



Voluntary Product Stewardship (VPS) for Post-Consumer Carpet

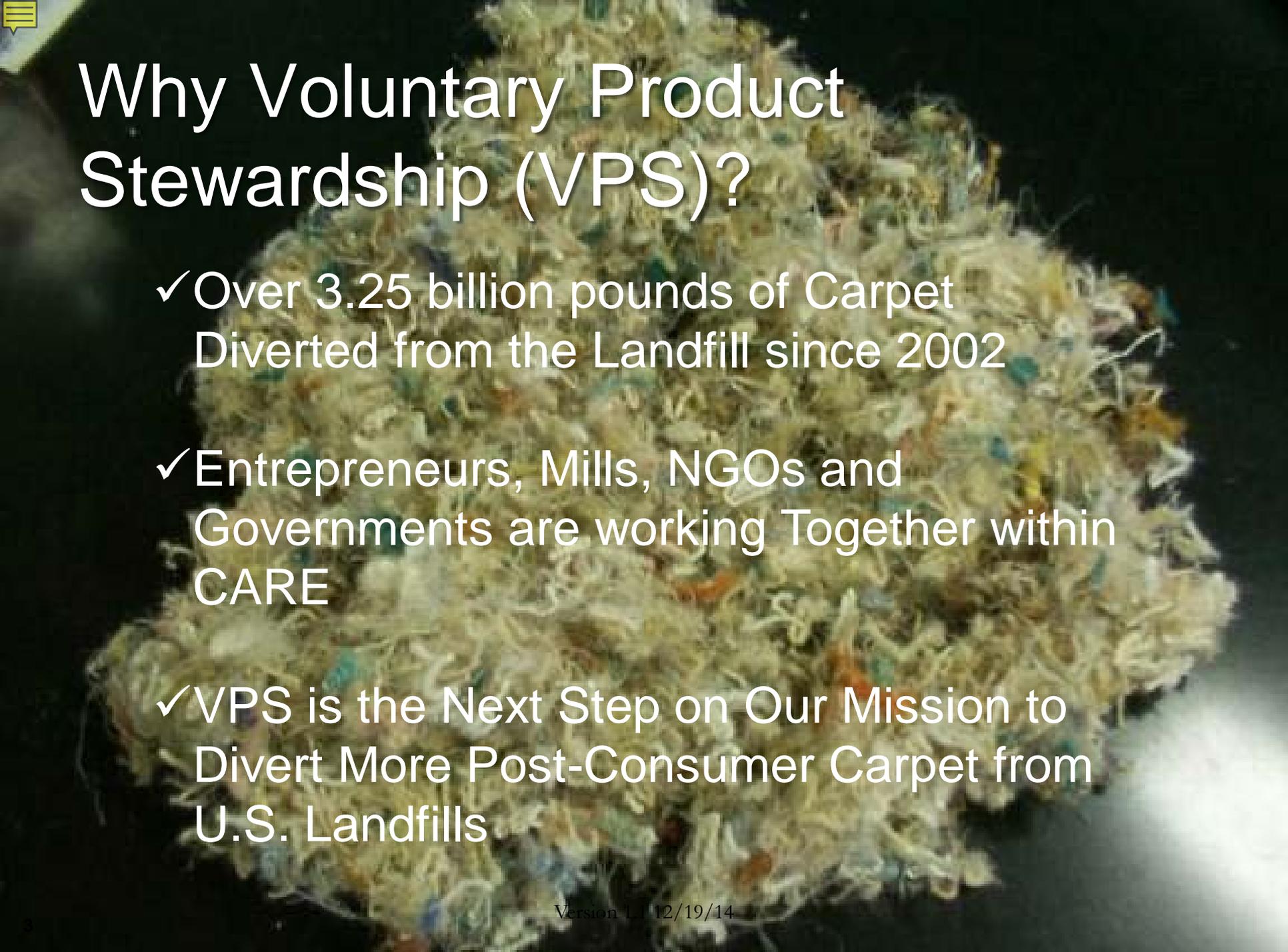
Information for Qualified Sorters
December, 2014



Agenda

- What You Need to Know about VPS
- Benefits to You and Your Customers
- Timing
- Resources
- Questions





Why Voluntary Product Stewardship (VPS)?

- ✓ Over 3.25 billion pounds of Carpet Diverted from the Landfill since 2002
- ✓ Entrepreneurs, Mills, NGOs and Governments are working Together within CARE
- ✓ VPS is the Next Step on Our Mission to Divert More Post-Consumer Carpet from U.S. Landfills

VPS Program for Post-Consumer Carpet

Voluntary, nationwide program, to support the carpet sorting network for diversion of post-consumer carpet from landfills through market-based solutions



Creation of VPS Program

- Dialogue between Entrepreneurs, Mills, CARE BOD
 - Recognition of Challenges faced by Sorters
- Response to Changes in Supply Chain of Carpet Recycling
- Assist Sorters to improve their business results



Objectives of VPS

- Maintain a competitive carpet flooring industry that is both sustainable and viable
- Support the Carpet Sorting Network
- As part of the industry's government relations activities, promote and support the CARE mission 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
- Participants support market-driven solutions as opposed to EPR- type legislation

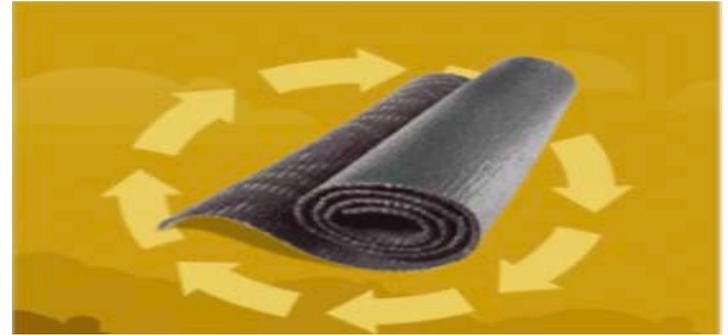


VPS Specifics

- Program is funded through voluntary contributions from Carpet and Rug Institute (CRI) Members
 - Members have committed \$4.5 Million for the initial year of the VPS Program.
 - It is expected that the VPS Program will have a two-year term.
- This is a new Program: expect the Program will evolve over time
- Sorters will be asked to sign legal Agreement.
- Program elements and/or Program sunsets as Objectives are achieved.



What is the Scope of the VPS Program?



■ Included:

- All **Carpet** regardless of polymer type
- Commercial and Residential Broadloom and Carpet Tiles

■ Excluded:

- Carpet Collected from or Sorted in States and municipalities which currently have EPR Regulations
- Rugs, Underlayment, Carpet Cushion
- Synthetic Turf



Carpet America Recovery Effort (CARE)

- CARE is the Carpet Stewardship Organization for VPS Program
 - Nationwide, voluntary 501c3 organization
 - Began in 2002
 - www.carpetrecovery.org
- CARE represents >90% of US carpet manufacturers and >95% of carpet recycled in the US
- CARE is also the Carpet Stewardship Organization for California Carpet Stewardship Program, AB 2398



Extended Producer Responsibility (EPR) and Voluntary Product Stewardship (VPS)

Similarities	Differences
<ul style="list-style-type: none">Both Programs Seek to Increase Carpet Diversion from Landfills	<ul style="list-style-type: none">EPR is Established by Government Regulation
<ul style="list-style-type: none">Both Programs Reward Results	<ul style="list-style-type: none">VPS is a Voluntary, Market-based Program
<ul style="list-style-type: none">Both Programs are Professionally Managed, with Oversight and Accountability	<ul style="list-style-type: none">EPR does not sunset; VPS sunsets as solutions to objectives are achieved
<ul style="list-style-type: none">Both Programs accept all Post-Consumer Carpet, regardless of polymer type	<ul style="list-style-type: none">VPS is nationwide; EPR is currently in one state



Carpet Recycling Supply Chain



VPS Program Definition

- **Sorter:** An entity that is engaged in the activity of Sorting collected U.S. 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.
- **Why This Definition is Important to You:**
 - Allows the VPS Program to encourage the full range of activities necessary to divert more Post-Consumer Carpet from the landfill
 - Aids those Sorters who engage in the diversion of ALL types of fiber
 - Supports the Sorters who commit to the Objectives of the Program for market-based solutions



VPS Program Definitions

- **Qualified Sorter:** A U.S.-based Sorter that meets the criteria for qualification of funds as identified in the VPS Program and in the Sorter Agreement. A Qualified Sorter may consist of multiple affiliated entities consisting of various wholly or partially owned operations, but all such affiliated members are considered a single Qualified Sorter under the VPS Program.
- **Sorting:** The method used for segregating collected Post-Consumer Carpet into the various backing types (PVC, SBR Latex, etc.) and/or fiber types (e.g. Nylon 6, Nylon 6.6, Polypropylene and Polyester), and transferring for internal or external processing or alternative fuel source.
- **Sorted Output:** U.S. Post-Consumer Carpet that has been analyzed by fiber type (i.e. Nylon 6, Nylon 6.6, Polypropylene, PET), or backing type, separated, baled and sold/shipped for internal or external processing, or alternative fuel use. Sorted Output must be reported on a dry weight basis.



Qualified Sorter Criteria

- Submit all quarterly 2014 data to CARE, by 1/31/15
- Submit to CARE by deadline dates:
 - Annual Qualified Sorter Agreement
 - Quarterly attestation letter
 - Quarterly reports and forecasts
- CARE will Review and Determine Eligibility



VPS Program Timeline for Qualified Sorters

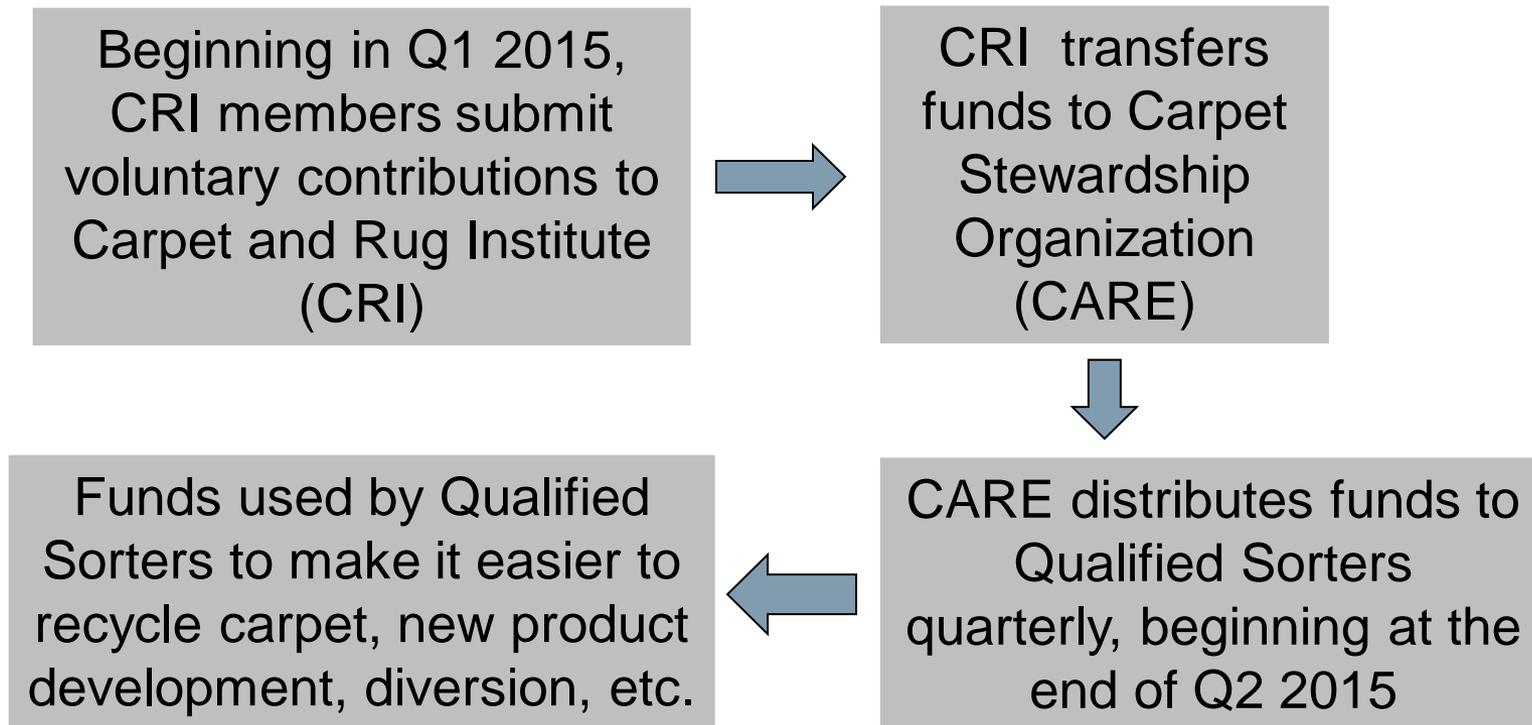
Event	Jan, 2015	Feb, 2015	Mar, 2015	Apr, 2015	May, 2015	Jun, 2015	Jul, 2015	Aug, 2015	Sep, 2015	Oct, 2015	Nov, 2015	Dec, 2015
VPS Program Launch												
2014 Data Due	Jan 31											
CARE Establishes Baseline												
Q1 2015 Data due				Apr 30								
Q1 Funds Distributed						Jun 30						
Q2 2015 Data due							Jul 31					
AUP Procedures												
Q2 Funds Distributed									Sep 30			
Q3 2015 Data due										Oct 31		
Q3 Funds Distributed												Dec 31

Eligible Post-Consumer Carpet Uses

- Sorted Output sold and shipped to Processors, either internal or external
- Sorted Output sent to alternative fuel uses such as Waste-to-Energy, Pyrolysis, Cement Kiln and Carpet As Alternative Fuel (CAAF)
- Re-Use of Post-Consumer Carpet



VPS Program Timetable

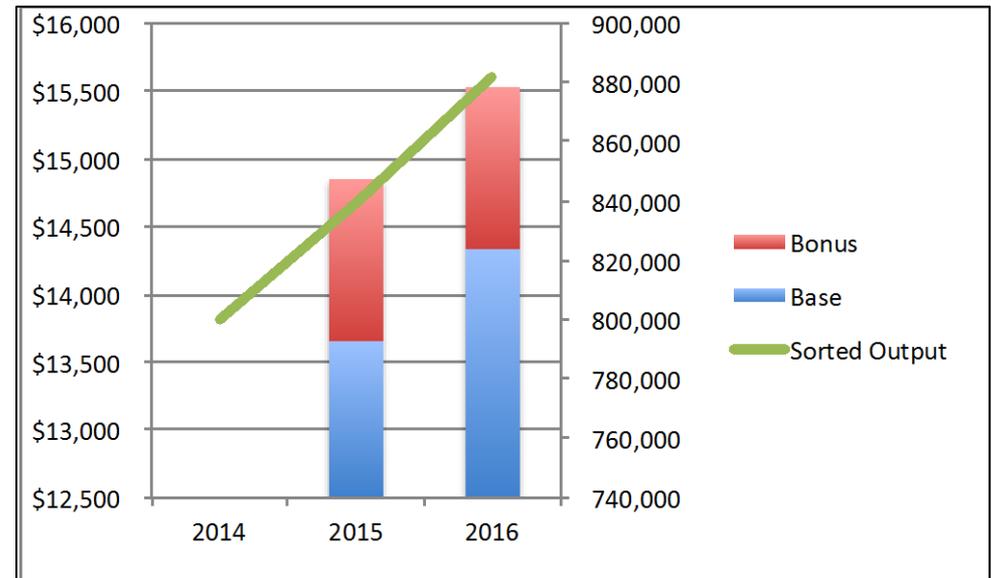




Current Model- Distribution of Funds to Qualified Sorters

- The Distribution of Funds will abide by the VPS Plan Guiding Principles
- Note: This model is subject to change based on business results and VPS Program results.
- Use of Sorted Output Eligible for Base Payout:
 - Sorted Output sold and shipped for Internal or External Processing: \$0.02/lb.
 - Sorted Output sold and/or shipped for alternative fuels: \$0.01/lb.
- Bonus for Overall Growth Year over Year:
 - Sorted Output sold and shipped for Processing: \$0.025/lb.
 - Sorted Output sold and/or shipped for alternative fuels: \$0.01/lb.
 - Bonus calculated on overall market growth; and distributed proportionally
- The VPS Funding for Base Payout is Capped at \$150,000/quarter, up to a maximum of \$400,000/year per Qualified Sorter

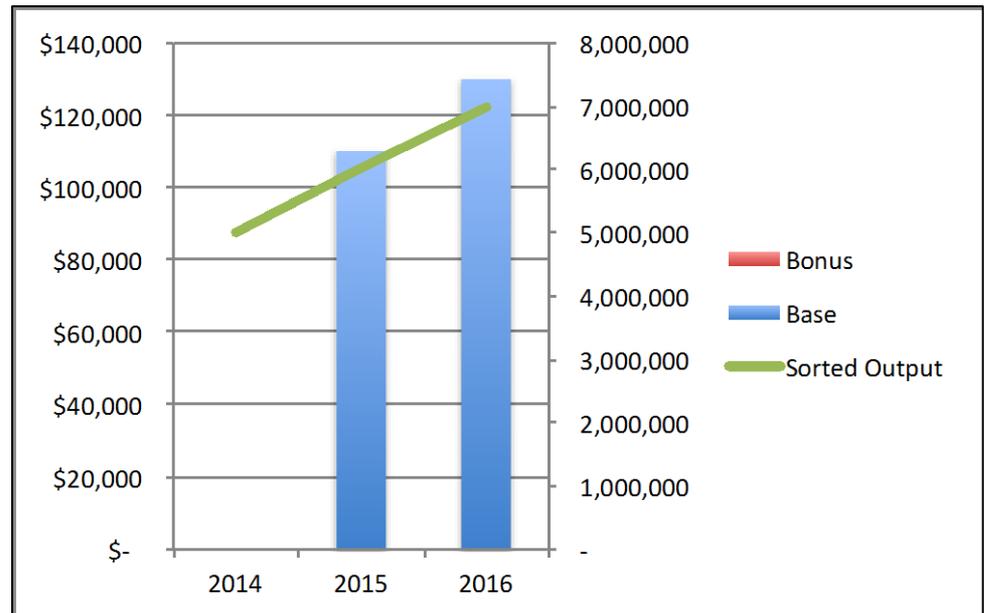
Example 1: Overall market growth of 5%/year in 2015 and in 2016



- In 2014, the Qualified Sorter sold and shipped 800,000 lbs. of Sorted Output. Total market grew by 5% in both 2015 and 2016, and the Sorter had a 0.4% market share.
- In 2015, the funding could be ~**\$14,850** and in 2016 the funding could be ~ **\$15,533**



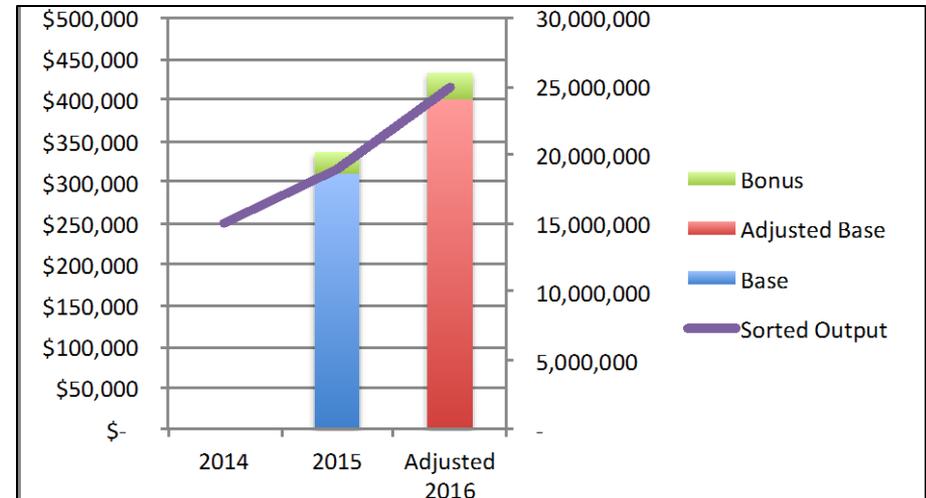
Example 2: No Overall Market Growth



- In this example, a Qualified Sorter sells and ships 5 Million lbs. of Sorted Output in 2014, 6 million lbs. in 2015, and 7 million lbs. in 2016.
- There is no growth in the total market in 2015, or in 2016. Therefore, there is no bonus in 2015 or in 2016.
- The Base Payout could be ~\$110,000 for 2015 and ~\$130,000 for 2016.



Example 3: Sorter reaches \$400,000/year Cap and 5% Market Growth



- Sorted Output grows significantly from 15 Million lbs. in 2014 to 19 Million lbs. in 2015 to 25 Million lbs. in 2016.
- Sorter has a 9% market share in 2015 and 11% in 2016.
- In 2015, the base payout would be \$310,000, and in 2016 the base payout would be adjusted to \$400,000 (-\$20,000)
- The bonus would NOT be adjusted; the bonus payout for 2015 could be \$26,512 and in 2016 it could be \$33,223



Why Carpet recycling is good for all of us



VPS Program will assist Qualified Sorters' efforts to Divert Carpet and Recycle carpet across the U.S.:

- Saves landfill space
- Recovers valuable raw materials
- Reduces our dependence on fossil fuels
- Creates green jobs in local Communities
- Gives you more choices for products with recycled content



Why Carpet recycling is good for all of us

For Qualified Sorters:

- Provides you the mechanism to meet needs of architects, designers, and specifiers – certificates of reclamation
- Helps you meet customer sustainability expectations
- Positive press in your communities
- Claim credit for landfill diversion
- Claim credit for avoiding CO2 emissions
- Claim credit for H2O savings



For More Information:



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