



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

FAQs for VPS Program¹

Revised 12/19/14

Overview

Q1. What is the Voluntary Product Stewardship Program?

A1. The Voluntary Product Stewardship (VPS) Program (“Program”) is a voluntary, nationwide Program, to support the Carpet Sorting network for Diversion of Post-Consumer Carpet from landfills.

Q2. What are the objectives of the Program?

A2. The objectives of the Program are to:

1. Maintain a competitive carpet flooring industry that is both sustainable and viable, by supporting a Carpet Sorting network for diversion of Post-Consumer Carpet from landfills
2. As part of the industry’s government relations activities, promote and support the CARE mission to facilitate the Carpet-industry led initiative through the Carpet and Rug Institute (CRI) to find market-driven solutions to the diversion of Post-Consumer Carpet from landfills as an alternative to EPR (extended producer responsibility) –type legislation or regulations.

Q3. Where did the idea for the VPS Program originate?

A3. The VPS Program developed as a result of productive dialogues between Entrepreneurs, Mills, and CARE. Entrepreneurs identified changes in the Supply Chain for Carpet Recycling, especially in the increases of non-nylon.

The VPS Program was developed to assist Sorters to improve their business results. The VPS Program is a bridge while new technologies and applications are developed that will ultimately increase demand and use for diverted materials.

Q4. Will CARE be the Stewardship Organization for the Program?

A4. Yes, The Carpet America Recovery Effort (CARE) is the Carpet Stewardship Organization for the VPS Program.

¹ See the VPS Plan for definitions of capitalized terms.

Q5. How is the VPS Program funded?

A5. VPS Program participants include Carpet Manufacturers who are members of the Carpet and Rug Institute. CRI members are participating voluntarily and have committed \$4.5 Million for the initial year of the VPS Program.

Q6. Is the VPS Program available to all Sorters?

A6. The VPS Program is available across the United States, except for Carpet Collected or Sorted in states or local municipalities that have Extended Producer Responsibility (EPR) legislation or regulations for Post-Consumer Carpet.

Q7. What if a state or municipality decides to discontinue an EPR program, and/or adopt the VPS Program?

A7. If a state or municipality chooses to discontinue its EPR legislation or regulations for Post-Consumer Carpet, then Sorters in that state or municipality may apply to qualify for funds from the VPS Program. At this time, EPR regulations are in place in California. Therefore, Sorting facilities located in California are not qualified to receive VPS Program funds. Post-Consumer Carpet diverted from California, and coming into any sorting facility, either into a Sorting facility in California, or into a Sorting facility outside of California, does not qualify for VPS Program funds.

Q8. Is this Program accepting any type of carpet fiber, or is it focused on a specific type?

A8. The Program is designed to accept and manage all applicable Post-Consumer Carpet regardless of polymer type or primary materials or construction.

Q9. Is this Program evergreen? Will it have an ending point?

A9. The Program is expected to launch in the first quarter, Q1 of 2015. It is expected that the VPS Program will have a two-year term. Program elements and/or the Program will sunset as solutions are identified.

Q10. Who is eligible to qualify for funds from the Program?

A10. The Program targets Sorters in the U.S. who are engaged in the activity of Sorting collected Post-Consumer Carpet. Sorters will accept and manage all applicable Post-Consumer Carpet, regardless of polymer type or primary materials of construction, at the facility where the Post-Consumer Carpet is analyzed and baled. You must be a member in good standing of CARE to participate in the program.

Q11. Why does the VPS Program target Sorters, and not other participants in the Carpet Recycling Industry?

A11. The Program provides funds to Sorters in order to increase the volume of Post-Consumer Carpet diverted from the landfill. Sorters are the primary people who receive Post-Consumer Carpet from collectors. Through the process of Sorting, a percentage of Post-Consumer Carpet may be able to be recycled or diverted. This funding may help Sorters grow their businesses by developing new outlets for the Post-Consumer Carpet.

Q12. What types of Sorted Output qualify for funding?

A12. Qualified Sorters may request funds for the following uses:

1. Sorted Output sold and shipped to internal or external Processors

2. Sorted Output sold and shipped to alternative fuel uses such as Waste-to-Energy, Pyrolysis, Cement Kilns and Carpet as Alternative Fuel (CAAF)
3. Post-Consumer Carpet Re-use

Q13. How often will the results from the Program be reviewed?

A13. CARE will review results and progress quarterly.

Q14. How can I find out more about the VPS Program? Where do I send my colleagues to learn about the Program?

A14. CARE and other interested parties will raise awareness of the VPS Program through communication and outreach such as webinars, presentations and web site information. CARE will encourage Qualified Sorter participation through these communication efforts. CARE will house information on the VPS Program and results of the Program on the CARE website, www.carpetrecovery.org, and click on the VPS tab.

Qualified Sorter Information

Q15. How will the VPS Program benefit me and other Qualified Sorters?

A15. In addition to the financial support that Qualified Sorters will receive from the VPS Program, it will enable you and other Qualified Sorters to:

- Meet needs of architects, designers, and specifiers – certificates of reclamation
- Help you meet customer sustainability expectations
- Provide positive press in your communities
- Give you an opportunity to:
 - Claim credit for landfill diversion
 - Claim credit for avoiding CO2 emissions
 - Claim credit for H2O savings

Q16. I sort Post-Consumer Carpet. What do I need to do to qualify for VPS Program funds?

A16. VPS Program funds are available only to Qualified Sorters. To become a Qualified Sorter, you must sign an annual Qualified Sorter Agreement and a quarterly attestation letter. Qualified Sorters must also complete and submit quarterly reports to CARE. The report formats will be available on the CARE website. Qualified Sorters will also submit forecasts for the next quarter's expected results.

Q17. Would Post-Consumer Carpet received from outside the U.S., such as from Canada or Mexico, qualify for funds?

A17. No, Post-Consumer Carpet received from outside the U.S. does not qualify for funds.

Q18. I am an affiliate of a parent company. My parent company has several locations across the U.S. These locations may Collect or Sort Post-Consumer Carpet. Do each of the affiliates or locations submit a request for funds, or does the parent company need to aggregate and submit one request for funds?

A18. One of the affiliated companies must aggregate and submit one request for funds. Further, only the parent company must be a member of CARE, representing its regional operations.

Q19. What is the quarterly attestation letter?

A19. Each quarter, when a Sorter applies for funds, CARE will request that the Sorter sign an attestation letter. The attestation letter confirms that the Sorter is continuing to comply with the Annual Qualified Sorter Agreement. It also confirms that the data that is being supplied in the Quarterly attestation letter is accurate, truthful, and in compliance with the requirements of the VPS Program. The attestation letter is found in the VPS Plan. An officer of the company must sign this letter.

Q20. Will CARE train Sorters on how to complete all of this documentation?

A20. Yes, CARE is planning to conduct at least one training webinar for Sorters, in the fourth quarter of 2014.

Q21. When and what do I submit to CARE to begin the process?

A21. Beginning January 1, 2015, CARE will begin accepting data on calendar 2014 results from Sorters. CARE will ask for the data to be supplied for each of the previous 4 quarters, Q1 2014-Q4 2014. CARE will use this data to establish a baseline for the VPS Program. The deadline for submitting this data will be January 31, 2015.

Q22. So, is CARE paying for 2014 results?

A22. No. The information submitted for the 4 quarters of the 2014 calendar year will be used to establish the baseline. CARE will begin to distribute funds to Qualified Sorters for results achieved beginning in Q1 2015. First payments would be made near the end of Q2 once all data is submitted and evaluated from Q1.

Q23. When do I need to submit my Q1 2015 data?

A23. CARE will begin to accept Q1 2015 data starting April 1, 2015. CARE must receive all documentation and data for Q1 2015 no later than April 30, 2015.

Q24. Okay, I signed the Annual Agreement, signed the Attestation letter, and submitted my Q1 2015 report and my forecast. Do I automatically get my funds if I have completed all these steps?

A24. CARE will review all requests for funds, and determine if the Sorters qualify for funding. If CARE has any questions or issues with what has been submitted, CARE staff may contact you for further explanation.

Q25. And when can I expect to receive funds for Q1 2015 results, assuming I am a Qualified Sorter?

A25. CARE anticipates it will distribute funds to Qualified Sorters for Q1 2015 results by the end of June 2015.

Q26. I understand the VPS funding for base payout is capped at \$150,000/quarter, up to a maximum of \$400,000/year per Qualified Sorter. Is the bonus also capped?

A26. There is NO cap on the bonus as long as funds are available.

Q27. Would a new Sorter be able to participate in the Program after the Program has been in operation?

A27. The new Sorter would be allowed/encouraged to become eligible for the Program. The Sorter will need to meet the criteria (i.e. sign the Qualified Sorter Agreement and quarterly attestation letter, and submit a request for funds). CARE will then consider the request on a pro rata basis for payout and for the bonus pool (i.e. if the Sorter starts mid year, he/she would be eligible for funds calculated on growth from the mid year to the end of the year).

Q28. What happens if a Sorter decides to participate in EPR legislative efforts?

A28. By signing the Qualified Sorter Agreement, a Sorter agrees that a condition for payment is supporting the purpose of this Program rather than supporting EPR-type legislation or regulation during the term of the Program and for eighteen months after receiving the last payment. Company is obligated to refund any funds paid in violation of this agreement.

Q29. I am a Qualified Sorter. I sell and ship some Sorted Output to customers internationally. Do the pounds of Sorted Output that I ship to international customers qualify for funds?

A29. Sorted Output from U.S. post-consumer carpet, which is sold and shipped internationally, may qualify for funds. You will need to be able to provide required documentation on these shipments as part of an AUP if requested.

VPS Plan and the California Carpet Stewardship Program (aka AB 2398)

Q30. CARE is the Carpet Stewardship Organization for both the California Carpet Stewardship Program (AB 2398) and the VPS Program. How will CARE manage the operations and accounting to keep the programs separated?

A30. CARE will manage the VPS Program as a separate and distinct Program. The Program will have a separate budget, accounting and Agreed Upon Procedures (AUP). CARE will employ the services of independent Certified Public Accounting (CPA) firms to assist in the accounting and AUP reviews for the Program.

Q31. What are AUPs?

A31. Agreed Upon Procedures (AUP) are the procedures used by CARE and its representative accounting firms to verify and validate the data supplied by Qualified Sorters. On a regular basis, CARE and/or its accounting representatives will conduct these procedures, and report back to the management team. Qualified Sorters will be contacted to schedule the AUP. Please see the AUP in the VPS plan for more details on what the accountants and CARE will be examining and analyzing.

Q32. Are the objectives and strategies of the VPS Program and California program the same?

A32. No, the programs are not the same. However both programs have some similar elements. Some of the differences between the California program and the VPS Program are:

1. The California program is a result of EPR regulations, and is overseen by CalRecycle. The VPS Program is a voluntary, market-based Program that supports Qualified Sorters to increase the Net Diversion of Post-Consumer Carpet from landfills.
2. The California program is funded by a Stewardship Assessment fee, which appears on the Customer Invoice of carpets sold in California. The VPS Program

is funded by the voluntary participation of members of the Carpet and Rug Institute (CRI).

3. The California Program targets Post-Consumer Carpet **Processors**; the VPS Program targets **Sorters**.
4. The California program does not have an end date; the VPS Program is expected to be a short-term program to bridge while market-based solutions to carpet recycling are found.
5. The California program funds Processors for recycled output; the VPS Program funds Qualified Sorters for Sorted Output.

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