Estimate (Million lbs)	181	354	362	367	373	378
Total Pounds Type 1 & Type 2 (Million lbs)	12	36	47	51	56	61
Recycle Output Rate	7%	10%	13%	14%	15%	16%
Base Plan Payout ($0.06 & 0.03/lb)	$ 705	$ 2,102	$ 2,699	$ 2,643	$ 3,353	$ 3,630
Growth Incentive on Type 1 Output ($0.10/lb)**	$ -	$ -	$ 450	$ 940	$ 987	$ 1,000
Non-nylon Incentive Output ($0.12/lb)	$ -	$ -	$ 260	$ 990	$ 1,000	$ 1,000
Total funds Distributed to Processors	**$ 705**	**$ 2,102**	**$ 3,409**	**$ 4,573**	**$ 5,340**	**$ 5,630**
% of Total Stewadrship Fee Collected Annually	28%	43%	68%	90%	104%	108%
Rural County Program	$ -	$ 33	$ 40	$ 67	$ 107	$ 110
Education, Outreach, Production	$ -	$ -	$ 15	$ 200	$ 150	$ 150
University Grant Program	$ -	$ -	$ -	$ 300	$ -	$ -
PET Project Allocation	$ -	$ -	$ 12	$ 24	$ -	$ -
Administrative Fees						
CalRecycle			$ 250	$ 254	$ 258	$ 261
CARE			$ 140	$ 154	$ 159	$ 163
CA Resource (salary + expenses)	$ -	$ -	$ 25	$ 130	$ 140	$ 150
Accounting			$ 303	$ 255	$ 265	$ 270
Legal	$ -	$ -	$ 12	$ 10	$ 10	$ 10
Total Adminstrative Fees			**$ 730**	**$ 803**	**$ 831**	**$ 855**
% of Total Stewadrship Fee Collected			15%	16%	16%	16%
TOTAL All Expenses			**$ 4,206**	**$ 5,967**	**$ 6,428**	**$ 6,745**
Fund Balance			$ 8,300	$ 9,169	$ 8,353	$ 7,153
Net Fund Balance***		**$ 3,300**	**$ 4,094**	**$ 3,202**	**$ 1,925**	**$ 408**

* 2011 was start-up year and only includes ½ year of funding, July 1-December 31, 2011
** Above annual target
*** Assumes starting with $4M in January 2013

Financing Mechanism by Waste Management Hierarchy

Fiduciary Responsibilities

CARE has put in place a two-fold mechanism to review and approve disbursement of funds under AB 2398. This is in addition to the auditing provisions and AUP already in place. A Stewardship Plan Committee (SPC) is responsible to review aggregate data submitted under the Plan. Aggregate analysis ensures confidentially of business information of both mill and processor participants. The SPC prepares and approves the quarterly summary report and recommended financial payouts under the Plan to the Sustainable Funding Oversight Committee (SFOC). The SFOC is composed of representatives from industry (CEOs and CFOs) along with a representative from the entrepreneur community. CARE may add additional state or federal expertise in the future. The SFOC operates as the final authority on disbursement of funds. The SFOC has the responsibility to ensure funds are deployed in such a way as to advance the objectives of AB 2398.

It is expected that by 2016, Type 1 recycled plus Type 2 recycled will receive about ~85% of the total funds distributed to fund recipients. Cement Kiln fuel/feedstock will receive only 1-2% at most of the total funds. This result is well within the overall Guiding Principle to limit funds distributed to CAAF and Cement kiln fuel/feedstock to less than 15% of the total funds available.

11. **Education and Outreach**

AB 2398 Chapter 20, Section 42972 requires:

> *Include education and outreach efforts to consumers, commercial building owners, carpet installation contractors, and retailers to promote their participation in achieving the purposes of the carpet stewardship plan as described in paragraph (1). These education and outreach materials may include, but are not limited to, any of the following:*
>
> *(A) Signage that is prominently displayed and easily visible to the consumer.*
> *(B) Written materials and templates of materials for reproduction by retailers to be provided to carpet installation contractors and consumers at the time of purchase or delivery or both.*
> *(C) Promotional materials or activities, or both, that explains the purpose of carpet stewardship and the means by which it is being carried out.*

Beginning in January, 2011, CARE and the carpet industry undertook a massive program to reach out to the audiences identified in the Education and Outreach section of AB 2398. CARE Plan participants engaged in extensive education, outreach, and stakeholder consultation in the preparation of the Plan, in order to achieve a smooth implementation of the Carpet Stewardship Assessment on July 1, 2011. To date, participants in the CARE Plan reported very few issues; this outstanding result could not have been achieved without the significant investment made by Plan participants.

The Plan will take advantage of opportunities to educate consumers, commercial building owners, carpet installation contractors and retailers, per AB 2398. As part of the Annual Report, CARE will report on the results achieved (i.e., web traffic number of articles, presentations, interviews, etc.) that it has initiated for the reporting period.

Continuing education and outreach program promotional efforts include:

- Updating of CARE web site, www.carpetrecovery.org, which currently has sections devoted to each of the major stakeholder groups.
- Construction of a new CARE website with enhanced functionality and dedicated AB 2398 section.
- Design, develop and manage campaigns or templates with the trade press that reaches building owners, carpet installation contractors and retailers.
- Design, deliver and disseminate presentations, materials, templates and/or updates to stakeholder groups, both face to face and via webinars, emails and letters
- Design, develop, produce and distribute signage, brochures and window clings, templates and/or other promotional materials to retailers, collectors, and other stakeholders to promote participation and reduced contamination
- Cultivate earned media by seeking out opportunities to conduct Interviews with consumer and news media - including web media, radio, and press
- Use of social media including CARE website blog to promote concepts and developments as appropriate
- Prepare industry wide product presentation or materials featuring recycled carpet products in use to be made to targeted buying audiences for potential purchases
- Direct assistance to companies with existing products that could be used by state agencies, i.e., CalTrans porous concrete, weed control. Coordinate with DGS and/or provide help in navigating the CalTrans product approval process where required

- Work with stakeholder partners to collaborate with concurrent promotions such as event booths, special/hazardous/bulky waste collections promotions, waste/water regular bills, or radio/TV/print media for additional opportunities for program promotion
- Coordinate with historical and/or concurrent stewardship programs such as paint and tires, and carpet recovery efforts beyond California to leverage lesson learned, best practices and take advantage of potential cross-promotions or economies of scale.

As a result of the education and outreach programs required by AB 2398, the Plan has achieved the following results:

- Seventy seven (77) **Manufacturers** have registered for the CARE Stewardship Plan.
- Software Vendors- Software vendors were included in the education and outreach to manufacturers, to help facilitate the implementation of the law for smaller carpet manufacturers.
- **Retailers, Dealers and Installers** in California received and will continue to receive education such as:
- Webinar, postcard and letter campaign to educate the audience
- Education kits/packets to 3,849 retailer and dealer businesses. The first round of packets arrived prior to the July 1, 2011 assessment date, and we will continue to replenish these to existing and new retailers. The education materials are designed to meet the requirements of AB 2398 Chapter 20, Section 42972. Materials included:
    i. Signage/placards and window clings that can be easily displayed in the retailer showrooms
    ii. Brochures that can be handed out by the retailers, dealers and installers to consumers at the point-of-purchase as well as at the point of installation. These materials explain the purpose of carpet stewardship and the means by which it is being carried out. Additional brochures are available to replenish the retailers stock, and we are actively engaged in sending out additional brochures and packets at the retailers' request. Requests are managed by a fulfillment system available on the CARE web site. For a copy of the education packet, please see Attachment IV.
- A new round of education kits/packets, enhanced with better graphics and explanations will be produced and distributed.
- Outreach efforts include webinars, trade press articles and radio interviews targeting Retailers, Dealers, Commercial Building Owners and Carpet Installers, as well as influencers such as Architects and Designers. For detailed information on these Outreach efforts, see Attachment IV.
- In 2014 CARE will initiate and conduct quarterly stakeholder webinars to review the prior quarter results and seek feedback.
- A consumer-press specific press release provides ongoing opportunities with target local media such as local newspapers, web sites, etc. Results from the consumer-targeted campaign can also be seen in Attachment IV.
- Education and Outreach efforts also include **Other Interested Parties and Stakeholders,** such as:
    i. Rural Communities/Counties (visits and materials)
    ii. Waste haulers
    iii. Non-governmental organizations
    iv. Architects and Designers
    v. Local Governments

See Attachment IV for detailed information on outreach.
See Attachment V for a copy of the educational materials that were distributed to the retailers and dealers.

11. <u>Program Performance Measurement</u>

AB 2398 provides:

42976. On or before July 1, 2013, and each year thereafter, a manufacturer of carpet sold in the state shall, individually or through a carpet stewardship organization, submit to the department a report describing its activities to achieve the purposes of this chapter, as described in Section42970, and to comply with Section 42975. At a minimum, the report shall include all of the following:

(a) The amount of carpet sold by square yards and weight, in the state during the reporting period. A carpet stewardship organization with more than one manufacturer may use average weight.

(b) The amount of postconsumer carpet recycled, by weight, during the reporting period.

(c) The amount of postconsumer carpet recovered but not recycled, by weight, and its ultimate disposition.

(d) The total cost of implementing the carpet stewardship plan.

(e) An evaluation of the effectiveness of the carpet stewardship plan, and anticipated steps, if needed, to improve performance.

(f) Examples of educational materials that were provided to consumers during the reporting period

Results ***from the previous year*** will be reported to CalRecycle at least annually, as required by AB 2398. Reported results will include:

- Specific Information on measurement methodology:
  - Description of Processor Survey/Reporting
  - Description of How Discards were measured, using reported sales from Stewardship Plan participants and revising according to the Discard formula, described in the Performance Goals section of this Plan. Data sources will be identified (i.e. Market Research firm used for collecting data that is used in calculating discards)
- Assumptions from the Funding Mechanism Section of the Plan will be updated and reported
- Number of Employees in the State of California employed in the carpet recyclingIndustry
  - Changes in the employment versus year ago
- Sales of carpet into California, in square yards
- Estimates of post-consumer carpet discards in California
- Stewardship Assessment Collected for previous year
- Pounds of California Post-Consumer Carpet Diverted from California landfills
- Pounds of California Post-Consumer Carpet Available for Processing/Recycling for the Reporting Period
- Of the pounds of California Post-Consumer Carpet processed, the output pounds that were:
  - Fiber
  - De-polymerized or chemical component
  - Shredded Carpet Tile Used for Carpet Backing
  - Carpet Filler (primarily calcium carbonate)
  - Sent to CAAF Facility
  - Sent to Cement Kiln
- Administrative fees paid ($ and %)
- Unused funds ($ and %)
- Examples of Education and Outreach Efforts in previous year
- An analysis of the effectiveness of the program in reaching AB 2398 Goals
- Subsidy fund payouts per capita
- Subsidy cost per pound of output

- Value and types of products purchased by the State as part of SABRC and EPP

It may be valuable in terms of setting realistic expectations to look at the recycle rate of other commodities. Appendix XI includes a chart that gives relevant recycle rates for a variety of commodity materials. It is important to keep in mind many of these programs have been in place much longer than the California AB 2398 program. In fact, given that we are only nine quarters into the AB 2398 initiative and it took 2-3 quarters for processors to get engaged, up and running, the current diversion and recycled output rates are remarkable and clearly on an upward trend.

12. Stakeholder Consultation

These proposed regulations require:

> *A carpet manufacturer or stewardship organization that submits a plan shall include a process of consultation with affected stakeholders and consider the existing infrastructure in the development of the plan. This may include service providers, state and local governments, haulers, recyclers, retailers and wholesalers, and installers.*

The CARE Stewardship Plan incorporates input from the following stakeholder groups:

- Carpet Manufacturers
  - CARE consulted with most of the 80 participants of the CARE Stewardship Plan in the development and implementation of this Plan.
  - In addition to numerous webinars conducted for all manufacturers, CARE conducted a specific webinar and Q&A session for the Wool Carpet manufacturers.
- CalRecycle
  - CARE and other stakeholders have had regular calls and meetings with CalRecycle to review program status, to seek guidance and direction on the Plan development, and resolve questions and issues as they arise.
- Importers
  - A letter from the President of the Carpet and Rug Institute was sent out to 47 International Manufacturers in order to engage this audience in the process.
- Retailers and Dealers
  - CARE consulted with numerous retailers and dealers, during its extensive number of webinars and Q&A sessions following the webinars. Presentations were made at retailer/ dealer tradeshows where additional input was received. In addition, large retailer/dealer co-operatives who are members of CARE (i.e. CCA Global, World Floor Covering Association (WFCA), StarNet and Resource Commercial Flooring, Home Depot, Lowe's) were consulted.
- MOU 2012 Joint Committee
  - CARE conducted a special webinar on the Stewardship Plan Funding Mechanism to stakeholders of the MOU 2012. These stakeholders included members of the carpet industry, entrepreneurs, government representatives, and non-governmental organizations.
- Rural Communities
  - CARE has had numerous phone calls and meetings with this stakeholder group to address issues of accessibility and availability of carpet recycling. As a result, a pilot project was established in 6 rural counties in California.
  - Analysis of the rural county pilot has resulted in an expansion plan to begin in 2H 2013 to add 4 additional counties by January 2014. Further expansion will continue until all rural counties have been added or justifiably eliminated.
- Non-governmental Organizations

    - Among the non-governmental organizations that have been consulted and/or participated in the webinars and outreach are: California Product Stewardship Council, Californians Against Waste, and California Resource Recovery Association.
- Others
    - We have also sought and received input from California Waste Haulers, the Coatings Association, Paint Care, other local government representatives, and the Office of the Speaker of the Assembly.

By the end of September 2013, CARE has conducted the following activities for stakeholder engagement:

- Held a regular monthly conference call with CalRecycle staff for updates and problem solving.
- Issued a formal quarterly review of results for posting on the CalRecycle and CARE websites.
- Met with individual rural counties for feedback and needs on multiple occasions.
- Hosted monthly calls with rural counties to assess program progress and respond to issues/concerns.
- Met and dialoged with the RCRA representative for support and feedback.
- Hosted an in person open feedback session in southern California.
- Made numerous visits with recyclers/processors and collectors in the state for feedback.
- Identified and met with new recyclers or potential start-up recyclers in the state.
- Hosted 2 webinar feedback sessions open to all stakeholders for Plan input.
- Received input from the California Product Stewardship Council.
- Attended the CalRecycle public feedback sessions on June 25th and again on August 20th in Sacramento.
- Worked with Sacramento LEA and Fire to deal with feedback on issues.
- Met with Director Mortensen July 2013 for feedback.

CARE intends to continue stakeholder engagement and feedback sessions on a regular periodic basis.

13. Audits

AB 2398 Section 42972 provides:

> *(6) Include a process by which the financial activities of the organization or individual manufacturer that are related to implementation of the plan will be subject to an independent audit, which may be reviewed by the department.*

Note that CalRecycle may conduct further reviews of audits, and if CalRecycle deems it to be necessary, CalRecycle may conduct its own audit.

For purposes of the Stewardship Plan, CARE will continue to employ the services of an independent certified public accounting firm in Atlanta whose responsibilities include:

- Provide a mechanism to securely, effectively and efficiently receive confidential information on a quarterly basis from CARE Stewardship Plan participants. All information on sales and assessments will be aggregated to protect the confidentiality of individual manufacturers. No confidential information from an individual manufacturer will be released.

- The accounting firm will perform certain agreed upon procedures ("AUP") on the carpet manufacturers, and recipients of the Carpet Assessment funding to ensure compliance with the guidelines in AB 2398. These procedures will be completed on a routine basis and will include all participating companies. The procedures to be performed will be approved by CARE along with the frequency of the AUP for the manufacturers and the fund recipients. The accounting firm will perform random and investigative reviews on an as needed basis.
- The accounting firm will report the results of the AUP's on a timely basis to CARE. The AUP reports will be prepared in accordance with generally accepting accounting principles ("GAAP") and generally accepted auditing standards (GAGAS).
- The accounting firm will provide an Industry Wide quarterly/annual report to CARE. The quarterly/annual report will be posted on the CARE web site. CARE will also send the reports to CalRecycle for review. The reports will include:
    - Square yardage carpet shipped into California for the reporting period (in aggregate)
    - Assessments collected (in aggregate)
    - List of non-compliant manufacturers who are registrants with the CARE California Carpet Stewardship Plan
    - List of non-compliant retailers, as reported to CARE by manufacturers who are registrants with the CARE California Carpet Stewardship Plan
    - Results of the AUP conducted on the manufactures and fund recipients during the period.

For purposes of the financial audit relating to the California Carpet Stewardship Program (the "Program"), that is the financial activities in which CARE is acting in a stewardship role for AB 2398 include the following provisions:

- CARE will engage an outside accounting firm to audit the Program in accordance with Generally Accepted Government Audit Standards (GAGAS).
- The accounting firm hired to conduct the audit will not perform non-audit services that would impair independence as defined in the Government Auditing Standards issued by the Comptroller General of the United States (e.g. accounting services, development of internal controls, management decisions).
- The scope of the financial audit will explicitly report on the manufacturer or stewardship financial statements as they relate to the Carpet program and the organization's compliance with PRC 42970 and Title 14 Article 1 of the California Code of Regulations.

Consistent with the conditionally approved Plan, CARE issued an RFP for the selection of an independent certified accounting firm to audit, individually, both the AB 2398 and CARE programs for 2012. Winter & Scoggins, LLC of Dalton, GA was selected based on competitive bids received. Winter & Scoggins have had no other relationship with CARE prior to this audit engagement. The audits were completed and reviewed with the CARE Executive Committee on June 26, 2013. The AB 2398 audit was conducted consistent with Generally Accepted Government Audit Standards (GAGAS) as outlined in the Plan. The scope of the financial audit explicitly reports on the manufacturer or stewardship financial statements as they relate to the carpet program and the organization's compliance with PRC 42970 and Title 14 Article 1 of the California Code of Regulations. The full auditor's summary reports for both organizations are available in the Plan Annual Report submitted to CalRecycle on July 1, 2013.

Attachment I

Members of CARE Board of Directors, September 2013
Voting Members

For more information, see ~~http://www.carpetrecovery.org/about.php~~
http://carpetrecovery.org/about/about-care/

First Name	Last Name	Company/Organization
Werner	Braun	Carpet and Rug Institute (CRI) Board Chair
Bob	Lee	Beaulieu Group
Russ	DeLozier	J+J Flooring Group
Don	Dolan	The Dixie Group
Sheri	Gorman	RD Weis Companies
Ronald	Greitzer	Los Angeles Fiber Company
Thomas	Holland	Corporate Floors
Lynn	Preston	Tandus
Richard	Kruse	Kruse Carpet Recycling
Jim	Lindsey	Aquafil USA
Brendan	McSheehy	Universal Fiber Systems
Paul	Murray	Shaw Industries
Eric	Nelson	Interface
Glenn	Odom	Wellman Plastics Recycling
Sean	Ragiel	CarpetCycle
Robert	Peoples	CARE (non-voting)
Philip	Ivey	Milliken
Fred	Williamson	StarNet Worldwide
Joe	Yarbrough	Mohawk Industries

Attachment II
Participants in the CARE California Carpet Stewardship Plan for AB 2398
As of December, 2013 (page 1 of 3)
For most recent version of the list, see:
~~http://www.carpetrecovery.org/AB2398manufacturer.cfm~~
http://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-manufacturers/

	Parent Company	Sub Companies/Brands	City	State	Country
1	Alexandria Carpet		Adairsville	GA	USA
2	ALLIANCE TEXTILES, INC.	METRO CARPET	CARTERSVILLE	GA	USA
3	Atlas Carpet Mills, Inc.		Los Angeles	CA	USA
4	Beaulieu Canada Company		Acton Vale	Quebec	canada
5	Beaulieu Group LLC	Aqua, Armstrong FashionSmart, Armstrong FashionSmart B, Beaulieu, Beaulieu Commercial, Beaulieu Engineered Fabrics & Fibers, Beaulieu of America, Bliss Aligned Dealer Program, Bliss by Beaulieu, Bliss Flooring Solutions, BOA Distributor Div., BolYu, Cambridge, Citation, Compass, Coronet Carpets, Coronet SFC, Hollytex, Interloom, Laura Ashley, Property Management Solutions, Pure, Royalist, Surfaces	Dalton	GA	USA
6	Bellbridge Inc		benicia	CA	USA
7	Bentley Mills, Inc.		City of Industry	CA	USA
8	Berkshire Flooring		Dalton	GA	USA
9	Bloomsburg Carpet Ind., Inc.		Bloomsburg	PA	USA
10	Brintons		Kennesaw	GA	USA
11	BURTCO ENTERPRISES, INC.	B CARPET	Dalton	GA	USA
12	CAP Carpet Inc	Aircraft Interior Products, White Oak Carpet Mills	Wichita	KS	USA
13	Carpet Crafts, Inc.		Dalton	GA	USA
14	CATALINA CARPET MILLS, INC	CATALINA HOMES	Santa Fe Springs	CA	USA
15	Cavalier Carpet Ind.		Dalton	GA	USA
16	Couristan, Inc.		Fort Lee	NJ	USA
17	Crossley Holdings of South Africa	Inc., Crossley Axminster	Greenville	MS	USA
18	DALTONIAN FLOORING INC		Calhoun	GA	USA
19	Design Manufacturing Int'l, LLC		Yardley	PA	USA
20	Design Materials, Inc.		Kansas City	KS	USA
21	DESSO BV	DESSO USA, Inc.	Darien	CT	USA
22	Dobbs Mills, LLC	Looptex Mills, Phenix	Dalton	GA	USA
23	Earth Weave Carpet Mills Inc.		Dalton	GA	USA
24	ECMH,LLC	Cadence, Clayton Miller, Nood Fashion	Dalton	GA	USA
25	Emerald Carpet, Inc.		Dalton	GA	USA
26	Emery Park Carpet Company		Calhoun	GA	USA
27	Engineered Floors	Dream Weaver	Calhoun	GA	USA
28	Fibreworks Corporation		Louisville	KY	USA
29	Forbo Flooring Systems	Flotex Carpet	Hazleton	PA	USA
30	Fortune Contract, Inc.		Dalton	GA	USA
31	Global Textile Services		Dalton	GA	USA
32	Godfrey Hirst USA, Inc.		Adairsville	GA	USA
33	Hagaman Carpet Industries		Fort Oglethorpe	GA	USA
34	Hibernia Woolen Mills		Whittier	CA	USA

Attachment II
Participants in the CARE California Carpet Stewardship Plan for AB 2398
As of December, 2013 (page 2 of 3)
For most recent version of the list, see:
~~**http://www.carpetrecovery.org/AB2398-Manufacturer.cfm**~~
http://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-manufacturers/

	Parent Company	Sub Companies/Brands	City	State	Country
35	iCarpetiles.com., Inc.		Louisville	KY	USA
36	Indian Summer Carpet Mills, Inc	Cherokee Carpet, Northstar Flooring Design, Southwind Carpet	Dalton	GA	USA
37	Interface Americas		Atlanta	GA	USA
38	J Mish LLC		Cartersville	GA	USA
39	J&J Industries, Inc.	Templeton	Dalton	GA	USA
40	Joy Carpets & Co.		Fort Oglethorpe	GA	USA
41	Kane Carpet	Weavemasters	Brooklyn	NY	USA
42	Kinsley Carpet Mills		Dalton	GA	USA
43	Kraus	Barrett Carpet	Dalton	GA	USA
44	Lancer Enterprises, inc.		Dalton	GA	USA
45	Langhorne Carpet Co Inc.		Penndel	PA	USA
46	Lexmark Carpet Mills,Inc		Dalton	GA	USA
47	LONESOME OAK TRADING CO., INC.		Chatsworth	GA	USA
48	Mannington Mills, Inc.	Mannington Commercial	Calhoun	GA	USA
49	Marquis Industries, inc	Artisans Carpet, Artisans Hospitality, Astro Carpet Mills, Best Buy Flooring Source, Best Buy Hard Surfaces, Cornerstone Hospitality, Dalton Carpet Depot, Omega Pattern Works	Chatsworth	GA	USA
50	Mathews & Parlo Carpet Wholesalers, Inc		Calhoun	GA	USA
51	Merida Meridian Inc		Boston	MA	USA
52	Millennium Carpet Mills Inc.	Atlas Ind., Creative Carpet, Orion Carpet	Chatsworth	GA	USA
53	Milliken & Company	Milliken Services LLC., Sylvan Chemical Co.	Spartanburg	SC	USA
54	Moda LLC		Irvine	CA	USA
55	Mohawk Industries, Inc.	Aladdin, Aladdin Manufacturing Corporation, Bigelow, Color Center, CustomWeave, Durkan, Floorscapes, Floorz, Galaxy, Helios, Horizon, Horizon Europe, Karastan, Lees, Mohawk, Mohawk Carpet, Mohawk Carpet Distribution, Mohawk Carpet Foundation, Mohawk Carpet Transportation of Georgia, Mohawk Commercial, Mohawk ESV, Mohawk Factoring, Mohawk Industries, Mohawk Resources, Mohawk Servicing, Nautilus, Portico, Portico Estate, Properties by Mohawk, Regency Grand, Wayn-Tex LLC, World, Wunda Weve	Dalton	GA	USA
56	Nature's Carpet		Vancouver	British Columbia	Canada
57	Northwest Carpet, Inc.		Dalton	GA	USA
58	Nourison Industries Inc.	Div of Nourison, AeroSea, Nourison Home, Nourtex	Saddle Brook	NJ	USA
59	Oriental Weavers USA, Inc.	OW Hospitality	Dalton	GA	USA
60	Prestige Mills	Concepts International, Weavetuft Carpet	Long Island City	NY	USA

Attachment II
Participants in the CARE California Carpet Stewardship Plan for AB 2398
As of December, 2013 (page3 of 3)
For most recent version of the list, see:
~~http://www.carpetrecovery.org/AB2398-Manufacturer.cfm~~http://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-manufacturers/

	Parent Company	Sub Companies/Brands	City	State	Country
61	R.C. Willey Home Furnishings, Inc.		Salt Lake City	UT	USA
62	RADICI USA, INC		Spartanberg	SC	USA
63	Royalty Carpet Mills, Inc.	Camelot Carpet Mills, Pacificrest Mills	Irvine	CA	USA
64	Savnik & Company, Inc.		Oakland	CA	USA
65	SHAHEEN CARPET MILLS	CARPETS BY SIERRA, SIERRA CARPET MILLS	Resaca	GA	USA
66	Shaw Industries, Inc.	American Home Fashions of California, Cabin Crafts, Couture Elegant Floors by Shaw, HGTV Home - Flooring by Shaw, Kathy Ireland Home Solutions, Patcraft, Philadelphia Commercial, Philadelphia Residential, Queen, Queen Commercial, Shaw, Shaw Contract Group, Shaw Home Foundations Flooring, Shaw Hospitality, ShawMark Home, Sutton Carpets, Tuftex	Dalton	GA	USA
67	Signature Hospitality Carpet LLC.	Dalton Carpet Mart, Signature Crypton,	Dalton	GA	USA
68	Specialty Textile Group		Dalton	GA	USA
69	Stanton Carpet Corporation	Antrim Carpets, Rosecore, Royal Dutch Carpets	Cartersville	GA	USA
70	Stark Carpet Corp		NEW YORK	NY	USA
71	TaiPing Carpets Americas Inc	Edward Field,	Calhoun	GA	USA
72	Tandus Flooring Inc	Tandus Flooring US LLC,	Dalton	GA	USA
73	The Dixie Group	Dixie Home, Fabrica International, Masland Carpets and Rugs, Masland Contract, Whitespace	Mobile	AL	USA
74	The Miller Davis Group	Davis & Davis Rugs, Glen Eden Wool Carpets, Luzern LTD	Chattanooga	TN	USA
75	Ulster Carpet Mills (N. America) Inc		Marietta	GA	USA
76	Unique Carpets Ltd.		Riverside	CA	USA
77	WOOLSHIRE CARPET MILLS INC		Calhoun	GA	USA

Attachment III
Definitions Used in the Plan

For purposes of the CARE Stewardship Plan, definitions included are in the AB 2398 statute, and in the Product Stewardship for Carpet Regulations (November, 2011), with some revisions, which have an asterisk.

Carpet*: A manufactured article that is used in commercial or residential flooring applications as a decorative or functional feature and that is primarily constructed of a top visible surface of synthetic or natural face fibers or yarns or tufts attached to a backing system derived from synthetic or natural materials.

(1) "Carpet" includes, but is not limited to, a commercial or a residential broadloom carpet or modular carpet tiles.
(2) "Carpet" does not include a rug, pad, cushion, or underlayment used in conjunction with, or separately from, a carpet.

Carpet as Alternative Fuel (CAAF*): Fuel that has been produced from source-separated, and sorted post-consumer carpet and processed, including (1) extraction of components for recycling if at all possible; and (2) size reduction, shredding, and/or blending with coal fines, etc. CAAF is not a type of recycling, but it is a type of diversion for purposes of this Article. CAAF replaces other and is an alternative fuel source to other fuel sources such as coal, natural gas and fuel oil.

Carpet America Recovery Effort (CARE): A nationwide, 501(c)(3) non-profit organization whose focus is on post-consumer carpet stewardship.

Carpet Industry: The universe of participants involved in the production of carpet, including carpet manufacturers, fiber manufacturers, material suppliers, etc. It includes, but is not limited to, members of the Carpet and Rug Institute (CRI).

Cement Kiln: Cement production facility that may use CAAF as a source of energy and/or as an additive for cement production.

Collected: Gross collected pounds of CA PCC collected (total includes material that may eventually be sent to landfill). Also referred to as *Gross Collected*.

Collection: Any method of consolidating and temporarily storing recovered commercial and/or residential carpet.

Demolition: Represents the teardown of a building (1 time carpet removal). There is no estimate of percentage of flooring covered by carpet.

Disposal Diversion: Carpet removed from the waste stream that was destined for the landfill or incineration, for the purpose of reuse, recycling, CAAF or waste-to-energy.

Disposal Facility: Facilities that are licensed and permitted to provide final disposal for the specific wastes they accept, including waste-to-energy, incineration, and landfilling.
Diverted: Actual PCC removed from waste stream for reuse, recycle, CAAF or WtE (Collected Pounds minus PCC and process waste pounds that ultimately goes to landfill from processors or collectors)

ESJPC: Environmental Services Joint Power Authority

Entrepreneur: Individual or privately-held company which is not a carpet manufacturer, who actively, collects, sorts, processes or manufactures products made from post-consumer carpet.

Filler: Materials such as calcium carbonate, etc. used in the production of carpet backing.

Gross Collected: Actual pounds of PCC removed from waste stream for reuse, recycle, CAAF, kiln, or WtE, as reported to CARE by recyclers, prior to processing (this includes unrecyclable PCC carpet or carpet processing waste that may eventually be sent to landfill). Terms *Recovered* and *Collected* were previously used to describe *Gross Collected.*

Incineration: Complete burning of material to ashes, with no energy recovery, to reduce waste volume.

Input: The post-consumer carpet that is collected, sorted and readied for processing.

Landfilling: Landfilling includes the placement of post-consumer carpet and/or the residuals from a post-consumer carpet management method into a landfill disposal facility.[1]

Type 1 Recycling Material: Output of the materials with the most benefits to manufacturers of finished products. Examples of Type 1 recycling materials include post-consumer carpet fiber, post-consumer carpet backing, engineered resins and material for carpet cushion.

Type 2 Recycling Material: Output of the materials with benefit to manufacturers of finished products, but a lower value than Type 1 recycling materials. Examples of Type 2 recycling materials include carpet filler and non-functional filler.

Memorandum of Understanding (MOU) for Carpet Stewardship: An agreement entered into by multi-stakeholders, including carpet industry, entrepreneurs, government entities and non-governmental organizations.

Output: The material that results from the processing (shredding, shearing, hammer milling, etc.) of post-consumer carpet from the processor. Examples of output include: fiber, shredded carpet tile, depolymerized chemical components, carpet filler, etc.

RCRC: Regional Council of Rural Counties

Recycled Content: Also known as recovered material content, is the percentage of material, by weight, a product is made from that has been recovered from consumers in the municipal solid waste stream (post-consumer content) plus any industrial materials salvaged for reuse (pre-consumer/post- industrial content).

- **Post-Consumer Recycled Carpet Content:** The amount or percent of carpet, by weight, that is no longer used for or has served its manufactured purpose, that is incorporated into the manufacturing process of the same or a different product.

- **Post-Industrial/Pre-Consumer Recycled Carpet Content:** The amount or percent of carpet material, by weight, generated by manufacturers or product converters, such as trimming, overruns, and products returned to the mills that are incorporated back into the manufacturing process of the same or a different product.

Post-Consumer Carpet Materials: Carpet that has completed its life cycle as a consumer item or is no longer used for its manufactured purpose.

Post-Industrial/Pre-Consumer Carpet Material: Carpet materials generated in manufacturing and conversion processes, including, but not limited to manufacturing scrap and trimmings/cuttings.

Processing: Preparing carpet material for reuse, recycling, CAAF, WTE, or disposal.

Recovered: Gross collected pounds of CA PCC collected (this includes unrecyclable PCC carpet or carpet processing waste that may eventually be sent to landfill). Also referred to as *Gross Collected*.

Recycling: Transforming or remanufacturing discarded carpet materials into usable or marketable materials, rather than for landfill disposal, incineration, WTE, CAAF, or reuse.

Reuse: Refurbishing and donating/selling recovered carpet back into the market for its original intended use. The reuse of recovered carpet retains the original purpose and performance characteristics of the carpet.

Rug: A loose laid (not installed or attached at wall base) soft floor covering manufactured from natural or synthetic fiber, including carpet cut into room or area dimensions that is not intended to cover the entire floor.

Sorting: The method used for segregating collected carpet into the various backing types (PVC, SBR Latex, etc.) and/or fiber types (e.g., Nylon 6, Nylon 6.6, Polypropylene and Polyester).

Source Reduction: The result of using less product or material in manufacturing and use of carpet, and/or reducing the amount of discarded carpet generated.

Source Separation: The process by which carpet is separated/segregated from all other materials at the end of its useful life (or when discarded).

SFOC: Sustainable Fund Oversight Committee

SPC: Sustainable Plan Committee

Waste-to-Energy: Process of recovering thermal energy from solid waste through combustion.

Attachment IV
Environmental Information

Environmental Information

Background

As part of the Stewardship Plan, we are providing information and data on any significant environmental impacts expected from the implementation of the CARE Stewardship Plan, especially in the areas of Transportation, Green House Gas Emissions, and Air Quality. This information is being supplied in order to assist CalRecycle in addressing CEQA requirements and any reasonable, foreseeable environmental impacts in the Plan.

Overview

The CARE Stewardship Plan assumes that the amount of carpet that is diverted from California landfills will increase to approximately 120 Million pounds in 2016. Of the carpet diverted, the amount of carpet that is recycled is expected to grow to 61 Million pounds in 2016.

The Plan assumes the increase in volume diverted and recycled can and will be managed using existing processing capabilities within California and outside of the state of California. The Plan assumes the existing and anticipated processing infrastructure has the capacity to handle this increase.

The following data will inform the CARE Stewardship Plan environmental impact statement:

- It is estimated that carpet processors in California produced 34 million pounds of recycled output of the 112 million pounds of diverted carpet from California landfills in 2012, or 30% of the total diverted carpet, in 2012.
  - It is assumed that the current carpet processing facilities in California meet all local, state and federal air quality regulations, including the CEQA regulations and requirements. A list of the collection and processing facilities in California may be found on the CARE web site, ~~http://www.carpetrecovery.org/waste.cfm~~ http://carpetrecovery.org/recovery-effort/collector-finder-map/, ~~and~~ and are reprinted in the CARE Stewardship Plan.
- It is expected that the percent of carpet processed in California in 2013 will be slightly ahead of the recycled output for 2012 for the following reasons:
  - o Reduction in processing capacity with loss of 2 processors, and
  - o Decline in Type 2 outlets for 2013.
- Of the volume of carpet that is expected to be diverted in the years 2012-2016, the vast majority will be driven by recycling via Type 1 and Tier 2 outlets.
  - o Recycling is by far the greatest percentage of the volume processed in 2012-2016.
  - o By 2016, recycled output volume will be 61 million pounds, or 16% of the total diverted volume.
  - o Cement Kiln fuel/feedstock are expected to be <1 Million pounds (<1%) by 2016.
  - o Waste-to-Energy (WTE) volume is expected to remain steady through 2016, and will account for a tiny fraction of the total volume diverted in 2016.

The Environmental Impact of transporting carpet for recycling is reported to be insignificant in recent studies.

Dr. Jeffrey Morris studied the environmental impact of transporting carpet for processing in a paper published in 2010[3]. Dr. Morris reported that, "The release of less than 300 pounds eCO2 per ton of carpet shipped 2,500 miles indicates the relative unimportance of transportation distances in the total climate change impact of carpet recycling. To make the point in another way,

each ton of used carpet recovered for recycling could be shipped more than 12,000 miles by truck before recycling would lose its position as the best management option for used carpet."

In a recent paper by Dr. Matthew Realff[4], he concluded, "As in the Morris study the conclusion is that transportation is not a major factor in the overall impact of carpet recovery and recycling. Similarly changes in the transportation in order to use carpet as an alternative fuel or, to connect the material to final end markets should be of minimal concern to the overall recycling assessment from a GHG emissions or any energy based perspective."

The environmental impact of carpet recycling on Green House Gas Emissions and Air Quality (WARM Model)

The EPA had included data for carpet recycling as part of its Waste Reduction Model (WARM) Model. The data used for the original WARM model was generated in 2001, and concluded that carpet recycling had significant GHG emission benefits, second only to recycling aluminum cans.

Most recently, EPA is aware that the data pertaining to recycling carpet are incorrect and generate inaccurate estimates of GHG and energy benefits from carpet recycling. Until EPA scientists are able to revise the inputs to WARM for carpet recycling, EPA is recommending that others do not use any results concerning carpet recycling. This recommendation only pertains to carpet recycling and is related to underlying data rather than to WARM. Only carpet recycling calculations are affected[5].

Dr. Matthew Realff, from the Georgia Institute of Technology, worked with the EPA to update the WARM model. Based on the updated data[7], it appears that recycling carpet will fall in the rankings of 40 different materials, from number two to at least number 16 or possibly as low as number 23. EPA updated the web site information in the first quarter of 2012.

The environmental impact of Carpet as an Alternative Fuel (CAAF)

According to Realff, recovered carpet as an alternative fuel is intermediate between coal and natural gas[3]. It has a heat content that is similar to that of coal but has somewhat lower CO2 emissions because its carbon content is typically less on a percentage basis than that of coal. It may contain a significant amount of inorganic filler, calcium carbonate that increases its CO2 emissions and reduces its heat value and its heat value can be further diluted by soiling during use. From an emissions perspective this would be of limited concern if the carpet were used in a cement kiln or similar environment where the calcium carbonate in the carpet is replacing raw material. Greenhouse gases emissions and other environmental emissions such as mercury are not significant and, overall, carpet represents a very clean combusting fuel whose fibrous nature leads to good behavior in combustion environments. If anything, characteristic of carpet combustion is that it is too good a fuel and tends to lead to high combustion temperatures, if not properly controlled.

In an addendum to Realff's original paper[8], Realff examined the CO emissions of carpet versus fuel oil and concluded that carpet and fuel oil were within +/- 15% of each other, and are equivalent in terms of CO_2 profiles; in other words carpet was not presenting an environmental impact significantly different from fuel oil.

Background information on Carpet as Alternative Fuel (CAAF)

In order for the carpet recovery system to be sustainable, there must be market outlets for ALL of the collected fractions of the carpet. Without having outlets for all of the collected fractions of the carpet, the system cannot be economically viable, and it will eventually collapse. Consistent with the waste management hierarchy, the goal is to find the highest and best use for post-consumer carpet. Today, most recycled carpet is turned back into new carpet and carpet underlayment (carpet cushion/pad), or into engineered resins.

However, carpet recycling is not always economically viable, and not all of the carpet that is diverted from the landfill is recyclable. This could be due to the carpet being wet/dirty, the recycling limitations of different fiber or component types, there may be fiber blends (more common in commercial carpet), or there may be material left over after the most valuable portion of the carpet (i.e. the face fiber) is separated.

When post-consumer carpet cannot be recycled economically, use of carpet as an alternative fuel (CAAF) can make sense, from an economical, business and environmental point of view. Carpet as Alternative Fuel (CAAF) has been source-separated and processed into fuel; and/or the processed carpet is mixed with other single source fuels as an additive; and/or combined with other fuel sources (i.e. coal or coal fines, wood waste, etc.) to create an engineered fuel pellet. In order to derive the highest performance and most environmental benefit, CAAF cannot be mixed with Municipal Solid Waste (MSW).

The BTU properties of carpet make it an excellent material as a fuel alternative for coal in industrial boilers[1]. Used carpet has an estimated heating value comparable to coal. Combustion of carpet in an industrial boiler results in similar to somewhat lower amounts of CO2 compared to coal. Carpet has no sulfur compounds or mercury in its construction that could be released in the burning process.

CAAF is not incineration, or waste-to-energy (WTE). The main purpose of incineration is to reduce municipal solid waste (MSW) volume. Although some energy can be created by incineration, incineration is not as efficient or clean in energy production, compared to CAAF.

The environmental impact of Waste to Energy (WTE) versus landfilling

Although this is the least preferred option for diverted carpet, WTE is one option that is being employed for carpet diverted from California, instead of landfilling carpet. On the basis of the assumptions in a paper written by Kaplan et al[8], WTE appears to be a better option than landfill-gas-to-energy (LFGTE). The greenhouse gas emissions for WTE ranges from 0.4 to 1.5 $MTCO_2e/MWh$, whereas the most aggressive LFGTE scenario results in 2.3 $MTCO_2e/MWh$. WTE also produces lower NO_x emissions than LFGTE, whereas SO_x emissions depend on the specific configurations of WTE and LFGTE. According to the authors of this paper, if the goal is greenhouse gas reduction, then WTE should be considered as an option under U.S. renewable energy policies. In addition, all LFTGE scenarios tested had on the average higher NO*x*, SO*x*, and PM emissions than WTE.

Conclusion

Based on the current technical and scientific information available regarding the environmental impact of carpet recycling and diversion technologies; and the assumptions made in Plan for carpet recycling for carpet diverted from California landfills, we do not foresee or anticipate any significant negative environmental impacts from the implementation of the CARE Carpet Stewardship Plan, as submitted to CalRecycle, relative to transportation, greenhouse gas emissions or air quality.

Footnotes

1. Resource Conservation and Recovery Act, 42 S.S. C. Section 6901 *etc. seq.*, as amended, the major U.S. federal legislation first adopted in 1976 that governs the management of Solid Waste and Hazardous Waste in the U.S.
2. CARE Annual Report, 2010
3. Dr. Jeffrey Morris, "Environmental Impacts from Carpet Discards Management Methods: Preliminary

Results (Corrected)", *Sound Resource Management* (April 26, 2010), pg. 1.
4. Dr. Matthew Realff, "The role of using carpet as a fuel in carpet recovery system development (2010).
5. http://www.epa.gov/climatechange/wycd/waste/calculators/Warm_home.html
6. Dr. Matthew Realff, "The WARM Model- Analysis and Suggested Action" (2011).
7. Dr. Matthew Realff, "Addendum to Carpet as an Alternative Fuel: Comparison of Carpet to Residual Fuel Oils- CO_2 Emissions, (2010).
8. P. Ozge Kaplan et al. "Is it Better to Burn or Bury Waste for Clean Electricity Generation", *Environmental Science & Technology,* (Vol. 43, No 6, 2009), pp. 1711-1717.

Attachment V

Education and Outreach

Carpet Manufacturers

1. **Manufacturers' Sales Staff Training**
   a. Webinars and training implemented for salespeople and support staff at many of the major manufacturers, such as Beaulieu, Interface, Mohawk, Shaw and Tandus.

2. **CARE Stewardship Plan Registration**
   a. Stewardship Plan registration process posted on CARE website
   b. All participants receive confirmation of registration and links to documentation required to be in compliance with AB 2398
   c. List of all manufacturers who are registered with CARE Stewardship Plan (80 participants to date)

3. **FAQ Prepared and Published on CARE Website**
   a. Currently has 79 FAQs covering many of the typically asked questions for all stakeholder groups, including manufacturers

4. **Webinars**
   a. April 21, 2011 (73 attendees)
   b. May 11, 2011
   c. May 12, 2011
   d. May 13, 2011

5. **Letters**
   a. Letter sent to all CRI members on Jan. 15, 2011 (115 members)
   b. Confirmation letter sent to Stewardship Plan participants on March 11, 2011
   c. Email reminders sent to manufacturers on March 14, 2011
   d. Letters sent to international manufacturers on April 6, 2011(47 letters sent)

6. **Presentations**
   a. Surfaces, Jan. 28, 2011
   b. National Association of Manufacturers, May 19, 2011
   c. Wools of New Zealand Manufacturers April 13, 2011 (31 attendees)
   d. Georgia Recycling Coalition, August 24, 2011
   e. SCWMF Presentation, November, 2011
   f. CalRecycle Zone Works, November, 2011

7. **Radio Interviews**
   a. Floor Daily Interviews on Jan. 12, 2011, April, 2011, July 22, 2011, October, 2011
   b. Floor Radio Interviews on March 7, 2011 and May 16, 2011.
   c. Floor Focus, July, 2011
   d. NFT interview on Feb. 14, 2011
   e. TalkFloor Interview on March 4, 2011
   f. TalkFloor Interview, May 2, 2011

8. **Trade Press Articles**
   a. National Floor Trends Magazine, Feb. 18, April 22, June 7, June 22, July 1, 2011.
   b. Flooring Insider, October 1, 2010
   c. Facility Management Magazine, April 6, 2011

d. Floor Covering Weekly Insider, April, 2011, October, 2011
e. Floor Covering News, March, 2011

9. **CRI Blogs**
   a. CRI blogs on Jan. 19, Feb. 11, March 1, and August 1, 2011

10. **Advertising**
   a. Ads placed in Floor Focus, Feb, March, April and May, 2011(16,000 monthly subscribers).

11. **Trade Shows**
   a. AB 2398 placards provided for manufacturers who participated in the following trade shows:
      i. Abbey Floors
      ii. CCA Global
      iii. StarNet
      iv. Floors to Go
      v. NFA
      vi. Carpet Plus

12. **CARE Website**
   a. Website includes general information for manufacturers, including a list of all manufacturers registered for CARE Stewardship Plan
   b. Member-only section of the website includes specific information that manufacturers need to know in order to be in compliance with the law, including:
      i. Manufacturers' Quarterly Reporting Requirements and Upload Table
      ii. Quarterly Remittance Statement
      iii. Invoice Examples
      iv. Non-Compliance Letter Template
      v. Exemption Forms
      vi. Blanket Exemption Forms

Residential Retailers and Commercial Dealers

1. **Letters**
   a. CARE sent guidelines to retailers for invoicing, exemptions, and records retentions on March 15, 2011.
   b. 2,935 letters were sent out to all California retailers on May 5, 2011.
2. **Consumer Education Packets**
   a. Educations materials packets sent on June 1, 2011 (3,849 packets sent to date)
   b. Education materials developed and distributed to retailers and dealers in order to communicate and educate at point-of-purchase and at installation. Target audiences included:
      i. Consumers
      ii. Commercial building owners,
      iii. Carpet installation contractors
3. **Webinars**
   a. Customized AB 2398 Webinar for retailers on March 22, 2011(101 attendees)
   b. Retailer-specific Webinar on May 11, 2011
   c. CCA Global Webinar on June 14, 2011
4. **Presentations**
   a. CCA Global Presentation on Jan. 11, 2011.
   b. Mill sales rep training presentation on Feb. 8, 2011.
   c. StarNet Presentation on April 17, 2011

5. **Trade Press Articles**
    a. Floor Covering News in March, 2011
6. **CARE Website**
    a. General information for retailers, including invoice examples, remittance form, exemption form, and record retention requirements, were posted on the CARE website
    b. Non-compliance letter for retailers and dealers posted on May 1, 2011.
    c. Marketing educational materials order link posted
    d. Direct link to third party accounting firm, HA &W, posted

Consumers

1. **Consumer Press Release**
    a. CARE released a consumer press release
2. **Consumer Articles**
    a. LA Times, July, 2011
    b. Mother Nature Network (July and August, 2011)
    c. Napa Valley Register, August 17, 2011
    d. San Francisco Chronicle, August 18, 2011
    e. Earth911.com

Commercial Building Owners, Architects and Designers, and Carpet Installation Contractors

Professional Articles
a. United States Green Building Council newsletter, March 1, 2011.

Rural Communities and Waste Haulers

1. Waste Management Presentation March 17, 2011
2. Rural Communities Webinar March 24, 2011
3. Numerous conference calls with rural communities
4. Planning session for pilot projects, August 2, 2011
5. wastemgtworld.com. June, 2011
6. Today's Facility Manager, July, 2011
7. Updated information brochures tailored to each rural county

Other Outreach Efforts

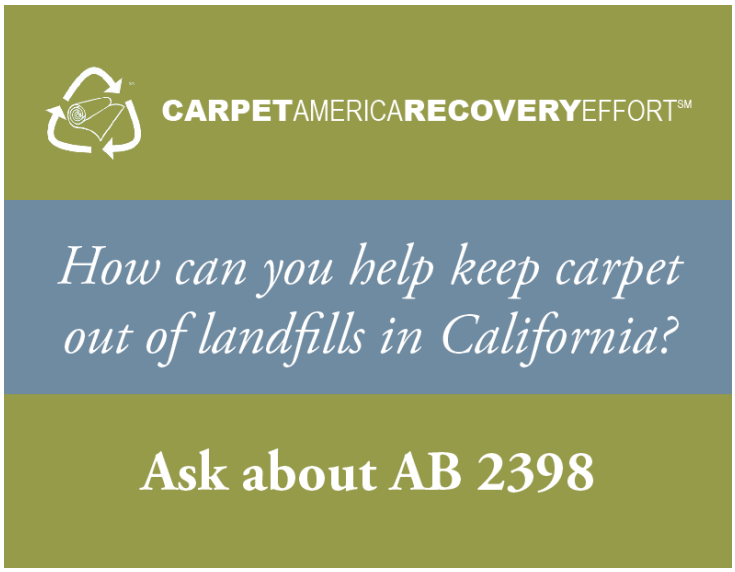
1. Funding Mechanism Presentation to MOU 2012 Joint Committee May 5, 2011
2. California Resource Recovery Association Panel Presentation, August 2, 2011
3. Colorado Recycling Association, July, 2011
4. Georgia Recycling Coalition, August, 2011
5. Southern California Waste Management Forum (SCWMF) November, 2011

Attachment VI
Consumer Education Materials

Placard/Sign

Attachment VI
Consumer Education Materials

Brochure and Window Cling



Window Cling

Attachment VI
Consumer Education Materials
Rural County Materials
(Plumas Country trifold example)

Why Recycle Post-Consumer Carpet?

More than 400 million pounds of carpet are discarded in California landfills every year. AB 2398 is the California Carpet Stewardship law that supports the recycling of carpet into new products and materials. There is now a $0.05 per square yard stewardship assessment on the purchase of all new carpet.

This assessment supports the carpet recycling industry in California and is paying for this **one-year Rural Counties Carpet Recycling Pilot Project** through February 28, 2013.

Recycling carpet saves natural resources, conserves landfill space, reduces the dependency on fossil fuels, and can save money. Recycling allows a product at the end of its useful life to become a new resource.

Carpet can be converted to fiber to make new carpet, carpet padding, erosion control products, and construction material. The carpet fiber can also be converted into plastic pellets and used in automotive components, furniture parts, leach field products, and many more uses.

DELLEKER TRANSFER STATION

Location and Hours:

73980 Industrial Way
Delleker, CA 96122

Satruday - Tuesday
9:00 AM - 4:00 PM
Closed 12:00 - 12:30 for lunch

Closed
Wednesday, Thursday, Friday

Plumas County Department of Public Works
1834 E Main Street
Quincy, CA 95971
Phone: (530) 283-6268
To learn more about recycling in Plumas County visit
http://www.countyofplumas.com/index.aspx?NID=177

Installing a new carpet for a customer?

Remodelling your own home?

YOU NEED THIS GUIDE

How-to-Guide for Post-Consumer Carpet Recycling in Plumas County

Published by Carpet America Recovery Effort (CARE) © 2012

What to do with Post-Consumer Carpet?

This guide gives you the basics for preparing and delivering carpet for recycling.

1 Free of Debris

Make sure the carpet is clean, dry, and free of debris such as tack strips, nails, wood, other flooring materials, and trash. Debris can damage the equipment involved in processing the materials.

2 Roll it Up

Roll up the carpet. If possible, cut the materials into 6 ft. wide sections, then roll up with the face fiber side or yarn side on the outside.

Carpet only -- NO carpet pads!

3 Get Weighed

Take the rolls to the **Delleker Transfer Station** (*see address on back*). First, visit the Scale House to have your vehicle weighed.

4 Drop it Off

You will be directed to the **Carpet Recycling Container**.

This container is provided by CARE as part of the Rural Counties Carpet Recycling Pilot Project.

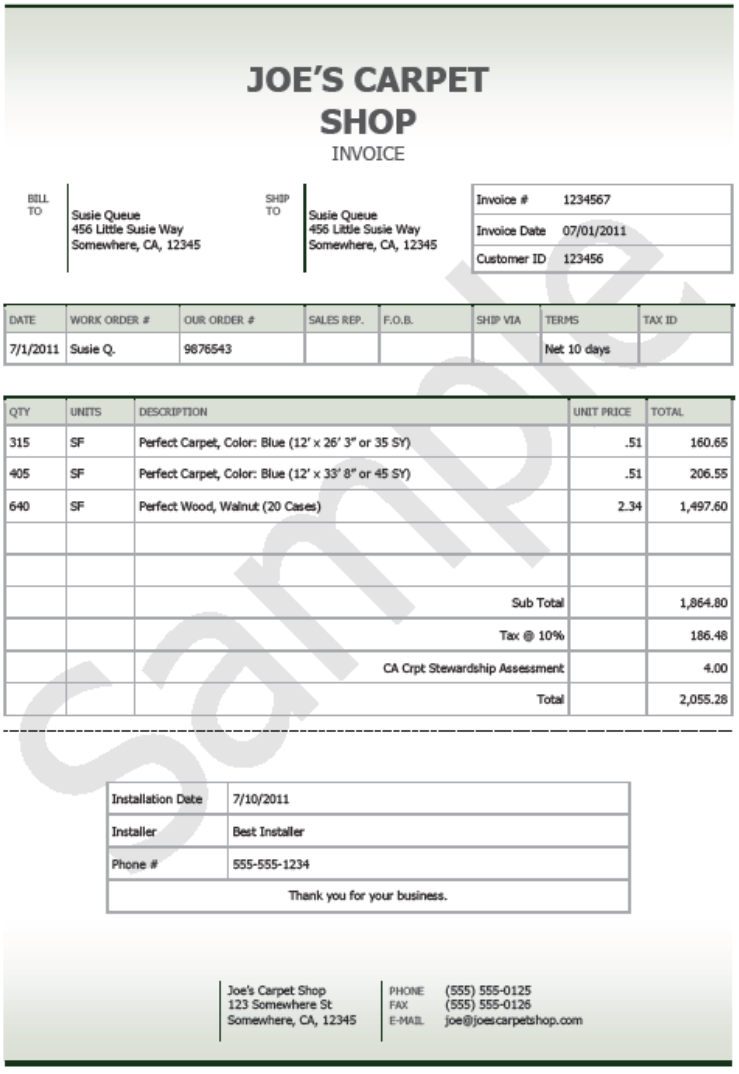
5 Recycling Fee

Receive a **25% discount** off the regular gate fee as a thank-you for participating in our pilot carpet recycling program.

Attachment VI continued
Consumer Education Materials
Rural County Signage Examples

Attachment VII

Invoice Example



JOE'S CARPET SHOP

INVOICE

BILL TO	SHIP TO
Susie Queue 456 Little Susie Way Somewhere, CA, 12345	Susie Queue 456 Little Susie Way Somewhere, CA, 12345

Invoice #	1234567
Invoice Date	07/01/2011
Customer ID	123456

DATE	WORK ORDER #	OUR ORDER #	SALES REP.	F.O.B.	SHIP VIA	TERMS	TAX ID
7/1/2011	Susie Q.	9876543				Net 10 days	

QTY	UNITS	DESCRIPTION	UNIT PRICE	TOTAL
315	SF	Perfect Carpet, Color: Blue (12' x 26' 3" or 35 SY)	.51	160.65
405	SF	Perfect Carpet, Color: Blue (12' x 33' 8" or 45 SY)	.51	206.55
640	SF	Perfect Wood, Walnut (20 Cases)	2.34	1,497.60
		Sub Total		1,864.80
		Tax @ 10%		186.48
		CA Crpt Stewardship Assessment		4.00
		Total		2,055.28

Installation Date	7/10/2011
Installer	Best Installer
Phone #	555-555-1234
Thank you for your business.	

Joe's Carpet Shop
123 Somewhere St
Somewhere, CA, 12345

PHONE (555) 555-0125
FAX (555) 555-0126
E-MAIL joe@joescarpetshop.com

Sample

Sample – Broadloom and Wood invoice (SF) - Retailer

Attachment VIII

Collectors and Processors of Carpet from California

As of October 2013

For current list[2], please go the CARE website: http://www.carpetrecovery.org/collector-finder

1. Black Butte Recycling/Transfer Station
3710 Springhill Drive
Mt. Shasta, CA 96067
530-842-8272 Email

2. Carpet Solutions
17100 Margay Ave
Carson, CA 90746
Email

3. Delleker Transfer Station
73980 Industrial Way
Delleker, CA 96122
530-283-6268 Email

4. Del Norte County Transfer Station
1700 State Street
Crescent City, CA 955531
Email

[2] "These facilities are designated CARE Certified Collectors, for which there is an application process and periodic updates. Facilities accepting carpet are subject to changing market conditions and rely on private agreements. Always contact a facility prior to a drop-off to ensure it can accept carpet and what requirements might exist (free of contaminants, volume, type, etc.)."

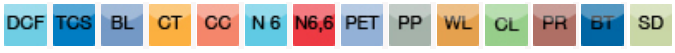
5. GreenWaste Carpet Recycling
1555 South 7th Street
San Jose, CA 95112
916.412.3277 Email

6. GreenWaste Carpet Recycling
625 Charles Street
San Jose, CA 95112
916.412.3277 Email

7. Hawthorne Street Transfer Station
1059 W. Hawthorne St.
Eureka, CA 95501
707-268-8030 Ext. 0

8. Los Angeles Fibers
PO BOX 58584
Vernon, CA 90058
Email

9. Mission Recycling
1341 E. Mission Blvd
Pomona, CA 91766
Email



10. Napa Recycling & Waste Services
820 Levitin Way POBOX 239
Napa, CA 94558
Email

11. Tehema County/Red Bluff Landfill
19995 Plymire Rd.
Red Bluff, CA 96080

Key

Attachment IX

AUP Procedures for Mills and Processors

LARGE MANUFACTURERS - Mills

1. Recording carpet sales:

    a) The accounting firm will make inquiries with sales/order management system owner to understand how the system logic and other procedures related to recording carpet sales (type, amount, destination, etc.) and how shipments made to California subject to AB2398 are identified.

    b) The accounting firm will document its understanding for this procedure in the form or narratives and/or flowcharts.

2. AB2398 reporting preparation:

    a) The accounting firm will make inquiries with accounting information system owner to understand how AB2398 related reporting is generated; including the source of the data, the methods to obtain this data, and to compile the report provided to CARE.

    b) The accounting firm will document its understanding for this procedure in the form or narratives and/or flowcharts.

3. Assess inherent risks:

    a) The accounting firm will identify and document inherent risks to the completeness and accuracy of the CARE report as it pertains to accumulation of sales data subject to AB2398 and in the compilation of reporting to CARE.

4. Identify mitigating controls:

    a) The accounting firm will make inquiries with system / process owners as to the existence of controls (manual and automated) that are deployed to mitigate aforementioned risks.

    b) The accounting firm will document understanding of mitigating controls and gather evidence of these controls being deployed (e.g., policies, procedures, system controls, etc.)

    c) The accounting firm will document whether significant inherent risks are mitigated by controls confirmed to have been deployed or not.

5. Define test procedures:

    a) The accounting firm will identify test procedures related to mitigating the aforementioned inherent risks. When feasible these procedures will involve test of controls. As necessary, the test procedures will involve substantive procedures.

6. Perform test procedures:

    a) The accounting firm will execute these tests and document test findings.

SMALL AND MEDIUM MANUFACTURERS - Mills

1. Obtain quarterly remittance report for the quarter being tested and determine that the total sales reported for the period multiplied by the remittance rate ($.05 for 2011 and 2012) equals the amount remitted to CARE for the quarter. Obtain explanation for discrepancies greater than $2,500.

2. Agree total sales reported on the trial balance by the manufacturer for the quarter to manufacturer's general ledger for the quarter and obtain explanation for any discrepancies over $2,500.

3. Sort general ledger sales report by state and agree total to amount reported on remittance report to sales in the state of California per the general ledger. Obtain explanation for any discrepancies over $2,500.

4. Randomly select 45 sales items from the general ledger and obtain the shipping documents for those sales to determine that the sales were recorded properly in the state in which the final sale occurred.

5. Randomly select 45 items from the remittance report and obtain shipping documents in order to verify date of shipment, destination and type of carpet shipped.

6. For the 45 items selected in #5 - obtain invoice and copy of cancelled check and verify that amount of sale recorded agrees to invoice and payment receipt.

7. Obtain supporting report of amounts deducted as "exceptions" on the quarterly reports submitted to CARE. Investigate deviations from the supporting reports to the quarterly reports greater than $2,500.

8. Randomly select 10 items from the supporting report and obtain supporting documentation of number of yards and associated dollars and rationale for classifying as an exception. Report any discrepancies noted.

9. For exceptions noted during the course of the procedures performed that can be quantified, the accounting firm will provide details of exceptions, quantified in pounds and/or dollars.

10. The accounting firm will provide a summary table of findings to CARE for exceptions noted during the performance of the procedures. This table will include the calculated amount due, adjustments to the calculated amount due amount, the magnitude of the adjustments as a percentage, and disclosure of other exceptions noted that have an undetermined impact on the amounts calculated as due by the manufacturers.

PROCESSORS

Scope: The accounting firm will perform the following procedures on recyclers requesting payment and identified specifically in this letter for the Quarter ending September 30, 2012:

General Procedures

a. Obtain a list of recyclers participating in the CARE program as of each quarter end date and confirm CARE's written concurrence that list is complete, including hard copy and electronic submissions.

b. Verify Request for Payment was submitted to CARE prior to submission deadline

c. Verify Request for Payment is signed by Officer of the business

d. Verify Request for Payment Statement submitted prior to submission deadline

e. Verify Company has submitted 12 Month Rolling Forecast prior to submission deadline

f. Examine oldest documentation on record with Company to ensure compliance with three year retention period. Applies only to site visits.

g. Confirm with CARE representatives that Company is a member of CARE, in good standing

h. Obtain Company Financial Statements, audited or reviewed financial statements for the quarter or last annual period if available. Report to CARE the extent of assurance given by third parties and on what financial information.

i. If Company has financials statement audited or reviewed by an independent accountant, obtain letter to management regarding internal controls. Report to CARE whether the communications indicate material weaknesses or significant deficiencies in controls.

Collection Procedures

j. Agree total reported collections (lbs.) and by category in total per request for payment to incoming receipts ledger for the reporting period.

k. Agreed total reported CA collections (lbs.) and by category (if applicable) in total per request for payment to incoming receipt log or ledger for the reporting period.

l. Validate receiving log by ensuring numerical sequence for the quarter reported. If no sequential numbering, randomly select 10 days from reporting period and request manual shipping log or comparable report to verify inclusion of receipts on receipt ledger provided in k.

m. Randomly select 60 incoming receipts and verify either actual weight or container size recorded, and obtain bill of lading with indicated receptacle ID or 3rd party documentation evidencing receipt and origination of PCC (CA vs. Non-CA) and container size/weight. Verify origination per receiver agrees with reported origination.

n. If PCC is not weighed incoming, select 10 random receipts and note container size and compare to a receipt with a certified container weight. Report any weight variances greater than 10%.

Outgoing Shipments

o. Agree total outgoing shipments (lbs.) of eligible product by category reported on the request for payment to the outgoing shipment ledger.

p. Reconcile shipping log to invoice register.

q. Agree total of invoice register to sales recorded in financial statements. Obtain audited financial statements if possible.

r. Document Company formula for computing application rate. (CA Output/Total Output)

s. Mathematically verify CA application rate is used to compute outgoing CA lbs.

t. Obtain historical application rates and key production metrics from Company. Report occurrences of a greater than 10% fluctuation in key metrics.

u. If outgoing CA lbs. are separately processed, obtain outgoing shipment ledger for CA lbs.

v. Validate shipping log by ensuring numerical sequence, or alternatively compare sales to quarterly financials reported and note any differences.

w. Randomly select 60 sales invoices to verify either actual weight or container size recorded and obtain bill of lading with indicated receptacle ID or 3rd party documentation evidencing shipment and container size/weight during the reporting period. Report undocumented shipments. Confirm with customers that shipment took place if documentation is not sufficient.

x. Report sales to related parties, as represented by the recyclers.

Reporting Procedures

y. Agree amounts collected, % collected from California, outbound shipments, and application rate in procedures above to request for payment form submitted to CARE.

z. Foot and recalculate the request for payment

aa. Agree amount requested to submitted quarterly survey

ab. Report exceptions noted to CARE

ac. For exceptions noted during the course of the procedures performed that can be quantified, the accounting firm will provide details of exceptions, quantified in pounds and/or dollars.

ad. The accounting firm will provide a summary table of findings to CARE for exceptions noted during the performance of the procedures. This table will include the requested amount, adjustments to the requested amount, the magnitude of the adjustments as a percentage, and disclose other exceptions noted that have an undetermined impact on the amounts requested by the recyclers.

Attachment X

New Quarterly Reporting Format for Processors

	INSERT COMPANY NAME HERE	Actual	Forecast				
	CONFIDENTIAL	2013	2013	2013	2013	2014	Total
	AB 2398 12 Monthly Rolling Forecast	Q1 Report	Q2	Q3	Q4	Q1	4 Quarters
4	**Number of Full Time Equivalent (FTE) Employees in State of California working on carpet recycling**						
5	Number of CA FTE Employees at beginning of this quarter						n/a
6	Number of FTE CA Jobs lost this quarter						n/a
7	Number of FTE CA Jobs gained this quarter						n/a
8	Number of FTE CA Employees at end of this quarter	-	-	-	-	-	n/a
9	**Post-consumer carpet pounds directly collected by you for this quarter [Do NOT report pounds you are purchasing from other collectors]**						
10	Post-consumer carpet pounds directly collected by you from California for this quarter						-
11	Post-consumer carpet pounds directly collected by you from OUTSIDE California for this quarter						-
12	TOTAL Post-consumer carpet pounds	-	-	-	-	-	-
13	**Carpet directly collected by YOU from California by FIBER type [Do NOT report pounds you are purchasing from other collectors]**						
14	Nylon 6						-
15	Nylon 6,6						-
16	Polypropylene						-
17	PET						-
18	Wool						-
19	Other/Mixed Fibers						-
20	TOTAL	-	-	-	-	-	-
21	Line 20 must equal Line 10	-	-	-	-	-	-
22	**Carpet directly collected by YOU from California by PRODUCT type [Do NOT report pounds you are purchasing from other collectors]**						
23	Broadloom carpet						-
24	Modular Carpet tile						-
25	Other						-
26	TOTAL	-	-	-	-	-	-
27	Line 26 must equal Line 10	-	-	-	-	-	-
28	**Carpet directly collected by YOU from California by MARKET SEGMENT [Do NOT report pounds you purchased from other collectors]**						
29	Commercial						-
30	Residential						-
31	Unknown/Unsure						-
32	TOTAL	-	-	-	-	-	-
33	Line 32 must equal Line 10	-	-	-	-	-	-
34	**Carpet directly collected by YOU from California by COMMUNITY type [Do NOT report pounds you purchase from other collectors]**						
35	Urban						-
36	Rural						-
37	Unknown/Unsure						-
38	TOTAL	-	-	-	-	-	-
39	Line 38 must equal Line 10	-	-	-	-	-	-
40	**Accounting for total PC Carpet Inputs & Beginning Inventory this quarter**						
41	Beginning Inventory of Whole Carpet from CA at start of quarter (should equal prior quarter ending inventory.						-
42	Whole Carpet Collected from California (Row 10)	-	-	-	-	-	-
43	Whole carpet from CA received from other collectors						-
44	TOTAL Materials Available	-	-	-	-	-	-
45	**Accounting for total PC Carpet Outputs & Ending Inventory**						
46	Re-Used						-
47	Internally Used Whole Carpet						-
48	Whole carpet shipped to US customers OUTSIDE California						-
49	Whole carpet shipped to customers outside the United States						-
50	Whole carpet shipped to customers INSIDE California						-
51	Non-carpet materials with value (i.e. carpet cushion)						-
52	WTE						-
53	Incinerated						-
54	Landfilled						-
55	Ending Inventory of Whole Carpet						-
56	TOTAL	-	-	-	-	-	-
57	Line 56 must equal line 44	-	0	0	0	0	0

58	**Production of Internally Used Whole Carpet**						
59	Internally Used Whole Carpet	-	-	-	-	-	-
60	Processed						-
61	Landfilled						-
62	WTE						-
63	Incinerated						-
64	TOTAL	-	-	-	-	-	-
65	Line 64 must equal line 56	-	-	-	-	-	-
66	**Output and other destinations of post-consumer carpet internally processed this quarter**						
67	Beginning Inventory of Processed Goods from prior quarter						-
68	Processed	-	-	-	-	-	-
69	TOTAL	-	-	-	-	-	-
70	**Type 1 Outputs**						
71	Fiber						
72	DePoly or Chemical Component						
73	Shredded Carpet tile used for tile backing						
74	Total Type 1 Output	-	-	-	-	-	-
75	**Type 2 Outputs**						
76	Filler	-					
77	Processed PCC as Rock Substitute						
78	Processed Carcass as Rock Substitute						
79	Filler as Rock Substitute (calcium carbonate)						
80	Total Type 2 Output	-	-	-	-	-	-
81	CAAF						-
82	Cement Kiln feedstock						-
83	Carcass Sold Overseas						
84	Landfilled						-
85	WTE						-
86	Incinerated						-
87	Ending Inventory Processed Goods this quarter						-
88	TOTAL	-	-	-	-	-	-
89	Line 88 must equal line 69	-	-	-	-	-	-
90	**Calculations for funding**						
91	Type 1 Output, $0.06/lb.	$ -	$ -	$ -	$ -	$ -	$ -
92	Type 2 Output, $0.03/lb.	$ -	$ -	$ -	$ -	$ -	$ -
93	CAAF, $0.03/lb.	$ -	$ -	$ -	$ -	$ -	$ -
94	Cement Kiln feedstock, $0.03/lb.	$ -	$ -	$ -	$ -	$ -	$ -
95	**Total Requested ($)**	$ -	$ -	$ -	$ -	$ -	$ -
	Date Filed:						

CARPETAMERICARECOVERYEFFORT℠
Developing market-based solutions for the recycling and reuse of post-consumer carpet

Version 4-01-13

All cells are locked and only cells in yellow may be filled in. All calculations are automatic.

Attachment X continued

New Quarterly Reporting Format for Non-Nylon End Users

INSERT COMPANY NAME HERE	Actual	Forecast				
CONFIDENTIAL	2013	2013	2013	2014	2014	Total
AB 2398 12 Monthly Rolling Forecast	Q2 Report	Q3	Q4	Q1	Q2	4 Quarters
If located in CA Number of Full Time Equivalent (FTE) Employees working on PCC Products						
Number of FTE CA Employees at end of this quarter using PCC carpet?						n/a
Type 1, Non-Nylon PC Carpet pounds purchased by you in this quarter						
Type 1 pounds directly purchased by you from a QUALIFIED Processor of CA Waste Carpet this quarter?						-
Please supply confirmation letter from supplier						
Type 1, Non-Nylon Processed CA PC Carpet pounds directly purchased by YOU by FIBER type						
Polypropylene						-
PET						-
Other including mixed non-nylon fibers						-
TOTAL	-	-	-	-	-	-
Line 13 must equal Line 7	-	-	-	-	-	-
Accounting for total processed Type 1 PC Carpet Inputs & Beginning Inventory this quarter						
Beginning Inventory of Type 1 Non-Nylon processed PC Carpet from CA at start of quarter (should equal prior quarter ending inventory).						-
Type 1 Non-Nylon Processed PC Carpet received/purchased (Row 7)	-	-	-	-	-	-
TOTAL Material Available for Current Quarter	-	-	-	-	-	-
Accounting for total PC Carpet Outputs & Ending Inventory						
Type 1 Non-Nylon Processed PC Carpet SOLD & SHIPPED this quarter? [SEE NOTE 1]						-
Output and other destinations of Non-Nylon Type 1 materials internally processed this quarter						
Tier 2 Non-Nylon Products SOLD & SHIPPED in Quarter						
Name of End Product (Specify Product)						
Name of End Product (Specify Product)						
Name of End Product (Specify Product)						
Calculations for funding						
Total Requested ($) Tier 2 Non-Nylon Output, $0.12/lb.	$ -	$ -	$ -	$ -	$ -	$ -

Date Filed:

NON-NYLON INCENTIVE REPORTING SHEET

NOTE 1: This is pounds of Type 1 PCC contained in your final product. It is NOT the total product weight, only that of the Type 1 content.

NOTICE: These reporting requirements are subject to change.

Version 8-24-13

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Attachment XI

Audit Reports for CARE and AB 2398

Full copies of both AB 2398 and CARE audit report are available upon request directly from CARE.

################END###############