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## *Voluntary U.S. Product Stewardship Program for Post- Consumer Carpet*

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### *Prepared by:*

Name: Robert Peoples, PhD  
Title: Executive Director, Carpet America Recovery Effort  
Address: 100 S. Hamilton Street, Dalton, GA 30720  
Email address: [bpeoples@Carpetrecovery.org](mailto:bpeoples@Carpetrecovery.org)  
Web Site: [www.Carpetrecovery.org](http://www.Carpetrecovery.org)

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# Executive Summary

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- The Voluntary Product Stewardship (“VPS”) Program (“Program”) is a voluntary, nationwide Program<sup>1</sup> to support the Carpet Sorting network for diversion of Post-Consumer Carpet from landfills. 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; and
  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 and oppose efforts to enact EPR (extended producer responsibility) –type legislation or regulations.
- The Carpet America Recovery Effort (“CARE”) is the Carpet stewardship organization for the VPS Program. See Attachment I for full definitions for the Program.
- VPS Program participants include Carpet Manufacturers and other members, who are members of the CRI. These CRI members are participating voluntarily and 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.
- The Program is available across the United States, except in those states or local municipalities that have Extended Producer Responsibility (“EPR”) regulations for Post-Consumer Carpet.
- The Program is designed to accept and manage all applicable U.S. Post-Consumer Carpet regardless of polymer type or primary materials or construction. The Program is expected to launch in the first quarter (Q1 2015). Program elements and/or the Program will sunset as solutions are identified.
- The Program targets Sorters in the U.S. who Sort Post-Consumer Carpet by polymer type; bale and label the Sorted Output, and either Reuse the Post-Consumer Carpet or sell and ship the Sorted Output for further processing either internally or externally, and/or to alternative fuel uses such as Waste-to-Energy, Pyrolysis, Cement Kilns, Carpet as Alternative Fuel (CAAF) or Reuse.

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<sup>1</sup> Several manufacturers have independently developed or may be independently developing their own programs to promote recycling and/or diversion of Post-Consumer Carpet. The VPS Program does not affect these independent programs and each manufacturer will continue to pursue its own recycling/diversion programs in its own best interests. The VPS Program’s purpose is to promote market-driven solutions in opposition to efforts to enact EPR-type legislation or regulations.

The financing mechanisms for the Program follow VPS plan Guiding Principles, and are described within the plan. The VPS Program will be revised as needed to meet the objectives. Results and progress will be reviewed quarterly. If the Program is not progressing as expected, the Program will be reviewed to determine if and how changes to the Program should be made.

- Qualified Sorters will sign a Qualified Sorter agreement and a quarterly attestation letter. Qualified Sorters will submit reports to CARE quarterly, and will also submit forecasts for the next quarter's expected results. CARE will review all requests for funds, and determine if the Sorters qualify for funding. It is expected that funds will be distributed by the end of the following quarter after reports are received (i.e. Q1 2015 requests will be fulfilled by end of Q2 2015).

# *Voluntary Product Stewardship (VPS) Program Objectives*

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The Program is a voluntary, nationwide Program to support the Carpet Sorting network for diversion of Post-Consumer Carpet from landfills. 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 CRI to find market-driven solutions to the diversion of Post-Consumer Carpet from landfills and oppose efforts to enact EPR (extended producer responsibility) –type legislation or regulations.

## *Carpet Stewardship Organization and Participants in the VPS Program*

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### Carpet Stewardship Organization

The Carpet America Recovery Effort (CARE) is the Carpet Stewardship Organization for the Program. The mission of CARE is to advance market-based solutions that increase Net Diversion and Recycling of Post-Consumer Carpet, encourage design for recyclability and meet meaningful objectives as approved by the CARE Board of Directors.

### VPS Program Funding

Carpet and Rug Institute members participate in the VPS Program voluntarily through dues paid to the Carpet and Rug Institute (CRI.)

The list of voluntary participants is posted on CARE and/or CRI web site.

## *Scope of the VPS Program*

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

The Program is available across the United States, except in those states or local municipalities that have Extended Producer Responsibility (EPR) or similar regulations for Post-Consumer Carpet. If a state or municipality chooses to discontinue its EPR 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.

The Program is expected to launch in the first quarter of 2015.

# Performance Objectives and Activities

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## Performance Objective 1

Support a Carpet Sorting network for diversion of Post-Consumer Carpet from landfills.

### **Description of how this objective will be achieved:**

- CARE, the Carpet Stewardship Organization will communicate the Program and funding requirements to Sorters, and other members in its network, through its web site, Annual Meeting, Entrepreneur meeting, and webinars.
- All members of the Carpet Recycling value chain will be encouraged to promote the Program to potential Sorters.
- Sorters will be trained on the procedures to become Qualified Sorters, and thus become eligible for funds.
- The list of Qualified Sorters will be posted on the CARE web site, in order to promote the Sorters and the accessibility of their services to potential users and clients.
- The objective of the Program is to provide funds to Qualified Sorters in order to increase the volume of Post-Consumer Carpet diverted from landfills. Qualified Sorters will receive funds for Sorting Post-Consumer Carpet and transferring the Post-Consumer Carpet to a Processor, either internal or external. Funds will be available for Qualified Sorters who ship Sorted Output to Processors. Qualified Sorters will also receive a lower level of funding for sending Post-Consumer Carpet to other outlets such as Waste-to-Energy, Pyrolysis, Cement Kilns, and Carpet As Alternative Fuel (CAAF) facilities. Sorters will also receive funds for Post-Consumer Carpet Reuse. The level of funding will be reviewed periodically to determine if any changes should be made.
- A bonus payout is also an integral part of the VPS Program. The bonus payout rewards Qualified Sorters as a group for growing the volume of Post-Consumer Carpet diverted from the landfill year over year. The level of the bonus will be calculated by comparing overall quarter growth versus year ago quarter (e.g. Q1 2016 versus Q1 2015). Qualified Sorters will share the funds from the bonus payout, proportionally based on their individual contribution to the overall growth. CARE will make the calculations for the bonus payout and determine how to allocate the bonus funds.

## Performance Objective 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 and oppose efforts to enact EPR (extended producer responsibility) –type legislation or regulations.

### **Description of how this objective will be achieved:**

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.

## *Collection and Sorting Systems*

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The Program is designed to grow market-based solutions for Carpet Recycling in the U.S. by incentivizing the Sorters who identify and separate Post-Consumer Carpet into Sorted Output. Sorted Output can be further processed and manufactured back into Carpet, fibers, and consumer products such as Carpet cushion and plastic parts. The Program relies on Carpet Recycling entrepreneurs and others to collect, sort and process the Post-Consumer Carpet. These members of the industry may apply to CARE to become Qualified Sorters for the purposes of the VPS Program.



# Financing Mechanism

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The VPS Program includes a financing mechanism that provides financing to incentivize Sorters, and to cover, but not exceed, the cost of the VPS Program, including the Administrative and operational costs of the Program.

The VPS Program will be revised as needed to meet the objectives. Results and progress will be reviewed quarterly. If the Program is not progressing as expected, the Program will be reviewed to determine if and how changes to the Program should be made.

## Guiding Principles

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

- 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.**
  - a. VPS Program is expected to be 2 years in length, or until such time that the Program objectives are achieved, as defined in the VPS plan, whichever comes first.
  - b. Specific Program elements, and/or the Program sunsets as solutions to the stated objectives are identified.
- 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 CRI to find market-driven solutions to the diversion of Post-Consumer Carpet from landfills and oppose efforts to enact EPR (extended producer responsibility) –type legislation or regulations.**
- 3. Comply with Requirements of the VPS plan.**
  - a. Program is available across the US, except as discussed previously.
  - b. The VPS Program is designed to accept and manage all applicable Post-Consumer Carpet, regardless of polymer type or primary materials of construction.
- 4. Meet objectives of the VPS plan to incentivize the growth of diversion of Post-Consumer Carpet from landfills.**
- 5. Achieve Economic Sustainability.**
  - a. Funding to originate from voluntary Manufacturers' participation.
  - b. Funds distributed to Qualified Sorters shall be utilized in operations, not for investment, nor education.
  - c. Funds will be paid for Sorted Output of Post-Consumer Carpet, only, not Inbound Raw Material
  - d. Payout for each quarter to Qualified U.S. Sorters, using objective, non-exclusionary criteria for disbursement.
  - e. Funding scenarios will be analyzed in order to recommend most cost-effective options to meet the objectives of the VPS plan.
  - f. Minimize Administrative Costs.
  - g. The fund should be economically healthy by maintaining a modest but needed reserve. The fund cannot borrow even from anticipated future voluntary funding.

**6. VPS Voluntary Funding Management:**

- a. Focus on diversion of Post-Consumer Carpet from the landfill.
- b. Define maximum amount to single entity to create broad user base.
- c. Harvesting fuel value and/or the hydrocarbon value could be used to achieve objectives while developing more higher value end uses.

**Fund Recipients are Qualified Sorters**

Qualified Sorters must complete the following documentation according to the timetables established by CARE:

1. Sign and submit an annual Qualified Sorter agreement to CARE
2. Sign and submit quarterly attestation letter to CARE
3. Complete the request for funds and quarterly forecast according to the requirements of the attestation letter and annual agreement.

Qualified Sorters will sign an attestation letter when submitting quarterly requests for funds. See Attachment II for the Qualified Sorter agreement and Attachment III for a copy of the quarterly attestation letter. These documents are subject to change as the Program evolves.

- o The financing mechanism shall not create an unfair advantage in the marketplace, and all Qualified Sorters will be eligible for funding.

See Attachment IV for a copy of the Sorter request for funds and quarterly forecast.

# VPS Program- Distribution of Funds and Administrative Costs

## Fund Distribution

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Payouts earned in any calendar quarter during the VPS Program will be paid in the following quarter.

### **Example: Accounting Timetable for Program Launch and Implementation**

Date/Day	Action Required
<b>Q1 2015</b>	<b>January 1-March 31, 2015 (building the baseline)</b>
January 1, 2015	VPS Program launches
January 31	Qualified Sorters submit data for each quarter of 2014
Feb 1-March 31	Analysis of data, building data base, review with Management, establish baseline for growth calculations
March 31	End of Q1 2015
<b>Q2 2015</b>	<b>April 1- June 30, 2015 (First Request for Payments)</b>
April 1-30	Q1 2015 Requests for Funds and next quarter's forecast, from Qualified Sorters, accepted for VPS Program. Requests to be submitted electronically.
April 30	Deadline for submitting requests and next quarter's forecast
May1-May 31	Analysis of requests, total funding requested, administrative costs estimates, Management Review and Approval
June 1-8	Funds transferred, post management review, from CRI to CARE VPS Program account
June 8-22	Funds distributed
June 30	End of Q 2 2015

**Assumptions for Funding Distribution to Qualified Sorters (These assumptions are subject to change at any time.)**

1. VPS Program begins January 1, 2015. In Q1 2015, Qualified Sorters must submit data from each quarter of (Q1-Q4) 2014, which will be used to establish a baseline. This data must be submitted to CARE no later than January 31, 2015. Qualified Sorters will NOT receive funds for 2014 results. The data from 2014 will be used to establish the baseline for 2015 only,
2. In Q2 2015, Qualified Sorters must submit requests for funds and a forecast for the next 3 months. Requests from Qualified Sorters will be evaluated, and by the end of Q2 2015, CARE will distribute funds to Qualified Sorters for Q1 2015 activity.

**Base Payout Assumptions (For 2016, the payout will be re-calculated based on results in 2015. The payout amount may remain the same or it may increase/decrease depending on business results. )**

- a. **Sorted Output sold and shipped to Processors, either internal or external:** \$0.02/lb. for 2015.
- b. **Material sent to alternative fuel uses such as Waste-to-Energy, Pyrolysis, Cement Kiln and CAAF:** \$0.01/lb. for 2015.
- c. **Carpet Reuse:** \$0.01/lb. for 2015.
- d. **Base Payout is capped at \$150,000/quarter, up to a maximum of \$400,000/year per Qualified Sorter**
- e. **Bonus for Overall Growth Year over Year will be calculated quarterly, (i.e. Q1 2015 vs. Q1 2014).**
  - i. Bonus is not capped (but is limited to the maximum funding available in the VPS Program.)
  - ii. 90% of the earned bonus will be paid out for the Quarter.
  - iii. The remaining 10% of the Bonus will be kept in reserve and will be paid out in the first quarter of the following year (i.e. 2015 reserve will be paid out in Q1 of 2016)
  - iv. Growth Bonus Expected Funding per lb. (subject to change):
    1. **Sorted Output sold and shipped to Processors, either internal or external:** \$0.025/lb. for overall quarter growth year over year (i.e. Q1 2015 vs. Q1 2014).
    2. **Material sent to alternative fuel uses such as Waste-to-Energy, Pyrolysis, Cement Kiln and CAAF:** \$0.01/lb. for overall quarter growth year over year (i.e. Q1 2015 vs. Q1 2014).

3. Administrative Costs shall be paid first (estimated at 8%, or about \$360,000 in 2015).
4. Note that all funds for VPS Program are kept in a separate ledger from CARE Operations. VPS funds are used only for VPS Program distribution and Administrative Costs; VPS Program funds are not used for CARE operations.

## *Program Communications and Outreach*

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In order to increase the probabilities of success of the VPS Program, CARE will implement communications tactics to raise awareness of the Program among all stakeholders. Following is a description of the planned communication and outreach efforts.

**Objective:** Communicate the new VPS plan to target audiences, by end of Q4 2014.

**Target Audiences:** Sorters, Collectors

**Strategies:**

1. CARE will communicate to Sorters and Collectors. This audience will be identified using the CARE Map.
2. CARE will house information on a dedicated web page. Funds to create and maintain the web page will be included in the Administrative Costs.
3. VPS plan committee will develop key messages, press release and slide presentation materials.

**Marketing Tactics:**

Tool kit for the VPS plan for each audience (i.e. Sorters, mills, etc.)

- a. Key messages for audiences, publicity and promotion
- b. FAQs
- c. Press releases for flooring industry, and for Recycling industry
- d. Web page on CARE web site
- e. Slide presentation(s) for Sorters
2. Training Webinar on reporting procedures for Sorters in December, 2014
3. Web tool for Sorter reports available in December.

**Marketing Implementation Date:**

4<sup>th</sup> Quarter 2014

# Agreed Upon Procedures (AUP)

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For purposes of the VPS Program, CARE has employed the services of independent certified public accounting firms. Part of the firms' role and responsibilities include AUP.

**NOTE:** This is a general template and each AUP review will be "tuned" to the specific needs and issues for each Qualified Sorter ("Company").

## Scope

Independent accounting firm will perform the following procedures on Qualified Sorters requesting payment and identified for the Quarter:

### General Procedures

- a. Obtain the request for funds directly from CARE for the Qualified Sorter selected.
- b. Verify quarterly attestation letter and Agreement was submitted to CARE prior to submission deadline
- c. Verify request for funds is signed by Officer of the Company
- d. Verify request for funds supporting schedules were submitted prior to submission deadline
- e. Verify Company has submitted next quarter's 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 VPS Plan Company in Good Standing. Confirm with Company that there have been no communications from regulatory agencies, internal auditors, and other entities relating to compliance with the VPS requirements and that they are in compliance with and in good standing with any applicable governing bodies, as well as in compliance with local, state and federal laws and ordinances that would have any impact on their operations.
- h. If Company has financial statements 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.
- i. Confirm that Company meets the definition of Sorter, including accepting and managing 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.

### Sorting Procedures

- j. Confirm total reported pounds sold and shipped by category in total per request for payment to proper receipts ledger for the reporting period.
- k. Confirm total reported collected (lbs.) support total request for payment to incoming receipt log or ledger for the reporting period. Note the methodology for determining material type for incoming Collections that is used to report materials by type.
- l. If materials are segregated by type and logged, obtain the log and confirm the total for the quarter to the amounts reported in the request for payment. If available, obtain original daily production floor logs, select 10 logs, and then determine the daily logs are properly recorded in the master log in which materials by type are tabulated.
- m. 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.
- n. Randomly select 60 incoming receipts and verify either actual weight or container size recorded, and obtain bill of lading with indicated receptacle ID or third party documentation evidencing receipt and origination of PCC and container size/weight. Verify origination per receiver agrees with reported origination.
- o. If Post-Consumer Carpet (PCC) is not weighed incoming, select 10 random receipts and note container size and compare to a receipt with a certified container weight either obtained by the recycler or based on comparable containers verified in performing AUP on other recyclers. Report any weight variances greater than 10%.

### **Outgoing Shipments**

- p. Confirm total outgoing shipments (lbs.) of eligible product by category reported on the request for payment to the outgoing shipment ledger.
- q. Reconcile shipping log to invoice register.
- r. Confirm total of invoice register to sales recorded in financial statements. Obtain audited financial statements if possible.
- s. Validate shipping log by ensuring numerical sequence, or alternatively compare sales to quarterly financials reported and note any differences.
- t. Randomly select 60 sales invoices to verify either actual weight or container sizes recorded and obtain bill of lading with indicated receptacle ID or third 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 available.
- u. Report sales to related parties, as represented by the recyclers.

- v. Obtain the landfill log and agree totals to the reported landfill lbs. reported.
- w. Obtain the disposal payment history recorded in the company's cash disbursements journal and general ledger for the quarter and make a selection of 20 shipments to the landfill and verify the weights and agree amounts in total to the landfill lbs. reported.

### **Reporting Procedures**

- x. Report exceptions noted to CARE
- y. Independent accounting firm will provide details of exceptions, quantified in pounds and/or dollars.
- z. Independent 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 Sorters.

### **Additional Steps:**

Observe inventory and report quantities on hand on date of observation. Report the following:

- Number of processed bales on site upon arrival
- Number of unprocessed bales on site upon arrival
- Square feet on floor of unprocessed, unbaled Carpet

Select one recently processed bale for weight, using on site scale

Take length, width, and height measurements of bale that had already been processed before arrival.



## Attachment I

### VPS Program Definitions

**Administrative Costs:** The costs associated with managing the VPS Program, including accounting, auditing, Program management, marketing, and other costs that shall be defined by the Stewardship Organization.

**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, detached cushion, or detached 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 definition. CAAF 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, and material suppliers. It includes, but is not limited to, members of the Carpet and Rug Institute (CRI).

**Cement Kiln:** Cement production facility that may use Post-Consumer Carpet as a source of alternative fuel, in lieu of other fuel sources.

**Collection:** Any method of consolidating and temporarily storing recovered Post-Consumer Carpet.

**Collector:** An entity that is engaged in the activity of the Collection of Post-Consumer Carpet.

**Carpet and Rug Institute (CRI):** A nationwide organization whose purpose is to provide science-based information about Carpet and Rugs.

**Net Diversion:** Carpet removed from the waste stream, handled by a Sorter, and used for Recycling, Waste-to-Energy, CAAF, Cement Kiln, or Pyrolysis. This does not include material going to Incineration or to the landfill.

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**Inbound Raw Material** - The Post-Consumer Carpet that is collected, and readied for Sorting.

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

**Landfilling:** Landfilling includes the placement of Post-Consumer Carpet and/or the residuals into a landfill disposal facility.

**Manufacturer:** Carpet mill that makes or sells Carpet in the U.S.

**Pyrolysis:** A thermochemical decomposition of materials at elevated temperatures in the absence of oxygen.

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

**Processor:** An entity that accepts Post-Consumer Carpet from a Sorter for Recycling or diversion.

**Recycling:** Transforming or remanufacturing Post-Consumer Carpet into usable or marketable materials, rather than for Reuse, WTE, CAAF, Cement Kiln, incineration or landfill disposal.

**Reuse:** Refurbishing and donating/selling recovered Carpet back into the market. The Reuse of recovered Carpet retains the original purpose and performance characteristics of the Carpet.

**Rug:** A single piece of 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.

**Sorter:** An entity that is 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.

**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.

**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), using a spectrographic fiber analyzer; and transferring for internal or external processing or alternative fuel source.

**Sorted Output:** 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.

**Voluntary Product Stewardship (VPS) Program:** A nationwide, voluntary Carpet Industry-led Program to support the Carpet Sorting network for the diversion of Post-Consumer Carpet from landfills.

**VPS Plan Company in Good Standing:** A Qualified Sorter must be a member of CARE and be a viable, operational, and on-gong business enterprise contributing to the continued growth of Post-Consumer Carpet reclamation, diversion and Recycling. CARE dues must be current. A Qualified Sorter must complete all required CARE reporting of activities in accordance with the time frame required by CARE. A Qualified Sorter must be compliant with all required federal, state and local

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OSHA, DOT, Fire Department, EPA and all other regulatory agencies' requirements and must be a company in good standing within its operational jurisdiction(s). A CARE member/company in good standing must attend at least one CARE Conference every two years in order to stay current in Carpet reclamation, diversion and Recycling businesses, technologies and innovations.

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

## Attachment II

### Annual Qualified Sorter agreement

#### Voluntary Product Stewardship (VPS) Program

##### Qualified U.S. Sorter

By signing this document, and agreeing to the following terms, I am requesting that my company be considered a **Qualified U.S. Sorter**, for purposes of the VPS Program ("Program").

The following definitions are used for purposes of this Qualified Sorter Agreement ("Agreement"). Capitalized terms in this Agreement shall have the same meaning as set forth in the VPS Plan.

**Sorter:** An entity that is 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.

**Qualified Sorter:** A U.S.-based Sorter that meets the criteria for qualification of funds as identified in the VPS Program and in this Agreement.

**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), using a spectrographic fiber analyzer; and transferring for internal or external processing or alternative fuel source.

**Sorted Output:** Post-Consumer Carpet that has been analyzed by fiber type (i.e. Nylon 6, Nylon 6.6, Polypropylene, PET), or backing type using a spectrographic fiber analyzer, separated, baled and sold/shipped for processing, or alternative fuel source.

I hereby certify and agree on behalf of \_\_\_\_\_ ("Company"):

1. I am an officer of the Company requesting funds from the VPS Program. Capitalized terms contained in this agreement shall have the same meaning as set forth in the VPS Plan.
2. Company is a Sorter as defined in the VPS Plan.
3. Company understands that the purpose of this Agreement is to ensure the success of this Program and to ensure that legitimate claims are submitted by reputable companies compliant with all applicable laws and regulations. Company understands that noncompliance with the requirements of this document will result in non-qualification for funds from the VPS Plan now and in the future.
4. Company understands that this Program is part of the industry's government relations activities and that the purpose of this Program is to promote and support voluntary market-driven solutions for the diversion of Post-Consumer Carpet, and oppose efforts to enact Extended Producer Responsibility or EPR legislation or regulations. Company 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 hereunder. Company specifically agrees and undertakes to refund any payments received under the Program for violation of the preceding obligation.

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5. Company commits to retaining supporting evidence of any claims showing that Sorted Post-Consumer Carpet was shipped to Processors or diverted or recycled for a period of three fiscal years, including documents showing pounds, dates and customers to whom Sorted output was sold and shipped, and/or transferred internally to Processor or for alternative fuel use, for each quarter funds were requested and invoice(s) or functionally equivalent billing documents (bills of lading, weight tickets, etc.) showing Sorted Output sold and shipped, or transferred internally. Company agrees to provide such supporting evidence to Carpet America Recovery Effort (CARE) or its representatives within 72 hours of any request.
6. Company is a VPS Plan Company in Good Standing.
7. Company states that it possesses the business, professional, and technical expertise, training and equipment required to perform the necessary services and shall perform the services in a diligent, safe, and workmanlike manner that conforms with generally accepted industry and professional practices, and the care and skill ordinarily exercised, for such services.
8. Company is compliant with all federal, state and local regulations including, but not limited to, OSHA, DOT, Fire Department, and EPA regulations. Company meets all applicable requirements and regulations to operate a business in good standing in its state of residence and within the United States. Company hereby certifies that there are no outstanding non-compliance orders or notices or any other administrative citations issued from agencies authorized to regulate Sorting activities, including agencies that regulate environmental, fire, water, employee, health and safety issues.
9. Company agrees to notify CARE within 10 business days of any non-compliance orders or notices or administrative citations from any governmental agency.
10. Company represents that it has acquired all required licenses and permits to operate its business in the location(s) at that all such licenses and permits are current, and agrees to submit copies of such licenses and permits with its initial application for funds. Company also agrees to provide such licenses and permits within three business days of a request from CARE.
11. Company acknowledges that payment levels are subject to change at any time and that current level of funding is not a guarantee of the same/similar payments in the future. Funds will be paid directly to the Company and not to any third party.
12. Along with the request for payment, Company is submitting a confidential forecast, including the current level of Post-Consumer Carpet pounds sorted for the most recent reporting period(s). Additionally, the forecast includes the projected pounds to be sorted during the next quarter period in total.
13. During the term of the Agreement, the Company shall not, and shall not authorize another, to publish or disseminate any commercial advertisements, press releases, feature articles, or other materials using the name of CARE, Carpet and Rug Institute (CRI) and the VPS Program without the prior written consent of CARE and CRI, which consent shall not be unreasonably withheld.
14. The Company at its own expense shall carry and maintain on a continuous basis the following insurance coverage during the term of this Agreement and thereafter as provided below, unless self-insured in a manner approved by CARE in writing:
  - a. Commercial General Liability insurance written on an occurrence basis covering personal injury, property damage, and bodily injury and death with limits not less than \$1,000,000 each occurrence, and \$2,000,000 in the aggregate. The Commercial General Liability insurance carried pursuant to this Article shall include: i) comprehensive form; ii) premises - operations, improvements, and equipment; iii) explosion and collapse hazard; iv) underground hazard; v) products/completed operations hazard; vi) contractual insurance; vii) broad form property damage;

- viii) independent contractors; ix) personal injury; and x) all liability assumed under and indemnities provided under this Agreement.
  - b. Commercial Automobile Liability insurance written on an occurrence basis covering bodily injury and property damage with limits not less than \$1,000,000 for each occurrence combined single limit, if the Company is providing transportation services.
  - c. Workers' Compensation Insurance as required by the State in which it operates or other applicable Law.
  - d. Excess/umbrella follow form coverage covering the risks insured in the above policies with limits of not less than \$2,000,000 each occurrence, and \$2,000,000 in the aggregate (all of the foregoing, the "Required Insurance").
15. The Company shall provide a certificate of insurance complying with this Agreement within fifteen (15) days of execution of this Agreement demonstrating that the Required Insurance is in full force and effect and all premiums paid. The certificate of insurance shall have no disclaimers of liability. All required insurance shall be placed with insurers with rating comparable to A- or higher, that are satisfactory to CARE. Approval of the insurance by CARE will not relieve or decrease the liability of the Company hereunder. Certified copies of all binders of insurance, policies of insurance, and all endorsements thereto shall be provided to CARE within seven (7) days of its written request for the same.
16. All required insurance policies shall provide thirty (30) days advance written notice to CARE of reduction or nonrenewal of coverage or cancellation of coverage for any reason
17. All deductibles, self-insured retentions, or similar amounts under the required insurance policies shall be in amounts acceptable to CARE in its sole discretion. All deductibles, self-insured retentions or similar amounts shall be the sole responsibility of the Company and shall not be paid by or payable by CARE.
18. This Agreement in no way constitutes an employment agreement. Company will employ at its own expense, all personnel reasonably necessary to perform this Agreement. Company, its officers, agents and employees will represent and conduct themselves as independent contractors and not as employees of CARE or CRI. Company has no authority to bind or incur any obligation on behalf of CARE or CRI.
19. CARE's payment obligations under this Agreement shall be limited to the payment of the funds provided for in this Agreement. Notwithstanding any other provision of this agreement, in no event shall CARE, CRI or any of their officers, directors, employees, agents, volunteers or members be liable, regardless of whether any claim is based in contract, statute, common law, strict liability or tort, for any special, consequential, indirect, punitive, exemplary, treble or incidental damages, including lost profits, arising out of or in connection with this Agreement or the services performed in connection with this Agreement.
20. CRI and/or CARE may terminate this Agreement effective immediately upon notice to the Company for actions deemed by CRI and/or CARE, in each entity's sole discretion, to be detrimental to CARE or CRI, including but not limited to any act in violation of state or local law, regulation or rule, or loss or suspension of any necessary license or permit.
21. The parties will make a good faith effort to resolve any disputes arising during the term of this Agreement. If they are unable to resolve the dispute through informal discussions, either party may submit a written complaint to the other party describing and proposing a manner of resolving that dispute. The party receiving that complaint will respond by accepting, rejecting or modifying that proposal, in writing, within thirty (30) days of the date that it receives the complaint. If the efforts are unsuccessful then the parties will arbitrate as provided in Section 22.

22. Any dispute, claim or controversy arising out of, relating to or concerning this Agreement or the parties' business relationship, including claims for injunctive relief, shall be fully and finally settled by binding arbitration administered by the American Arbitration Association pursuant to the Commercial Arbitration Rules. Any arbitration shall be conducted in Atlanta, Georgia before a single arbitrator. The arbitrator may award declaratory or injunctive relief only in favor of the individual party seeking relief and only to the extent necessary to provide relief warranted by the party's individual claim. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any dispute, claim or controversy as to the arbitrability of a matter shall be decided by the arbitrator. All damages shall be single damages and subject to Section 19. Each party will bear its own costs, fees and expenses associated with any arbitration, except that the parties agree to split equally the costs and expenses of the arbitrator and the conduct of the arbitration itself.
23. This Agreement shall be construed and enforced in accordance with the laws of the State of Georgia, without giving effect to conflict of laws principles. Without waiving the arbitration requirement, in the event of litigation, Company hereby agrees (i) to irrevocably and unconditionally submit to the exclusive jurisdiction of the state and federal courts located in Cobb County, Georgia or the Northern District of Georgia to resolve any disputes relating to this Agreement and (ii) to waive any right to move or dismiss or transfer any such action brought in such court on the basis of any objection to personal jurisdiction or venue.
24. Claims may only be brought by a party in its individual capacity and not as a plaintiff class member or defendant class member in any purported class or representative proceeding, and the arbitrator or any court may not consolidate more than one person's claims in a class or representative proceeding or otherwise preside over any class or representative proceeding.
25. Notwithstanding any provision to the contrary, Company agrees to bring any claim or dispute within one year after the occurrence of the event giving rise to such dispute or waive such claim.
26. If any term, provision or condition of this Agreement is held by a court or arbitration panel to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.
27. This Agreement sets forth the entire understanding between the Parties as to the subject matter of this Agreement and merges all prior discussions, negotiations, proposal letters or other promises, whether oral or in writing.
28. Company certifies that all statements made on the request for payment are true and that all supporting evidence truly and accurately reflect the activities of the Company. Company is obligated to refund any funds paid in violation of this agreement. Falsified statements may be prosecuted. CARE and its representatives such as accounting firm representatives shall have the right to visit facilities, access relevant documents/data and verify statements made and secure samples for testing as deemed necessary. Any accounting/auditing firms will sign non-disclosures as needed. Company shall provide access to facilities within 24 hours of notice from CARE or its representatives.

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Company

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date



## Attachment III

### Qualified Sorter Quarterly Attestation Letter



#### CARPET AMERICA RECOVERY EFFORT (CARE) REQUEST FOR PAYMENT FROM VPS PROGRAM FUNDING

By submitting this request for payment, I hereby certify:

1. I am an officer of the Company requesting funds from the VPS Program and I am submitting this request on behalf of my Company. Capitalized terms contained in this Attestation Letter shall have the same meaning as set forth in the VPS Plan.
2. I have signed an Annual Qualified Sorter Agreement, submitted it to CARE, and it is current and accurate and the Company agrees to the terms and conditions stated therein.
3. I commit to retaining supporting evidence of these claims (such as proof of origination and delivery, signed bills of lading, certified weight tickets, etc.) for a period of three fiscal years.
4. Our Company is a VPS Plan Company in Good Standing.
5. Our business is Sorting Post-Consumer Carpet, which are eligible for the VPS Program.
6. This request for payment is for Sorting Post-Consumer Carpet that supports the objectives of the VPS Program.
7. All statements made on the request for payment are true.
8. Falsified statements may be prosecuted.
9. I will allow officials and agents of CARE, such as accounting firm representatives, to visit facilities, access relevant documents/data and verify statements made. (Accounting/auditing Firm will sign non-disclosure as needed.)
10. I acknowledge that current level of funding is not a guarantee of the same/similar payments in the future for Sorted Output.
11. Company certifies that this request does not include Post-Consumer Carpet sorted in or originating from a jurisdiction with extended producer responsibility (EPR)-type legislation or regulation.
12. I acknowledge that recipients of VPS funds must meet all regulations to operate a business in their state. I hereby certify that there are no outstanding non-compliance orders issued from agencies authorized to regulate Post-Consumer Carpet Sorting, including agencies that regulate environmental, fire, and employee human health and safety. I further acknowledge there have been no substantive communications with such agencies with the following exceptions: (list exceptions here).
13. Along with the request for payment, I am submitting a confidential forecast, including the current level of Post-Consumer Carpet pounds Sorted for the most recent reporting period(s). Additionally, this submittal includes the projected pounds planned to be Sorted during the next quarterly period in total.
  - a. CARE will use this information 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.

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Name (Printed)

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Signature

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Company

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Date

For more information, please go to [www.carpetrecovery.org](http://www.carpetrecovery.org)  
Updated 9/28/2014  
Version 1.0  
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## Attachment IV

### VPS Program Qualified Sorter request for funds and quarterly forecast

Voluntary Product Stewardship (VPS) Program Actual Results and Next Quarter Forecast		
DRAFT		
NOTE: Do not include any Post-Consumer Carpet Collected from or Sorted in states or local municipalities that have EPR regulations in place for Post-Consumer Carpet		
CONFIDENTIAL		
Reporting Period: mm/yyyy-mm/yyyy		
Company Name:		
Address:		
Phone Number:		
Email address:		
Report Prepared by:		
Date of Report:		
	Actual (in lbs.)	Forecast (in lbs.)
	2014	2015
<b>Note: Data does NOT include California volume</b>	Qtr. 4 (Oct-Dec)	Qtr. 1 (Jan-Mar)
TOTAL Whole Carpet Received for this reporting period	-	-
Accounting for total Post-Consumer Carpet Inputs & Beginning Inventory		
Beginning Inventory of Whole Carpet	-	-
Accounting for total Post-Consumer Carpet Outputs & Ending Inventory		
Sort Output Eligible for Funding Consideration		
Re-Used		
Sorted Post-Consumer Carpet (output) shipped to customers outside U.S.		
Sorted Post-Consumer Carpet (output) shipped to U.S. customers and/or to be Processed internally		
Waste-to-Energy		
Pyrolysis		
Cement Kiln		
CAAF		
Sorted Output NOT Considered Eligible for Funding		
Incinerated		
Landfilled		
Ending Inventory of Whole Carpet		
<b>TOTAL Sorted Output Pounds for Quarter</b>	-	-
Additional Information: carpet cushion collected and sold (pounds)		
Post-Consumer Carpet Sorted and Shipped by you (pounds)		
Nylon 6		
Nylon 6.6		
Wool		
Modular Carpet tile		
Polypropylene		
PET		
Other/Mixed fibers and reuse		
TOTAL Sorted Post-Consumer Carpet	-	-
Summary of Post-Consumer Carpet Mass Balance		
TOTAL pounds received for this reporting period	-	-
Beginning Inventory of Whole Post-Consumer Carpet	-	-
TOTAL OUTPUT Sorted	-	-
Mass Balance Check (should = 0)	-	-
Calculations for Funding Request		
Re-Used Sorted Post-Consumer Carpet, \$0.01/lb.	-	-
Sorted Post-Consumer Carpet shipped to customers, and/or to be Processed internally, \$0.02/lb.	\$ -	\$ -
Sorted Post-Consumer Carpet for Waste-to-Energy, Pyrolysis, Cement Kiln, or CAAF, \$0.01/lb.	\$ -	\$ -
<b>TOTAL Requested (\$)</b>	<b>\$ -</b>	<b>\$ -</b>
CONFIDENTIAL SHIPMENT INFORMATION FOR CARE STAFF ONLY		
Please list all Processors for whom you have sold and shipped at least 100,000 lbs., of Sorted Output this quarter		
Please include both internal transfers and external Customers		
Processor Name and Location	lbs. of Sorted Output Sold and Shipped to this Processor Q4 2014	

END

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