

California Carpet Stewardship Plan ADDENDUM #3

November 2015



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FOREWORD

The revised CARE California Carpet Stewardship Plan (v3.2.2) was approved in spring 2014 to fulfill part of the requirements of the California Carpet Stewardship Program (the ‘Program’). CalRecycle approved **Addendum #1** in January 2015. **Addendum #2** was submitted to CalRecycle in early October 2015 and conditionally approved by CalRecycle at the October 20, 2015 public meeting.

This **Addendum #3** is submitted as the second in the series of two addenda resulting from continuing challenges in the marketplace, feedback obtained through five stakeholder workshops held in July and August 2015, and the 2014 non-compliance determination by CalRecycle in September 2015. Based on these developments, CARE has approved a number of additional aggressive strategies to increase collection, recycled output, and diversion of post-consumer carpet, stabilize the existing infrastructure, and grow additional jobs in California to demonstrate continuous meaningful progress toward Program goals, presented herein.

The purpose of this timely Addendum #3 is to outline a suite of proposed new Program incentives and adjustments to demonstrate continuous meaningful improvement toward program goals.

Within this addendum, CARE proposes more than a dozen sweeping program changes to provide a more robust plan, address several key gaps and barriers in the current marketplace and demonstrate faster and more effective implementation.

These changes include:

- **new incentives,**
- **changes to existing incentives,**
- **addition of the collector/sorter community**
- **adjustments to education and outreach,**
- **schedule for expanded collection,**
- **adjustments to the current assessment value,**
- **revised budget and,**
- **an outline for the 201 Plan submission sequence and timing**

Summary of Proposed Changes:

A summary of proposed program changes responding to CalRecycle’s September 2015 RFA are outlined in the table below. Additional discussion regarding these changes is presented throughout this document.

Summary of Program Changes in Response to September 2015 Finding

Table 1. Summary of Changes Requested in Addendum #2

Addendum #2 Approved Changes	Incentive Description	Timeline/Date of Action
California Council on Carpet Recycling (CCCR)	Formation of stakeholder advisory council to comprise various representative stakeholder groups; Council will meet multiple times/year and provide input on program design/implementation; compensate members for travel	Approved October 2015; Council presently accepting applications/nominations through December 1, 2016; 1 st meeting anticipated in January 2016
Establish Grant Program	\$1-3M available per year; Up to \$300K per year legal/admin	Pilot Capital Investment and/or Product Testing Grants conditionally approved October 2015
Capital Investment Grants	\$2M allocated for Cycle 1, limit of \$500K/award	Cycle 1 stakeholder webinar scheduled Q4-2015; First Awards Q1 2016
Product Testing Grants	\$250K allocated for Cycle 1, continuous recruitment and review, as funding is available	First Awards Q1 2016
Product Procurement Grants	\$500K requested for Cycle 1 release, available to CA public Agencies, pending legal review and approval	This item was proposed but not approved in Addendum #2; This item is re-submitted for consideration in Addendum #3; Anticipated Q2 2016
Additional Grant Cycles	To be developed based on need, stakeholder input, analysis by SPC, input of Council; Dependent on approval by CalRecycle following launch of Cycle 1 pilot	TBD 2016-2017
Establish Loan Program	\$1M available per year; terms under development	This item was proposed but not approved in Addendum #2; This item may be resubmitted to CalRecycle at a later date for consideration and/or part of the 201 Plan.

Table 2. Addendum # Summary of Program Changes

Addendum #3 Proposed Changes	Incentive/Change Description	Timeline/Date of Action
Reserve Adjustment	Adjust reserve calculation from 2 Qtrs to 1 Qtr: <i>Sum (last 4 quarters of total payouts)/4 = 1 qtr average</i> Enables more funding to be deployed to support critical Program activities and payouts	CARE approved under current Plan purview; Effective September 2015
Monthly Reporting	Adopt monthly reporting process for subsidy payouts, change from quarterly; increase cash flow; CARE to continue quarterly reviews with CalRecycle	CARE approved under current Plan purview; Began in Sept 2015 for July/Aug reporting (full implementation for Q3-2015 reporting cycle)
Economic Model	Hire consultant to create dynamic economic analysis tool to better analyze changing market conditions, a new economic model to facilitate more timely decision making, what-if analyses and optimization scenarios to improve 201 operations and 2017 Plan design	CARE approved under current Plan purview; Develop model Q4 2015 and Q1 2016; Begin use Q2 2016; Inform 2017 Plan
Back Labeling Carpet for Improved Recyclability (Industry Funded)	Industry funded approach; CARE formed committee to create standards for implementation to begin 2016, to be paid for by industry	Industry-led (CARE/CRI) and Industry-funded; Committee formed 2015, full CA manufacturers implementation by end of 2016
Education & Outreach	Double budget from \$300K/yr to \$600K/yr	CARE approved under current Plan purview; increase in 2016
Expand CA Full-Time Staff	Double CA staff from FTE to 2 FTE	CARE approved under current Plan purview; Recruit 2015; Hire in 2016
Product Procurement Grants	\$500K requested for Cycle 1 release, available to CA public agencies	This item is re-submitted for consideration in Addendum #3; Anticipated Q2 2016
Expand Convenient Collection; Establish Schedule for All Counties	Double expenditures on rural county collection program; incorporate targeted urban area pilots in 2015/2016; Double counties served from 11 in 2014, to 21 in 2015, and 42 in 2016	Underway Q3 201 – 2 new sites added; Target to serve 21 CA Counties by end of Q4-2015 or 36% by 12/2015; 80% by 12/2016; 100% by 7/2017 (of those desiring collections)
Raise CA Carpet Stewardship Assessment	Increase from \$0.10 to \$0.20/yd² Supports program changes summarized above	Implement effective n later than March 1, 2016; Expect further increases as volumes grow and to be adjusted as markets dictate.

Table 3. Addendum #3 Summary of Subsidy Changes

Addendum #3 Subsidy Changes	Incentive/Change Description	Timeline/Date of Action
Collector/Sorter Entrepreneur (CSE) Incentive	Payout \$0.02/lb for sold and shipped lbs; Maximum subsidy \$150K/Qtr or \$400K/year	CARE approved under current Plan purview; Retroactive to Q3-2015
Type Base Payout – Dynamic Adjustment Factor	Tie base payout rate to market indicator (e.g., \$70/bbl oil, virgin N6, and/or PET bottle flake prices)	Allowable under market development in current Plan; Economic analysis scheduled for Q2 2016
Tier Non-Nylon Payout	Increase from \$0.17/lb to \$0.25/lb	CARE approved; Retroactive to Q3 2015
Type Calcium Carbonate Payout	Increase from \$0.12/lb to \$0.17/lb	CARE approved under current Plan purview; Retroactive to Q3 2015
Reuse Incentive	Clarified eligibility of both carpet tile and broadloom for reuse incentive; remains \$0.10/lb	CARE approved under current Plan purview; Retroactive to Q2 2015

Addenda Decision Making Process

CARE has implemented several changes to the current decision making process in response to CalRecycle Key Finding #5 to improve timely responses to market conditions. These changes are discussed further in the Finding #5 section below. The decision-making process undertaken to inform the development of Plan Addenda #2 and #3 follows.

In response to changing market conditions throughout 2014 and 2015, CARE took the following major actions:

- Launched stakeholder engagement efforts to seek new ideas across industry sectors, including:
 - 5 stakeholder workshops: (2) full-day interactive sessions conducted in collaboration with CalRecycle; (2) educational sessions at California Resource Recovery Association (CRRRA) annual conference in Los Angeles (1 led by CARE, 1 led by California Product Stewardship Council in collaboration with several Product Stewardship Programs), and (1) participant webinar targeting rural county collection sites
 - retailer/manufacturer webinars: to support launch of new assessment and seek program feedback
 - Various presentations to industry groups, local governments, and other stakeholders
 - Direct one-on-one stakeholder discussions (in person and via phone calls)
- Conducted a deliberative internal analysis considering a variety of new incentives and made recommendations to the SFOC for approval in September and again in October 2015.
- Budget analysis was conducted to identify and support the need for an increased assessment, requested for implementation effective n later than March 1, 2016.

Using this feedback, along with program data, official stakeholder comments, internal analysis, and ongoing discussions with CalRecycle, CARE completed a deliberative and thorough review of potential strategies for improving Program performance. These efforts included two multi-day strategic planning sessions (July and Sept.), six strategic analysis meetings with SPC (June-Oct), and two major decision-making sessions with the SFOC (Sept and Oct), in addition to ongoing communications and analysis, resulting in Addendum #2 and Addendum #3.

In October 2015, Addendum #2 established a new pilot Grant Program Incentive to deliver unique resources not previously available under this Program. In addition, the Addendum #2 requested approval to create the California Council on Carpet Recycling (Council), which will serve to inform Program efforts moving forward and help to increase transparency, formalize a process for ongoing stakeholder input, and provide more regular and timely feedback in the CARE decision-making process. The Council is expected to meet face-to-face 3-4 times per year and additionally via web calls if needed. In addition to general stakeholder feedback, the Council is expected to provide significant guidance to the SPC on 2017 Plan development. Additional details may be found in Section 1.2. Formation of the Council was approved by CalRecycle on October 20, 2015.

Addressing Key Findings in CalRecycle Request for Approval (RFA) dated September 15, 2015:

The proposed Program changes listed below are submitted in addition to those outlined in Addendum #2, and constitute CARE's full response to the CalRecycle's RFA key findings:

1. Key Finding #1 – Continuous & Meaningful Progress

Actions presented throughout this document are intended to demonstrate CARE's commitment to implementing a successful industry-designed carpet stewardship program, while setting in place new and expanded mechanisms by which the Program will be better positioned to achieve continued and meaningful improvement. The following narrative responds to issues raised in the RFA.

1.1. Plan Amendment & Revised Budget

This document combined with Addendum #2 collectively respond to this request. A revised budget reflecting fiscal impacts of proposed Program changes is presented in Attachment 1. It should be noted all subsidy changes were retroactive to Q3 2015 to assist both processors and collector/sorters due to deteriorating market conditions. Such increases are predicated on approval of a requisite increase in the assessment no later than April 1, 2016. ***If for any reason the assessment increase were not approved, subsidies would be immediately reduced back to prior levels as necessary funds will be unavailable.***

1.1.1. Source Reduction – CARE acknowledges that the average weight of carpet as reported has not changed over the reporting period. CARE finds that this metric may not be helpful in assessing adoption of source reduction strategies by individual mills participating under the Plan. Rather, CARE has formed a committee to examine improved mechanisms to evaluate this Program goal in the future. Recommendations from this committee will guide this Program goal in the updated 2017 California Stewardship Plan, to be developed in 2016.

There is a practical limit to source reduction in terms of design and functionality. Over the last several years tile weight has been reduced. In addition, a novel backing system that greatly facilitates recycling of both PET and nylon carpet is under development for launch. Due to the nature of this new technology, calcium carbonate is eliminated thus contributing to source reduction (on average 30-40% by weight per square). For competitive proprietary reasons CARE is not in a position to elaborate on this technology until it is launched publicly. The timeframe for this announcement is currently anticipated in the first half 2016, however, timing is up to the company and not CARE. CARE also points out that the development cycle from concept to commercialization typically takes 5-1 years for major changes in technology. This is an example of major change.

CARE is conducting its annual confidential analysis of weight per square yard for commercial tile, commercial broadloom and residential carpet. This information will be reported in the 2015 CARE Annual Report to CalRecycle and used to update the discard formula as is done each year.

- ✓ **ACTION PLANNED:** Complete committee analysis on weight per square yard of tile, commercial broadloom, and residential carpet for inclusion in the 201 annual report.

1.1.2. Recyclability – The carpet industry has agreed to implement a new industry-funded back-labeling protocol for participating manufacturers in an effort to comply with regulatory requirements related to ready, accurate and economical identification of carpet polymer to facilitate reuse and recycling, thereby increasing recyclability. To support this change, CARE and Carpet and Rug Institute (CRI) formed a committee in mid-2015. The committee will make recommendations for adoption with the aggressive goal of full implementation by all manufacturers participating under the plan by the close of 2016. The committee is developing a standardized protocol to be refined and finalized in support of broad adoption. Although back-labeling will not dramatically influence the market in the near term, this is a critical Program refinement which may significantly improve recyclability of post-consumer Carpet (PCC) in 7-10 years as new back-stamped materials begin showing up in the carpet waste stream.

- ✓ **ACTION TAKEN:** CARE in cooperation with CRI, has formed a Committee to establish protocols for back-stamping (labeling) of carpet by polymer type.
- ✓ **ACTION PLANNED:** Manufacturers have agreed to implement back-stamping (labeling) protocols on all carpet on or before December 31, 2016. At this time, the cost of implementation will be covered by the manufacturing community, although CARE reserves the right to allocate specific funding to this task should the results of Committee analysis indicate that such action would improve and/or accelerate the ability of participating manufactures with adoption and/or cost of implementation if deemed to be significantly higher than currently anticipated.

1.1.3. Reuse – The new reuse incentive took effect in April 2015 and has already begun to have an effect. In September 2015, the incentive was clarified to reaffirm that **both carpet tile and broadloom carpet** shipped and sold/donated for reuse are eligible for incentives. CA collector/sorters and processors have already established new reuse programs in response to this new incentive.

- ✓ **ACTION TAKEN:** CARE implemented a new reuse incentive in Q2-2015 for both tile and broadloom carpet.

1.1.3.1. Request to include reuse in Recycled Output Reused Materials

In recognition of the CA waste hierarchy which recognizes reuse as a higher and better use than recycling (*reduce, reuse, before you recycle...*), **CARE respectfully requests that CalRecycle authorize CARE to count reuse pounds toward the program's recycling rate rather than only to the diversion rate.** Reuse pounds will continue to be tracked as a separate line item on reporting sheets, such that reuse pounds can also

be individually monitored and reported. In line with this request, CARE will utilize the following sums to calculate the recycling rate and diversion rate, respectively:

Recycling Rate = Type 1 + Type 2 + Reuse + CC (as a raw material only)

Diversion Rate = Recycling (Type 1 + Type 2 + Reuse + CC) + Energy Recovery + Export (no change)

1.1.4. Recycling Rate – CARE acknowledges that the recycling rate for the Program has remained flat in 2014. Program changes approved in 2014/2015 including new incentives and increased assessment of 10 cents per square yard are not yet having the desired effect on the market, as economic conditions worsened even as these changes were implemented. Additional changes proposed herein broaden these efforts with the goal of raising the recycling rate to meet or exceed the 2016 goal of 16% by year end.

- ✓ **ACTIONS TAKEN:** New 2015 incentives and those proposed herein, are intended principally to increase recycling rate of PCC.
- ✓ **ACTION PLANNED:** Increased Assessment, effective 2016 from \$0.10 to \$0.20 per square yard.

Table 4. Summary of Incentives to Increase Recycling Rate (red color indicates changes or additions)

Element	Metric	Status
Tile/Broadloom REUSE Payout	\$0.10/lb	Clarified: both Tile and Broadloom are eligible; To drive reuse as higher better use
Tile Recycled Output Payout	\$0.10/lb	No Change: To drive 100% recycle of tile
Type 1 Recycled Output Payout	\$0.10/lb	Modification: Increased from \$0.06 to \$0.10/lb ¹
Bonus for Type 1 Output Growth	\$0.10/lb	No Change: Growth target changes annually; Currently offered for lbs above 11M lbs/Qtr
Type 2 Recycled Output Payout	\$0.03/lb	No Change
Type 2 Calcium Carbonate Payout	\$0.17/lb	Modification: Increased from \$0.12 to \$0.17/lb
Tier 2 End User Non-Nylon Payout	\$0.25/lb	Modification: Increased from \$0.17 to \$0.25/lb
Tier 2 End User Non-Nylon Growth	\$0.10/lb	No Change: Growth target changes annually; Currently offered for lbs above 2M lbs/Qtr
CAAF/Kiln Payout*	\$0.03/lb	No Change
Collector/Sorter (CSE) Payout**	\$0.02/lb	New: Compensates CSEs for lbs sold and shipped ²

1. Additional 4 cents tied to market indices of oil/petroleum, virgin nylon and/or bottle PET; to be reviewed quarterly by SPC.

2. Capped at \$150K/quarter or \$400K/year per company

Element	Metric	Status
Grant & Loan Program	Various	New: Described Addendum #2; Loan Program pending following Cycle 1 feedback from CalRecycle
Other Program Resources	Various	New: Includes ME&O, Collection, Staffing, etc. Described below

*CAAF/Kiln Energy Recovery is not counted toward recycled output, but may be used to divert waste from landfill consistent with the currently approved Plan. **Collect/Sorter incentive is paid on pounds of material collected, sorted, shipped and sold. CSE pounds are counted as gross collections, not recycled output.

1.1.5. Diversion Rate – AB 2398 specifically identifies both **diversion and recycling** rates as principal metrics for measuring continuous meaningful improvement. While the Program’s recycling rate has remained flat, CARE would like to acknowledge that the diversion rate has increased during this same period, demonstrating responsive action by CARE members to seek best use of collected materials, as recycling markets have tightened.

- ✓ **ACTION TAKEN:** New 2015 **incentives** and those proposed herein are intended to increase post-consumer carpet diversion from landfill. While the recycling rate remaining flat in 2014, the diversion rate has continued to increase to 27%.

1.1.6. Market Growth – CARE will continue market growth and market development efforts listed in the Plan. CalRecycle makes specific reference to the need to implement an annual Tier 2 manufacturer survey to quantify volumes of new products. Volumes of non-nylon secondary products are already reported to CARE for those products seeking subsidy funds. The 2014 annual report highlights these results on pages 63-64:

“During the reporting period, a total of 9.9 Million pounds of PCRCC products made with CA non-nylon carpet materials were reported as shipped and sold in the marketplace, or 11.3 Million pounds to date since this new initiative was launched in Q4 2013. Products include such items as carpet cushion, reflecting a full circle carpet into carpet product, as well as other products such as building products, insulation and bedding. Additional products are also available which may use nylon or non-nylon materials, although volumes of these materials produced, shipped and sold are not currently reported to CARE.” [p.63, 2014 Annual Report]

The Program has seen a significant increase in volumes of secondary products, well above the Plan goal to increase at a percentage equal to or greater than recycled output and is a direct result of increased subsidies. That said, much more growth is necessary to meet our goals and was the basis for increasing subsidies on calcium carbonate, the majority of which goes to landfill today.

“Since the Program began, the volume of products reported shipped and sold has increased in Q4 of 2014 by 94% over the same period in 2013.

The first quarter of 2014 saw an increase of 65% over the previous quarter. Each quarter since during the reporting period has seen an average 6% increase through the final quarter of the reporting period. Based on this data, Program incentives appear to be helping to grow the market for these secondary non-nylon products.”

[p.63 -2014 Annual Report]

- ✓ **ACTION TAKEN:** CARE will continue to **quantify non-nylon secondary product volumes** via the Tier 2 reporting process already in place, and report such values at least annually. CARE will examine the value of including such information on a quarterly basis.
- ✓ **ACTION TAKEN:** CARE has **increased the non-nylon Tier 2 incentive** from \$0.17 to \$0.25, effective Q3 2015. CARE has also considered the possible adoption of nylon Tier 2 incentives, but has elected not to propose adoption at this time. CARE will continue discussion on nylon Tier incentives in 2016.
- ✓ **ACTION TAKEN:** CARE proposed three grant focus areas under the **new grant element** in support of market development (Addendum #2): capital improvement, and procurement grants for CA Public agencies, as well as product testing, research and development; At this time pilot Cycle 1 grants are moving forward under two of the three proposed funding areas (capital improvements and product testing). These solicitations will be released in Q4 2015.
 - CARE requests reconsideration of procurement grants for CA public agencies, under this addendum #3. Please refer to Key Finding #3 for details.
- ✓ **ACTION PLANNED:** In 2016, CARE will implement a **survey** of secondary product manufacturers to help further quantify volumes of new products, which may not be captured by the current incentive program reporting process. Results of this survey will be presented in the 2015 annual report.
- ✓ **ACTION PLANNED:** Additional actions are planned related to recycled product procurement **promotion, education and outreach** to increase awareness of and demand for secondary products made with recycled carpet content (See Key Finding #3, Education & Outreach)

1.2. Establish an Advisory Committee

Addendum #2 requested approval to establish California Council on Carpet Recycling (CCCR, Council), which will support CalRecycle Recommended Action Item (b) to provide input to CARE on design and implementation of the Program. This request was approved by CalRecycle in October 2015. The Council is scheduled for initial formation in Q4 2015 with the first meeting targeted for January 2016. Details of the call for Council nominations may be found in Exhibit 2.

- ✓ **ACTION TAKEN:** CARE submitted Addendum #2 to establish the **CA Council on Carpet Recycling**. In November 2015, CARE released a Call for Nominations along with additional details regarding the Council.

- ✓ **ACTION PLANNED:** CARE will review applications in Q4 2015. The first meeting is anticipated in January 2016.

Additional details regarding the Council have been released and are summarized in the attached Call for Nominations (Exhibit 2).

2. Key Finding #2 – Access to Recycling Services

2.1. List of Counties Served, Collection Expansion Plan, Implementation Schedule

As outlined in the 2014 annual report (pages 23-25 and 109), CARE has exceeded Rural County program targets set in the Plan. However, CARE acknowledges that the current Plan does not outline a strategy for reasonable convenient collection in each county. In an effort to remedy this deficiency, CARE proposes to move forward continuing to expand collections, under a Rural County **Plus** implementation strategy. Beginning in Q4 2015, CARE will expand Program supported collection sites to additional target Counties in an effort to provide more convenient collection in a higher percentage of CA Counties. These additional *plus* sites will be targeted in consultation with CalRecycle and Rural County Representative of California (RCRC), and based on such factors as population, proximity to existing collection sites, geographical distribution, generation, interest and/or other factors. Currently CARE has begun discussions with the Counties of Sacramento and Los Angeles as potential *plus* candidates for this new pilot effort. In addition, CARE has begun discussions to consider the possibility of collaboration with the Mattress Recycling Coalition (MRC) to drive economic and logistical efficiencies of collection and hauling service in the future.

A list of counties with CARE Public Service is presented below, based on currently available data. Please note, retailers in many areas of the state may be privately served directly by participating collector/sorters and processors, outside the purview of CARE. Private service locations are not disclosed to CARE.

Table 5. timeline for implementation of full County coverage is presented below.

Phase	Timeline	Counties Served	of (58) CA Counties of (34) Rural Counties
Phase I - Pilot	2013	6 (Calaveras, Del Norte, Humboldt, Plumas, Siskiyou, Tehama)	10% 18% of rural counties
Phase II - Expansion	2014	11 (+Butte, Napa - 2 sites, Santa Cruz - 3 sites, Trinity, Tuolumne)	19% 32% of rural counties (1/3)
Phase III - Expansion	6/2015	18 (+Colusa, Marin, Mendocino, Mariposa, Lake, Sutter, Yuba)	31% 53% of rural counties (1/2)
Phase IV - Plus Pilot	12/2015	21 (-Colusa, +Inyo, +Mono, +5 TBD in key regions); current discussions with El Dorado, Los Angeles, San Benito, Sacramento, Shasta, Yolo)	36% 62% of rural counties (2/3)
Phase V - Plus Expansion	6/2016	36 (+12 TBD in key regions)	62% 82% of rural counties (4/5)
Phase VI - Plus Expansion	12/2016	4 (+12 TBD in key regions)	83%

			100% of rural counties (desiring participation)
Phase VII – Full Coverage	6/2017	58 (+10 remaining counties, subject to county desire to participate; +Additional sites, subject to available funds and 201 Plan approach)	100% all counties (desiring participation)

It is important to recognize that market dynamics have continued to worsen in 2015. The Program is experiencing a significant contraction in the marketplace, in line with, or worse than, the economic downturn of 2008. At the time of this writing, 100% of processors and collector/sorters operating in CA have curtailed collection activities by either discontinuing acceptance of new customers, canceling existing customers, or both. In addition, prices for collection service have nearly tripled, further limiting access to convenient collection throughout CA. With limited movement of PCC recycling commodities, those that are moving are securing a dramatically lower premium than even one year ago, putting added pressure on these critical program service providers, and resulting in losses even as service costs are increasing. This development is a primary driver for many of the proposed Program changes, including the newly approved grant program for an immediate infusion of capital investment funds to expand capacity and throughput, the new collector/sorter subsidy to support necessary service, and increased processor/manufacture payouts to offset these economic losses. As these incentives take hold, the Program expects to be better positioned for continued expansion of convenient collection sites, as consideration for expansion under the new 2017 plan.

- ✓ **ACTION TAKEN:** To date, **21 public collection sites** are supported by the CARE Rural County Program, providing convenient collection in 19 counties (33% of all counties).
- ✓ **ACTION PLANNED:** CARE has **adopted a timeline** for implementation of at least one public collection site in all 58 counties by June 2017, as outlined above (assuming agreement to participate).

3. Key Finding #3 – Marketing, Education & Outreach (ME&O)

CARE acknowledges that outreach efforts were limited in 2014, concentrated principally in the hiring of a new communications firm, completion of market research and an on-the-ground outreach pilot. Outreach efforts have ramped up in 2015 and included a focused effort in Q1 2015 to communicate directly with retailers about the increased 10 cents/square yard assessment. In early 2015, the market for nylon was in deep decline (price and demand), and there was a growing concern, from CARE's perspective, about increasing outreach to additional audiences, such as consumers and installers, when recycled output could not keep pace with gross collection.

While the program continues to face challenges, CARE is committed to continuing to expand its outreach efforts and will allocate \$600,000 to ME&O activities in 2016. This ME&O budget is double the previous allocation from 2015 (\$300K). Gigantic Idea Studio, an environmental marketing firm based in Oakland, will continue to serve as CARE's primary marketing,

education, and outreach consultant and will work with CARE on implementing an expanded ME&O Action Plan for 2016 (see Table 8). In addition ME&O efforts will be furthered through CARE's commitment to hiring a second FTE staff person to be allocated under the program's Administrative budget. CARE staffing provides overall programmatic support, benefitting ME&O implementation as well as other critical program areas. The recruitment for this position will begin in Q4 2015, with the goal of having a new person in place in early 2016. Finally, market development and technical assistance will also continue in the form of consultant support allocated under professional services, while product testing grants will be allocated under the grant program. Mike Tinney of Tinney Associates will continue to provide market development assistance and support.

With new incentives proposed herein, CARE anticipates greater recycling rate increases and the need for increased education and outreach to expand reach, impact and effectiveness across the primary target audiences of retailers, installers and local governments, as well as consumers. CARE will improve access to information about CARE, AB 2398, and carpet recycling in California through material and collateral development, on the ground outreach, and online engagement tools, as well as other tactics as determined in consultation with Gigantic Idea Studio,.

Per CalRecycle's recommendation, CARE has developed an **Education and Outreach Action Plan** as well as an updated list of **Evaluation Metrics** that will be used to evaluate the effectiveness of education, outreach and marketing activities for various audiences. Gigantic Idea Studio will assist CARE in implementing the Action Plan and tracking these metrics through 2016.

3.1. Evaluation Metrics

The following table provides an outline of metrics for evaluating effectiveness/impact of ME&O activities, beginning in 2016. For those activities also occurring in 2015, relevant metrics will be provided in the 2015 annual report. These metrics are in addition to the operational data already collected and analyzed under the subsidy portion of the Plan. These metrics may be refined with time, based on feedback and efficacy.

Table 6. Marketing, Education and Outreach Impact Metrics

Tactic	Metric
General Reach	
Industry publication advertising	Numbers reached
	Uptake of collateral requests
	Content consumption
Digital ads	Impressions (numbers reached)
	Click through rate (CTR)
Monthly E-News	List growth
	Open rate

	Click through rate (CTR)
	Content consumption
CARE Website – C pages	Traffic (Google Analytics)
	Pages visited
	Content added and consumed
	Uptake of call to action
Partner outreach (mills, processors, sorters, etc.)	Number of contacts
	Increase in reach
	Positive feedback
	Uptake of call to action (sign-up for email alerts, etc.)
Events/conference presentations	Number of events
	Reach
	Follow-ups
Press releases/Earned media	Number sent
	Number of placements
	Feedback
Social media, including video creation and distribution	Number of posts and views
	Reach
	Increase in followers, amplification (shares)
Webinars	Number of events
	Number of participants
	Content consumed
Surveys / Stakeholder Workshops	Number of groups queried / number of responses
	Number of workshop attendees
	Feedback
	Quantity of results/action items
Retailers	
Print Collateral (brochures, window clings, FAQs, signage), including multi-lingual.	Number of copies requested/distributed
	Stakeholder feedback
	Number and length of website visits
In-person outreach	Number of businesses reached (target: 10% of retailers in Q4 2015, 50% of retailers by end 2016)
	Uptake of call to action (brochure requests, webpage visits, etc.)
	Increased awareness of CARE and the CA Carpet Stewardship program
	Increased compliance with labeling and other requirements

Local Government	
In-person outreach	Number of Recycling Coordinators / other gov staff reached
	Collateral requested and posted
	Increase/uptake of recycled carpet content procurement policies
	Uptake and amplification of provided content (e.g., posting to local government websites, social media and newsletters)
Installers	
Curriculum	Number of installers reached
	Feedback
Collection Sites / Rural County Program	
In-person outreach	Number of contacts
	Collateral requests
Consumers/Public	
Website	Traffic
	Number of visits to collector map
	Number of visits to consumer page
Video	Number of views
	Number of shares
Awareness	Collateral requests from retailers and recycling coordinators
Processors	
Survey	Number of responses
	Feedback

3.2. E&O Action Plan –

The Education and Outreach Action Plan will support the following specific, measurable objectives by audience:

- ✓ Make in-person contact with **10% of California retailers by end of 2015, and 50% by end 2016** to provide information and gain feedback to ensure compliance with, and understanding of, the assessment amount, labeling requirements and other aspects of the California program.
- ✓ Provide **California installers** with updated, accurate information on recycling opportunities via brochures, along with development of curriculum to be added to installer training and certification programs by Q3 2016.

- ✓ Provide **California recycling coordinators in all 58 counties** with collateral and content to be distributed via local government channels including website and social media content and print collateral. Information to include updates on carpet recycling as well as retailer information, installer information, government procurement support, grant availability, opportunities for stakeholder input, etc. by Q3 2016.
- ✓ Provide **California consumers** with adequate and accurate information on carpet recycling and recycled product options through contact point promotions when consumers are most likely to be responsive, i.e., when researching new carpet purchases online or at a retailer. To include consumer-facing web portal and collateral at retailers.
- ✓ Provide updated signage and information to all CARE **California public collection sites** to support installer/contractors and Do It Yourselfers (DIY) in proper material preparation and recycling at available collection sites.
- ✓ Manage, promote and facilitate **stakeholder engagement** via improved and accurate information on website, social media, monthly e-blasts, and via webinars, workshops, conferences, other presentations, and leveraging the Council engagement.

Gigantic Idea Studio will also support the CARE California team with marketing and communications strategy and content for compliance and reporting requirements, public relations, public workshops, hearings, presentations and CARE annual conference.

The following Action Plan outlines major tasks related to marketing, education and outreach. Key deliverables, task leads, target dates and budget are presented below. Please note, target dates are subject to change based on needs of the program. Budget amounts listed for each task area are estimates and subject to adjustment based on actual costs and needs of the program, within the overall available ME&O budget. CARE may shift individual task allocations at the discretion of the Executive Director. CARE will provide quarterly updates on progress as part of the routine quarterly reviews with CalRecycle staff.

Table 7. Outlines Major Tasks/Subtasks, Deliverables, Lead, Target Dates and Budget for Q4 2015

MARKETING & OUTREACH	Deliverable(s)	Lead	Target Date	Budget
1. Local Government Outreach				\$4,190
1.1 Collateral Development	FAQ and other informational collateral	GIS	12/31/15	
1.2 Recycling Coordinator Communications	FAQ and content (e-news blurbs, social media posts, etc.) to answer public needs.	GIS/CARE	Ongoing	

MARKETING & OUTREACH	Deliverable(s)	Lead	Target Date	Budget
2. Retailer Outreach				\$51,475
2.1 Updated Collateral, phase 1	Collateral Mailing Package, Consumer-facing Brochure, Decals, Reorder Form to 3,500 CA retailers.	GIS	Completed	
2.2 Retailer Collateral Requests	Order management and fulfillment.	GIS	Ongoing	
2.3 In-Person Retailer Outreach	Goal of reaching 10% of CA retailers by end of 2015 with visit from CARE team member	GIS/CARE	12/31/15	
3. Installer Outreach				\$5,750
3.1 Collateral	How-to brochure – design and content; distributed via retailer outreach	GIS	12/31/15	
3.2 Curriculum Development	Presentation slides and accompanying guide/collateral to incorporate into installer training already offered.	GIS/CARE	11/30/15	
4. Collection Sites Outreach				\$5,950
4.1 Collateral Design & Content	Signage and customizable flyers for rural counties program; design and content development.	GIS	11/30/15 and Ongoing	
<i>For consumer outreach, see Retailers and Recycling Coordinators.</i>				
5. Ongoing Market, Education, & Outreach Needs				\$5,100
5.1 Strategic Planning	Advise California CARE team on outreach strategy	GIS	Ongoing	
5.2 Website Updates	Update content on site; analyze web traffic; make improvements as needed	GIS	Ongoing	
5.3 Social Media	Post content/updates on carpet recycling and	GIS	Ongoing	

MARKETING & OUTREACH	Deliverable(s)	Lead	Target Date	Budget
	related topics			
5.4 Monthly E-Blasts	Monthly newsletter to CARE stakeholders	GIS/CARE	Monthly	
6. Program Support for CA Team				\$5,028
6.1 Reporting	Editing of amendment; assist with formatting; input MEO content and schedule	GIS/CARE	11/30/15	
6.2 CA Carpet Recycling Council	Assumes advisory work on council creation, mission statement development, nomination process, etc.	GIS	12/31/15	
6.3 2017 Stewardship Plan	Assist with drafting 2017 plan schedule	GIS/CARE	12/31/15	
			Q4 2015 Budget:	\$77,493
			2015 YTD Budget:	\$222,507
			Total 2015 Budget:	\$300,000

Table 8. Outlines Major Tasks/Subtasks, Deliverables, Lead, Target Dates and Budget for 2016

MARKETING & OUTREACH	Deliverable(s)	Lead	Target Date	Budget
1. Local Government Outreach				\$22,000
1.1 Procurement Collateral	Develop collateral focused on recycled carpet products for purchase (includes printing)	GIS/CARE	2016	
1.2 Recycling Coordinator Communications	FAQ and content (e-news blurbs, social media posts, etc.) to answer public needs.	GIS/CARE	Ongoing	
1.3 Recycled Product Promo	Print and web collateral	GIS/CARE	2016	
2. Retailer Outreach*				\$245,000
2.1 Updated Collateral, phase 2	Point of Sale signage, Sales Staff FAQ. Continue collateral production and fulfillment from 2015.	GIS	Ongoing 2016	
2.2 Assessment Change Campaign	Collateral; direct mail pieces, email content; phone follow-up; webinar; press release (industry press); partner memo for mills to distribute	GIS	4/1/16	
2.3 In-Person Retailer Outreach	Goal of reaching 50% of CA retailers by end of 2016 with visit from CARE team member	GIS/CARE	12/31/16	
3. Installer Outreach				\$14,500
3.1 Collateral	How-to brochure – mail to installer networks	GIS	2016	
3.2 In-Person Outreach	Support in-person outreach efforts to installers via retailers and provide information about carpet recycling collection availability	CARE/GIS	2016	
4. Collection Sites Outreach				\$17,875

MARKETING & OUTREACH	Deliverable(s)	Lead	Target Date	Budget
4.1 Collateral Distribution	Customize brochures for each site; manage distribution and requests as new sites come on board	GIS/CARE	Ongoing	
4.2 Website	Continue to update collector map and other online public information	GIS	Ongoing	
4.3 In-Person Outreach	Support in-person outreach efforts to collection sites	CARE/GIS	2016	
5. Processors Outreach				\$2,000
5.1 Survey	Assist CARE with question creation and survey participation	CARE/GIS	1/31/16	
6. Consumer Outreach				\$50,000
6.1 Website Portal	Website portal /landing page to advise on carpet and PCC products and consumer choices. Would include promotion via retailers, home decorators, and other channels.	GIS/CARE	2016	
6.2 Audio/Visual Outreach	Script, create and promote public-facing audio (e.g. PSA) and/or video related to carpet recycling in California.	GIS	2016	
<i>For additional consumer outreach, see Retailers and Recycling Coordinators.</i>				
7. Ongoing Market, Education, & Outreach Needs				\$113,500
7.1 Strategic Planning	Advise California CARE team on outreach strategy	GIS	Ongoing	
7.2 Website Updates	Update content on site; analyze web traffic; make improvements as needed	GIS	Ongoing	
7.3 Social Media	Post content/updates on carpet recycling and related topics	GIS	Ongoing	
7.4 Monthly E-Blasts	Monthly newsletter to CARE stakeholders	GIS/CARE	Monthly	
7.5 Webinars	Research, prepare, manage stakeholder focused informational	GIS	2016	

MARKETING & OUTREACH	Deliverable(s)	Lead	Target Date	Budget
	webinars			
7.6 Earned Media	Press release and relationship building with industry publications	GIS	2016	
7.7 Digital Advertising	Google Search and Display Network ads based on interests and keywords	GIS	2016	
7.8 Partnership Dev.	Partner memos to mills, distributor networks to inform request that program changes and info be passed to their networks	GIS/CARE	2016	
7.9 Presentation & Tabling	Develop tabling/exhibiting space, including tablecloth, signage, etc. Attend and staff up to 3 tabling events on behalf of CARE.	GIS	2016	
7.10 Stakeholder Workshops & Communications	Design, promote, and facilitate stakeholder communications and planning. CRRA and CARE conference attendance and input.	GIS	8/1/16	
8. Program Support for CA Team				\$135,000
8.1 Reporting	Writing, editing, metrics tracking, and content strategy support for CA team (Annual Report, Addendums, etc.)	GIS/CARE/TBD	Ongoing	
8.2 CA Council on Carpet Recycling	Assumes advisory work on council creation, mission statement development, nomination process, recruitment, meeting scheduling and facilitation, communications, etc.	GIS/TBD	Ongoing	
8.3 2017 Stewardship Plan	Assist with drafting schedule, 2017 plan process facilitation and communications input.	GIS/CARE/TBD	2016	
			Total	\$599,875

See Table footnote next page

*Retailer outreach is identified as a major area for MEO expenditures in 2016 for the following reasons:

- There are a lot of retailers (approximately 3,500, compared to other key audiences such as collection sites and recycling coordinators).
- Our research showed that retailers have been under-served by CARE and have a negative view of the assessment and the program, while playing a vital role in the recycling ecosystem.
- Retailers are a major interface for other target audiences. Research also showed that other major audiences, including installers and the general public, can be reached through the retailers when they are most likely to be responsive to messaging on carpet recycling.

While the above tables provide detail within each area, CARE will remain flexible and open to adjustments based on market and CalRecycle feedback and element effectiveness.

3.3. Timely & Effective ME&O Implementation

In an effort to demonstrate timely and effective implementation to this important Program element, CARE proposes to double E&O budget allocation from \$300K in 2015 to \$600K in 2016. Additional detail, including Action Plan, metrics and new grant program elements (approved and proposed) are presented throughout Section 3 of this document. A full Program revised budget is presented as Exhibit 1. A summary of the planned 2016 education and outreach budget is presented above.

CARE has already secured resources to begin retailer outreach to 10%, or approximately 350, California retailers in response to CalRecycle's results from field inspections. These face-to-face visits will provide technical assistance on labeling compliance, provide retailers FAQs and other program materials, gauging interest and input on future point of sale education, and serve as a primer to assess interest and opportunity for potential follow-up waste assessments to assist in establishing collection service as those services become more readily assessable. Retailer visits began in November 2015 and will be tracked using a Customer Relationship Management (CRM) tool for ready metrics reporting.

The new grant program is intended to help catalyze the marketplace to increase capacity and throughput for collection, recycling, diversion and secondary product manufacturing. As these opportunities increase in 2017 and beyond, CARE anticipates an increased education and outreach presence will promote more far-reaching program participation among retailers, installers, and consumers.

3.4. Processor, Tier 2 Manufacturer and CSE Education

In addition to ME&O activities listed above, CARE provides ongoing education, outreach and support to both in-state and out-of-state processors, Tier 2 manufacturers and CSEs handling California generated post-consumer carpet through various ongoing activities. Processors are also provided market and product development assistance through Tinney Associates, and will be eligible for product testing grant funds planned for release as early as Q1 2016. Furthermore, CARE remains in regular contact with in-state

recycling operations including CARE supported collection sites, collector/sorters and processors to understand and help balance increases in collection with increases in processing. Due to the current market conditions, collection service is being curtailed throughout the state. New incentives, including grants, are being implemented in an attempt to increase capacity and throughput both in and outside of California.

CARE support includes:

- Monthly subsidy payment and reporting support (previously quarterly)
- Quarterly notices summarizing program changes, if applicable
- Site visits and coordination for Agreed Upon Procedures
- Troubleshooting collection, sorting or sale challenges
- Market Development support for processors – assistance in identifying opportunity for processor output, new product development and/or waste components (to increase recycling rates)
- Market Development support for Tier 2 secondary manufacturers – assistance in identifying feedstock, product testing, product approvals
- Procurement support – liaise with state agencies to further opportunities for state procurement of recycled carpet content products via presentations and promotions
- Annual CARE conference and entrepreneur meetings to support CARE members and facilitate professional development, sharing of best practices, and member collaboration

3.5. Grant/Pilot Market Development Approaches

Addendum #2 established new strategies for allowing CARE the option to provide grant funding to be allocated on an annual basis to such program activities as, but not limited to, capital capacity and throughput expansion, product procurement, testing, and market development, in line with this CalRecycle Action Item. The new grant program was conditionally approved on October 20, 2015. In line with this approval, CARE will proceed with the release of Cycle 1A solicitation, focused on capital improvements, following a stakeholder webinar held on November 18, 2015. Marketing development and product testing grants also approved, will be released under a Cycle 1B solicitation. Following further review by CalRecycle and input of the Council, additional solicitations may be released, subject to available funds. CARE will ensure a minimum of 50% of grant funds will be awarded within the State of California.

3.5.1. Market Development: New Grant Program

The **purpose of this new Grant Program incentive** is to offer grant funding principally focused on supporting capital investment in processing and/or operational capacity to increase, improve, enhance or expand post-consumer carpet collection, recycled output, diversion, and/or recycled product manufacturing. The incentive also supports product testing and market development.

- The first **Cycle 1A solicitation** was released in draft form for stakeholder input in early November, following conditional approval on October 20th. The final solicitation is anticipated early December. Approximately, \$2-3M will be allocated for 2015-2016 [Cycle 1], of which up to \$300K may be utilized for administrative or legal services necessary to support the Program. Cycle 1A grants will be limited to maximum \$500K per award. A minimum of 50% of funds awarded will be allocated to CA-based operations. CARE will waive the CARE membership requirement for grant awardees, but the requirement will remain in place if those parties wish to receive other subsidy payouts. Additional details may be found in Exhibit 4.
- The second **Cycle 1B solicitation** will focus on product testing, pilots, research and development, and/or similar market development activities. CARE has allocated \$250K in year 1 for market development product testing grants. Cycle 1B solicitation will be released in Q4 2015. Proposals for future cycles will be considered on a continuous basis, beginning in Q2 2016. Preference will be given to businesses with operations in CA and all projects must utilize CA PCC.

**3.5.1.1. *Summary of Proposed New Grant Element:
Procurement for CA Public Agencies***

In addition to the pilot capital improvement and product testing grant solicitations which are the focus of this Cycle 1 funding offering, CARE proposes to allocate \$500K/year to launch a product procurement grant element to facilitate increased municipal procurement of recycled carpet content products, available to California public agencies (state government, local government, public schools, colleges and universities) consistent with what the law allows. The exact implementation of such program elements will be built based on system feedback and Council dialog to ensure transparency, fairness and compliance with the law. The offering will be modeled after similar public agency grants offered under the CalRecycle Tire Program (Tire-Derived Product [TDP] Grants). Cycle 1C release is anticipated mid-2016 pending CalRecycle approval. Additional information on this proposed grant element is presented below, utilizing the current 2015/2016 TDP cycle grants as a model.

Program Background

CARE proposes to administer a competitive grant program element to provide opportunities to divert carpet from landfill disposal, prevent illegal carpet dumping, and promote markets for post-consumer recycled carpet content products. The element is a reimbursement grant designed to be used for repurposing projects to utilize Post Consumer Carpet (PCC) recycled content products, such as:

- a. Carpet cushion when used under a NSF 140 Platinum Level carpet in California project;

- b. Building insulation, when installed in a California project;
- c. Erosion control or storm water management wattles when installed in a California Project;
- d. Recycled broadloom or carpet tile products exceeding NSF-140 Platinum level recycled content and containing PCC recycled content;
- e. Other products containing California PCC recycled content will be evaluated on an individual basis.

The fundamental goal of the CARE procurement grant element is to promote the development of long-term, sustainable, and diversified markets for products produced from California PCC.

Eligible Applicants

California Public Entities which include: California cities, counties, public school districts, public colleges and universities, special districts, park or recreational districts, and state agencies (including offices, departments, bureaus, and boards) for procurement above and beyond their statutory requirements for recycled products, or for procurement pilots for environmentally preferable leadership products

Projects

Only one application per qualifying entity will be accepted and only for projects within California. A minimum of 1,000 lbs. of California-generated waste PCC material must be used per application. Multiple products/projects may be combined to achieve this minimum. Carpet tile and broadloom carpet that meets the NSF-140 Platinum standard (greater than 10% post-consumer content) and contains post-consumer recycled carpet content will qualify. Note, minimum quantities of PCC material content or percentage of PCC content are subject to change.

Funding

- \$500,000 has been budgeted for fiscal year (FY) 2016
- \$50,000 per grant award maximum
- One or more projects may be combined into a single grant

The NOFA will contain the detail of timing, related legal issues, and application requirements. CARE will seek input from CalRecycle and utilize the Council to review draft solicitation prior to release.

All grant initiatives will be reviewed by a Technical Committee of at least 5 people, 3 of which must be from CA, using published criteria. The Technical Committee will follow a conflict of interest policy which is under development. All selected recipients will be reviewed with the Council prior to approval by the SPC/SFOC Committees for any grant greater than \$50,000. Grants under \$50,001 that have been fully vetted may be approved by the CARE Executive Director. This will facilitate speed to market.

3.6. Summary of Key ME&O Actions for Plan

- ✓ **ACTION TAKEN:** Double E&O Budget from \$300K/year to \$600K/year
- ✓ **ACTION TAKEN:** Double CA staffing from 1 FTE to 2 FTE; hire as soon as is feasible to support operations in CA in 2016.
- ✓ **ACTION TAKEN:** CARE has approved an action plan and associated metrics for education and outreach.
- ✓ **ACTION TAKEN:** CARE is launching a grant program, with the first solicitation released in November 2015.
 - **ACTION TAKEN:** Capital Improvement grant element launched
 - **ACTION TAKEN:** Product Testing, R&D grant element launched
 - **ACTION TAKEN:** C Public Agency Procurement grant element requested
- ✓ **ACTION PLANNED:** Reach 10% of retailers via face-to-face visits beginning Q4 2015; reach 50% of retailers in 2016.

4. Key Finding #4 – Processor Definition

4.1. Definition, Consideration, Changes

Recommended action items and responses are presented below.

Recommended Action Item(s):

- a. CARE must confirm if the use of “processor” in the *2014 Annual Report* is a deliberate definitional change and if so, how the change impacts performance metrics. The Department recommends that CARE amend its Annual Report to provide clarity regarding use of the term “processor” in the *2014 Annual Report* so it is clear if the context is a Tier 1 processor, or both Tier 1 processors and Tier 2 manufacturers.

CARE acknowledges the concern raised by CalRecycle related to the definition of Tier 1 processors and Tier 2 manufacturers as an error in the 2014 annual report. Future reports will separate Tier 1 processors and Tier 2 manufacturers. It should be noted that Tier 2 manufacturers are producers of recycled products containing post-consumer recycled carpet content, and should not be confused with carpet manufacturers (mills) participating under this plan. Some carpet manufacturers may utilize post-consumer (carpet or other) recycled content in their products; in such cases those manufacturers would be considered both primary manufacturers (mills), as well as Tier manufacturers.

- b. CARE must carefully consider implying or changing definitions that are contrary to statute, regulations, or the approved Plan and only make deliberate changes in definitions for good cause and with clear explanation on how to interpret the performance metrics within the context of the definitional change.

CARE acknowledges this requirement and will work to be consistent.

- c. CARE may add new definitions by defining them in an annual report and, once approved by CalRecycle, the new definition must be included as an amendment to the Program definitions in the approved Plan.

Excerpts from the Plan and 201 annual report are provided below, with changes tracked to correct for this concern raised by CalRecycle.

Excerpt from the currently approved Plan v3.2.2 (p.36):

“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.”

Please note, additions are in *red italics* while deletions are shown with a strike thru.

Additional incentives have been added to the Program which extend specific subsidies to other participants, such as Collector/Sorter Entrepreneurs (CSEs). CARE may add new eligible recipients of funds for subsidy payouts, grants funds, loans, or other program incentives at the discretion of the SFOC as indicated by market dynamics and inclusive of dialog with the Council. For example, the current incentive structure is limited to non-nylon end-user Tier 2 manufactures. CARE may choose to extend incentive payouts to other Tier 2 manufacturers (for example nylon PCC end users).

Excerpt from 201 Annual Report, Glossary (Appendix V, p.103):

Processor: *Qualified recipient participating under the Plan, directly engaged in the recycling of carpet discards through an industry-recognized process such as shredding, grinding, sheering, depolymerization, or similar process. Processors may also function as Collector/Sorters.*

- ***Tier 1 Processor:*** *A processor or recycling facility that converts discarded whole carpet into finished (Type 1 or Type 2) recycled output, ready to be utilized as an input material for secondary products.*
- ***Tier 2 ~~Processor~~ Manufacturer:*** *A manufacturer of secondary products made with post-consumer recycled carpet content. Tier 2 ~~processors~~ manufacturers receive finished (Type 1) recycled output from Tier 1 processors and utilize this material in the production of finished secondary products. At this time Tier 2 manufacturers are only eligible for subsidy payments if they use non-nylon Type 1 output. CARE reserves the option to extend the Tier 2 subsidy system to nylon based Type 1 output if market dynamics justify.*

- ***Tier 2 non-nylon end-user:*** A Tier 2 ~~processor~~ **manufacturer** that utilizes non-nylon (Type 1 or Type 2) recycled output from California for the manufacture of a finished secondary product made with post-consumer recycled carpet content. At the time of this report, Tier 2 non-nylon end-users are eligible to receive targeted subsidies

5. Key Finding #5 – Timely Response to Market Changes

5.1. Decision Making

The California Program is currently implemented by a team of 1 FTE staff and several support consultants overseen by the Executive Director of CARE. The Sustainable Plan Committee (SPC) guides ongoing Program implementation, monitors performance and makes recommendations for Program improvements. Modifications to the Program are recommended by the SPC, generally on a quarterly basis, or as needed in response to changing market conditions. The Sustainable Fund Oversight Committee (SFOC), approves and ratifies recommendations from the SPC. Modifications which require authorization from CalRecycle are then presented to CalRecycle for consideration and approval. SFOC and SPC members are appointed by the CARE Board and comprised of CARE members representing the carpet manufacturer and/or entrepreneur communities. To support this decision making process, CARE seeks input from stakeholders through various mechanisms through the year.

CARE has taken several actions to improve timely decision making and responsiveness to dynamic market conditions:

- ✓ **ACTION TAKEN:** **New Reserve level** set to increase the amount of funds readily available for program incentives and resources – change reduced reserve from 2 quarters of average payouts to 1 quarter of average payouts (prior 4 quarters), providing more flexibility for responsive action by the Program.
- ✓ **ACTION TAKEN:** Adoption of **new MONTHLY reporting** process – changes from quarterly reporting to monthly reporting, providing several important benefits:
 - **Increases timely cash flow** for participants during these tough economic times to improve solvency and keep service providers in business
 - Provides CARE with **more up-to-date data on program trends** including materials collected, reused, recycled, diverted and sold as non-nylon recycled products.
 - Implemented in September for the months of July and August and monthly thereafter, this change has already helped to **accelerate decision making** in response to this more regular input of data.
- ✓ **ACTION TAKEN:** CARE has secured additional support resources through the third party accounting firm, HA&W to develop a **more streamlined reporting process** and analysis as required to handle monthly reporting and payouts. These new reporting sheets (Exhibit 6) incorporate new 2015 incentives (effective Q3), clarify data entry for reporting parties, and increase back-end analysis efficiencies. CARE estimates that this will reduce administrative staff time spend on quarterly and annual data

report analysis and preparation, freeing up limited staff resources for other critical Program delivery efforts. Following final approval of Addendum #3, CARE will work swiftly with HA&W to incorporate any and all approved changes as required into this new data management process.

- ✓ **ACTION TAKEN:** CARE has released an **RFP to create a dynamic economic modeling** tool to aid in planning, projections, and improved decision-making processes. Model will be developed in Q1 2016 for use in 2017 Plan development. The model will also seek to better understand and enhance the subsidy platform.
- ✓ **ACTION TAKEN:** Proactive and responsive meetings by decision-making body – In mid-2015, the SPC switched from a quarterly meeting schedule to a **monthly meeting schedule**, increasing the body's ability to consider and adopt necessary program changes/actions. Additional meetings, phone calls, web calls or email discussions are also regularly employed to increase the speed of decision making. Moving forward, CARE will retain scheduled monthly SPC meetings; quarterly reviews will continue and interim meetings subject to cancelation in the absence of necessary action or lack of quorum.
- ✓ **ACTION TAKEN:** The formation of the **new Council**, which will meet at least three times per year and provide feedback to decision makers to improve responsiveness.
- ✓ **ACTION TAKEN:** **Stakeholder workshops** will continue to be held annually. In 2016, CARE anticipates one or more workshops will be held to inform the creation of the 2017 Plan. Additionally, stakeholder webinars will be offered quarterly to provide regular review of quarterly results and communicate other important program developments.

5.2. Incentive Adjustments

Several new incentives and/or adjustments to existing incentives are proposed within this document, summarized above. In addition, CalRecycle suggests the consideration of implementing nylon-focused incentive changes in response to the dramatic drop in the salability of nylon recycled output.

- ✓ **ACTION CONSIDERED:** CARE carefully considered the concept for nylon incentives through such mechanisms as:
 - **Higher Type 1 base payout – adopted; tied to economic indice(s) to be informed by economic analysis.**
 - *Differential Type 1 base payout to provide a higher payout for Type 1 with lower ash content at one or more thresholds within the 25% (e.g. >5%, 15%, etc.). This option was not selected at this time.*
 - *Nylon end-user Tier 2 manufacturer incentives – this was considered and not adopted at this time.*

The full range of subsidy changes being proposed requires a significant increase in funding for execution. CARE requests an increase in the assessment effective no later

than April 1, 2016 and recognizes this fee is subject to the need for continuous and meaningful improvement and if necessary is prepared to go up or down as conditions dictate. **Further CARE requests authorization that the assessment may be modified between 0–25 cents/yd² as the situation dictates. Further, CARE would like to expand the current range for subsidy payments from the current level of 0-20 cents/lb. to an upper bound of 35 cents/lb. and that categories may be adjusted, created or eliminated in response to market dynamics.** CARE will work with the newly formed Council prior to implementing such changes and will review all changes with CalRecycle prior to implementation.

5.3. Assessment & Incentive Response Methodology

CARE is considering the adopting of market responsive incentive payouts. Given the complexity of such a strategy, the following actions have already been adopted. Results of this effort will further inform the development of the 2017 Plan.

- ✓ **ACTION TAKEN:** CARE initiated discussions which examined CalRecycle's differential payout model used for bottles and cans to adjust the payout amount in response the market conditions. In response CARE has taken the following actions:
 - **ACTION:** Implemented an increased to the Type 1 base payout to \$0.10 from \$0.06/lb, the additional 4 cents of which will be subject to adjustment based on key economic indices in the commodities market such as: cost of oil, cost of virgin nylon 6 or 66, cost of virgin and/or bottle PET. Details of indexing will be developed as part of the Economic Model project.
 - **ACTION:** CARE has allocated \$100K of funding to **build an economic analysis and model** to better understand the interactions of global commodities markets and sale of recycled output materials from the Program. An RFP has been issued. The analysis is scheduled for completion by end of Q1 201 and will serve to inform incentive and assessment modeling for the 2017 Plan.

For the purposes of this Addendum, all changes proposed herein are deemed to be necessary and appropriate and provide for a more diversified approach to Program implementation to best assist the Program in these early days of implementation. The nascent carpet recycling marketplace demands diverse solutions to increase probability of success. For this reason, CARE has not only made adjustments to current incentive payouts, but also added new incentive payouts, incorporated grants and added additional resources. These changes were analyzed using an internal Excel-based modeling tool to ensure appropriate funds are availability to support these changes, while also being mindful of market and stakeholder feedback indicating that more extensive strategies are needed to address current challenges in the market.

In order to support changes proposed herein, an increase in the current assessment amount is requested. CARE is eager to begin implementation of this amount as soon as possible to increase available resources. CARE proposed an aggressive timeline that will increase the assessment effective n later than March 1, 2016, subject to timely approval

of this Addendum. CARE will conduct a thorough noticing and engagement process targeting retailers and manufacturers most directly impacted by these changes, and following up with outreach to local governments and other stakeholders. See Section 6.2 below for additional detail regarding the planned 2016 assessment adjustment.

Communications will take place via:

- Mailing to retailers/manufacturers (CARE is currently working with CalRecycle to merge retailer listing and improve reach accuracy)
- Email blasts to retailers/manufacturers (purchased lists are utilized along with subscription emails)
- Post card reminder(s)
- Webinar(s)
- Direct Site Visits
- Manufacturer sales teams/internal communications
- New collateral material(s)

6. Key Finding #6 – Assessment

6.1. Tiered Assessment Approach

Late last year, the issue was seen to be PET carpet in the marketplace. However, beginning with the drop in oil prices in late 2014, and exacerbated by the West Coast port slowdown, continued collapse in oil and gas prices, and the slowdown in the China economy, nylon has come under severe pricing pressure. As a result, the SPC debated the idea of differential fees and subsequently rejected it at this time, especially in light of dynamic market conditions that are affecting nylon as much or more than the traditionally more difficult to recycle non-nylon. In addition, it was felt the logistics of tracking and auditing such a system would prove to be problematic unless considerable additional financial management resources were allocated. By applying a uniform assessment, the Program maintains flexibility to be able to shift resources toward those commodities in need of the greatest assistance as market forces change.

6.2. Adequate Assessment Level

CARE has conducted an internal analysis of the proposed changes and industry contributions to the Program. Based on this analysis, CARE has determined that achieving 16% recycling with the proposed incentive changes will require an increase in the assessment as soon as feasible. Given the current timing of this addendum, and assuming approval, CARE anticipates launching the new assessment effective Q2 2016. In addition, CARE has released an RFP to create an economic (Exhibit 8) model for more extensive financial analysis of the program in early 2016. The new economic model will help to inform future operational and planning efforts, to better support future adjustments to the assessment level and ensure adequacy of the funds.

- ✓ **ACTION PLANNED:** CARE will increase the assessment effective no later than April 1, 2016 and recognizes this fee is subject to the need for continuous and meaningful improvement and if necessary is prepared to go up or down as conditions dictate.

- ✓ **ACTION PLANNED:** Further, CARE requests authorization that the assessment may be modified between 0 – 2 cents/sqyd as the situation dictates.
- ✓ **ACTION PLANNED:** Further, CARE would like to expand the current range for subsidy payments from the current level of 0-20 cents/lb. to an upper bound of 35 cents/lb. and that categories may be adjusted, created or eliminated in response to market dynamics.

7. Additional Feedback & Statement Comments

7.1. Plan for the 2017 Plan

Working in collaboration with CalRecycle staff, CARE is in the process of establishing a schedule for the 2017 Updated California Carpet Stewardship Plan. A tentative schedule is provided in the table below, and to be finalized with CalRecycle in January 2016.

Table 9: Schedule for 2017 California Carpet Stewardship Plan

Task	Timeline
Identify Roles, Responsibilities and Additional Resources	October – November 2015
Identify/Secure Additional Resources for stakeholder engagement, council facilitation, and plan development support	November 2015 – January 2016
2016 Stakeholder Workshop (held in winter per retailer request; feed into Plan)	January – February 2016
Council Meeting #1 (Q1 2016)	January – February 2016
Internal Plan Development, Strategic Planning, Analysis and Content Development	January – July 2016
Other Stakeholder Engagement strategies (may include such activities as webinars, surveys, interviews, workshops, etc.)	February – May 2016
Economic Model Development (for use in solution analysis)	February – May 2016
Council Meeting #2 (Q2 2016)	April – May 2016
Plan Refinement, Preparation for Submission, Final Reviews	July 2016 – August 2016
Submission to CalRecycle	August 2016
CalRecycle Consideration at Public Meeting	September 20 th or October 18 th 2016
Follow-up Action by CARE (if needed)	September – November 2016
CARE Follow-up Response (if needed)	October – November 2016
CalRecycle Consideration at Public Meeting	November 15 th or December 20 th 2016

7.2. Stakeholder Comments

CARE has listened carefully to stakeholder comments provided during workshops, public comments, and summarized in the CalRecycle RFA. CARE has responded with sweeping changes in an effort to demonstrate continuous meaningful improvement:

- ✓ Improved systems for timely responses to market conditions
- ✓ Schedule for expanded public collection service in all 5 counties is presented
- ✓ Reserve reduction allows more surplus funds to be deployed to program needs
- ✓ New grant requirements allocate a minimum of 50% of funds to California based businesses
- ✓ Increased education, outreach and staffing is planned for 2016

7.3. Fraud Considerations

CARE has evolved our tracking systems, formal contract protocol for collector/sorters, processors and manufacturers, review and red flag procedures, site visits, market intelligence, and AUP processes over time. Every effort has been made to ensure fraud is not happening. Moisture content is a factor in weights and thus subsidy payouts. In Q4 2015 CARE introduced a new moisture and ash protocol. A procedure for moisture correction to weights reported was adopted. Finally, CARE undergoes the mandatory audit each year and this process provides another layer of scrutiny to help ensure against fraud.

Transitioning to monthly reporting and tracking should further aid transparency and earlier detection of possible concerns of fraud. It is worth noting that with the exception of one recycler in northern California several years ago, CARE has seen no direct evidence of fraud to date. The SFOC and SPC will remain sensitive to this concern as the subsidy program increases in the magnitude of payouts.

8. Summary of Actions

CARE has heard the feedback from CalRecycle and other stakeholders interested in the long-term success of this Program, and is and has taking additional swift and extensive steps to incorporate radical and necessary Program changes for responsive action.

After an analysis was completed by the SPC, the Committee has recommended to the SFOC for approval a set of aggressive initiatives it believes will increase PCC recovery, recycle output, diversion and drive new product development and demand in the marketplace. Initial feedback on the increased subsidies, made retroactive to Q3 2015, indicates significant development work is now underway on the use of CC as a raw material. In addition, the newly increased Tier 2 subsidy has resulted in; 1) an immediate and growing increase in the use of PET, 2) major interest by those who can use calcium carbonate and 3) plans for a new product based on PET which would increase recycled output by ca. 20M PPY by mid-summer 2016. CARE believes the newly implemented changes will allow us to meet or exceed our 201 goal of 16% recycled output.

Each change incorporated was targeted and justified as follows:

Addition of CSEs: designed to bring this important stakeholder group into the program, provide critical cash flow, maintain/ grow jobs in CA and ensure the increased flow of PCC as market expansion returns.

Increased Processor Subsidy: designed to provide additional cash flow at a critical time in the down market cycle, maintain and eventually grow jobs in CA, and to aid in the competition vs virgin material pricing.

Increased Manufacturer Subsidy: designed to increase the incentive to incorporate PCC derived feedstock into new and existing products, to facilitate the ability to compete against alternative materials currently in use and to support new jobs in CA..

Grants Program: a major new element designed to facilitate investments in new capacity for processing PCC and/or manufacturer of new products, aid in critical product testing and development, and public procurement of products containing C derived PCC content.

The SFOC approved the new program elements proposed in this Addendum #3 after careful review at their October 14, 2015 meeting. In recognition of the increased subsidies needed to tackle the current market dynamics, the SFOC is requesting an immediate increase in the assessment from 1 to 2 cents/square yard.

8.1. Requested Approvals

The following approvals are requested as part of Addendum 3:

1. Increase assessment to 20 cents/square yard
2. A assessment range of 0-25 cents/square yard
3. Include Reuse as part of Recycled Output (RO)
4. Procurement grants
5. Subsidy range of up to 3 cents/lb.
6. Latitude to modify, eliminate or add subsidy categories based on market dynamics

8.2. Critical feedback

A complete summary of actions with reference to its appearance in this Addendum, as well as relevant section of the currently approved Plan version 3.2.2 is presented below.

Table 10. Summary Table of Changes, Internal Reference and Relevant Plan Reference.

CalRecycle Finding	CARE Action	Addendum Page Reference	Plan Page Reference
1. Continuous & Meaningful Progress	Various Summarized by Program Goal (see "Other")		
<i>Plan Amendment</i>	<ul style="list-style-type: none"> Addendum #2 Submitted October 9, 2015; Addendum #3 Submitted November 30, 2015 	Exhibit 3, Page 44 This Document	Various
<i>Revised Budget</i>	Revised Budget Submitted November 30, 2015	Exhibit 1, Page 40	Replaces Budget, Page 39
<i>Establish an Advisory Committee</i>	Establish California Council on Carpet Recycling	Page 12-13; Addendum #2	Amends Section 12. Stakeholder Consultation, Pages 43-44
2. Access to Recycling Services			
<i>List of Counties Served</i>	<ul style="list-style-type: none"> Public Collection Site - Webpage CA Collection Map (5/15) List of Counties Served 	https://carpetrecovery.org/ca/ Page 13;	Amends Section 7. Best Practices, following Rural County Program Page 28
<i>Collection Expansion Plan, Implementation Schedule</i>	Collection Expansion Plan Proposed for 21 CA Counties by 12/2015; 4 by 12/2016; All by 6/2017	Pages 13-14	
3. Education & Outreach (E&O)			
<i>Evaluation Metrics</i>	New Metrics Proposed	Pages 15-17	Amends Section 11. Education and Outreach, Pages 40-42
<i>E&O Action Plan</i>	New Action Plan Proposed	Pages 17-20	
<i>Timely & Effective E&O Implementation</i>	<ul style="list-style-type: none"> Double ME&O Budget to \$600K/year; Double Staffing from 1 FTE to 2 FTE; Adopt Action Plan for 2016; New Grant Program; 35 Retailer Site Visits Beginning Q4-2015 	Page 14-25	
<i>Grant/Pilot Market Development Approaches</i>	New Grant & Loan Program – Cycle 1 to launch Q4-2015 \$1-3M / year allocated to Capital Improvements, Procurement for CA Public Agencies, Product Testing, R&D	Pages 25-27; Addendum #2	Amends Section 9. Market Development and Promotion, Pages 28-29

CalRecycle Finding	CARE Action	Addendum Page Reference	Plan Page Reference
4. Definitions			
<i>Definition, Consideration, Changes Processor</i>	Definition Clarified	Pages 28-30	Amends Glossary in 2014 Annual Report – Appendix V page 103, amending Attachment III of Plan, Pages 51-53.
<i>Tier Manufacturer</i>	Definition Clarified	Pages 29-30	
<i>Reuse</i>	CARE Proposes Reused Pounds be Counted Toward Recycled Output (as reuse is a higher better use on the waste hierarchy and presently only counts for diversion)	Page 9-10	
5. Timely Response Market Changes			
<i>Decision Making</i>	<ul style="list-style-type: none"> • New Reserve Level – More Funds Available to Deploy; • New Monthly Reporting & Payment Process; • Increased Data Analysis & Reporting Support Service; • Increased Meeting Frequency by Decision Making Bodies; • New Economic Modeling Tool Development; • New CCCR (Council) Formation for Stakeholder Feedback; • Increased Stakeholder Workshops & Communications 	Pages 30-31	<p>Amends Unused Funds, Pages 38-39;</p> <p>Amends 10. Financing Mechanisms, Pages 29-37;</p> <p>Amends Section 12. Stakeholder Consultation, Pages 43-44</p>
<i>Incentive Adjustments</i>	Subsidy Adjustments Adopted for Type 1 Base, Type 2 Calcium Carbonate, Tier 2 Non-Nylon, Collector/Sorters, Tile/Broadloom Reuse	Page 6	Amends 10. Financing Mechanisms, Pages 29-37; Amendment #1
<i>Nylon Incentive Adjustment</i>	Type 1 Base Payout Increase to \$0.10/lb (all fiber types)	Page 6, 32	
<i>Assessment & Response Methodology; Faster Implementation, Dynamic Models</i>	New Economic Modeling Tool Development	Page 5	

CalRecycle Finding	CARE Action	Page Reference	Plan Page Reference
6. Assessment			
<i>Tiered Assessment Approach</i>	Not Adopted at this Time	Page 33	n/a
<i>Adequate Assessment Level</i>	<ul style="list-style-type: none"> Internal Analysis Conducted New Assessment Level of \$0.20/yd² Proposed for 2016 	Page 33	Amends references to assessment, pages 3, 6, 14, 34, 38; Amendment #1
7. Other			
<i>Surplus/Reserve</i>	New Reserve Level – More Funds Available to Deploy	Page 30	Amends Unused Funds, Pages 38-39;
<i>Source Reduction</i>	Source Reduction CARE/CRI Committee to Examine Metric	Page 8	Amends Source Reduction, Pages 21-22
<i>Recyclability – Back Labeling</i>	Industry-Funded Back-Labeling Implementation by end of 2016	Pages 9	Amends 1. Increase the recyclability of carpets, Pages 11-12
<i>Reuse</i>	Reuse Incentive Clarified / Expanded to Include Both Carpet TILE and BROADLOOM @ \$0.10/lb	Pages 9-10	Amends 3. Increase the reuse of post-consumer carpets, Pages 13-14
<i>Recycling Rate</i>	New Incentives and Other Changes Presented Throughout Document	Pages 4, 5, 6, 11 and throughout	Amends 4. Increase the diversion and recycling (output) of post-consumer carpets, Pages 14-17
<i>Diversion</i>	New Incentives and Other Changes Presented Throughout Document	Page 1 and throughout	Amends 4. Increase the diversion and recycling (output) of post-consumer carpets, Pages 14-17
<i>Market Growth (& Product Demand)</i>	<ul style="list-style-type: none"> Quantify Non-Nylon Tier 2 Materials; Increased Non-Nylon Tier 2 to \$0.25/lb; Implement Manufacturer Survey in 2016; Procurement Grants for CA Public Agencies; Product Testing, R&D Grants; Product Promotion Activities to Drive Demand 	Page 11-12 Addendum #2 Addendum #2 Pages 24-27	Amends 2. Increase the market growth of secondary products..., Pages 12-13

Exhibit 1

Detailed Budget* Information

1	Options for Reaction to Non-Compliance Letter and Program Expansion to Meet or Exceed 16% Goal in 2016						
2							
3	Recommended Changes to Assessment	YTD 9-30-15	Current Budget	2016 Additional Requested	ADJUSTED TOTAL 2016 BUDGET		Comments
4	Assessment charged/sq. yard		\$0.10	\$0.10	\$10,668,608	\$0.10/sqyd to \$0.20/sqyd	Needed if we are to meet statutory requirements, hit 16% goal, and fund inc'd subsidies
5	ACTUAL DOLLARS	\$ 3,732,250	\$10,668,608	\$10,668,608	\$21,337,216		
6							
7	Recommended Changes to Payout		Current 2016 Budget	2016 Additional Requested	TOTAL 2016 (New Budget)	Proposed Changes	Comments
8	Payout Forecast for Type 1		\$ 3,898,310	\$ 2,598,873	\$ 6,497,183	\$.06/lb. to \$.10/lb.	Help offset decrease in price of nylons and PET
9	Payout Forecast for Type 2		\$ 42,870	\$ -	\$ 42,870		No change
10	Payout Forecast for Growth Bonus		\$ 2,378,786	\$ -	\$ 2,378,786		Based on growth necessary to hit 16% target
11	Payout for Non-Nylon End-Users		\$ 2,761,303	\$ 1,299,437	\$ 4,060,739	\$.17/lb. to \$.25/lb.	Drives Demand for PET & PTT
12	Bonus for Non-Nylon GROWTH		\$ 526,057	\$ -	\$ 526,057		Based on growth necessary to hit 16% target
13	Payout for Calcium Carbonate		\$ 779,662	\$ 324,859	\$ 1,104,521	\$.12/lb to \$.17/lb.	Drives ability to use recycled CaCO3 in carpet.
14	Collector/Sorter Payout	\$ 6,000	\$ -	\$ 2,627,453	\$ 2,627,453	\$.02/lb.	Responds to CalRecycle request: conservative estimate
15	Carpet & Tile Re-Use Program		\$ 200,000	\$ -	\$ 200,000		Per current Plan.
16	TOTAL PAYOUTS	2,155,261	\$ 10,586,986		\$ 17,437,608		
17							
18	Administrative Costs		Current Budget	2016 Additional Requested	ADJUSTED TOTAL BUDGET		Comments
19	Accounting	\$ 116,484	\$ 303,000	\$ 37,000	\$ 340,000		Increased due to added CSE reporting and monthly payouts administration.
20	Legal		\$ 36,000	\$ -	\$ 36,000		N/C
21	CARE Expenses	\$ 8,937	\$ 34,000	\$ -	\$ 34,000		N/C
22	CARE salaries	\$ 232,375	\$ 113,000	\$ -	\$ 113,000		N/C
23	CARE travel	\$ 31,707	\$ 50,000	\$ -	\$ 50,000		Small increase
24	Professional Services	\$ 154,430	\$ 250,000	\$ -	\$ 250,000		N/C
25	Continue PET project		\$ 12,000	\$ -	\$ 12,000		N/C
26	Independent Insurance		\$ 7,500	\$ -	\$ 7,500		N/C
27	Continue University Grant	\$ 80,088.0	\$ 200,000	\$ -	\$ 200,000		N/C
28	Increase Education and Outreach	\$ 98,315	\$ 300,000	\$ 300,000	\$ 600,000		These two combined will help expand educate and outreach drive higher recycling rates.
29	Additional Full-time Employee		\$ 120,000	\$ 120,000	\$ 240,000		
30	Expand Rural County Program	\$ 269,173	\$ 354,000	\$ 200,000	\$ 554,000		Eliminates Compliance issue.
31	Product Testing	\$ 9,129	\$ -	\$ 250,000	\$ 250,000		Eliminates Compliance issue.
32	Municipal Grant Program		\$ -	\$ 500,000	\$ 500,000		Eliminates Compliance issue.
33	California Administrative costs	\$ 231,046	\$ 533,430	\$ 533,430	\$ 1,066,861		5% of assessment to CalRecycle by statute
34	CCCR Program (Advisory Group)				\$ 30,000		New recommended program
35	Rural County Sorting Pilot (6 Months)				\$ 36,000		New program trial in 2016
36	Independent consultant for modeling		\$ -	\$ 100,000	\$ 100,000		Creates knowledge of how we should adjust our model based on market conditions
37	Miscellaneous *	\$ 3,825			\$ 300,000		CR recommended grants: administrative, legal support, facilitative support.
38	TOTAL FOR ADMINISTRATIVE	\$ 1,235,509	\$ 2,312,930	\$ 2,040,430	\$ 4,419,361	21%	Percentage of assessment that goes to program.
39							
40	Grant Program to Generate New Pounds		Current Budget	Additional Requested	TOTAL		Comments
41	Grants for capacity expansion			\$ 2,000,000	\$ 2,000,000		This offers the potential to meet or exceed 16% recycling rate by 2016!
42							
43	TOTAL BUDGET ESTIMATIONS	YTD 9 30 15	CURRENT BUDGET		2016 ADJUSTED TOTALS		Comments
44	TOTAL VARIABLE OR PAYOUT BUDGET	2,155,261	\$ 10,586,986		\$ 17,437,608		Subsidy payouts
45	TOTAL FIXED OR ADMINISTRATIVE BUDGET	\$ 1,235,509	\$ 2,312,930		\$ 4,419,361		Includes CalRecycle fee
46	TOTAL FOR GRANTS (New)	0	\$ -		\$ 2,000,000		
47	TOTAL BUDGET	\$ 3,390,770	\$ 12,552,917		\$ 23,659,969		Draw down of fund balance will offset 2016 expenses. Est'd balance \$1.3M end 2016

* Note: 9/30/15 fund balance: \$4.0M; 2016 year end will have a net fund balance estimated at \$1.68M

Exhibit 2
Call for Council Nominations



CARPETAMERICARECOVERYEFFORTSM

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

California Council on Carpet Recycling – California Carpet Stewardship Program
Membership Application and Instructions
CALL FOR NOMINATIONS
Release Date: October 30, 2015

Background

CARE serves as the Carpet Stewardship Organization for the California Carpet Stewardship program. In October 2015, CARE announced plans to establish a California Council on Carpet Recycling (Council), in an effort to provide more regular feedback loop of information and input from stakeholders interested in the design and implementation of the California Carpet Stewardship Program. The Council is scheduled for initial formation in 4th quarter of 2015 with the first meeting targeted for January 2016.

Mission/Purpose/Function

Carpet recycling in California is a complex ecosystem with multiple challenges in transportation and collection, market outlets, business model viability, stakeholder awareness and buy-in. In order to benefit from the experience and expertise of a committed group of stakeholders, CARE is creating the Council to provide insights, feedback and suggestions to the California Carpet Stewardship Program. It is expected that the Council will contribute expertise from different points of view with a goal of increasing carpet diversion from landfill and raising recycling rates and volume, along with strengthening and supporting the stakeholders that are key to a stable and viable system. The Council is seen as a working body representing all stakeholders in California.

The Council provides a forum for gathering stakeholder feedback and insight on a variety of Program areas, including but not limited to:

- Incentives, grant and/or loan program offerings and analysis
- Servicing rural California
- Convenient collection
- Retailer, installer, local government, consumer engagement
- Market development and product demand generation
- Marketing, communication and outreach
- Establishing trust and increasing transparency
- Development of future California Program Plans, including the upcoming 2017 plan

The Council will provide one of several mechanisms for CARE to seek input from representative stakeholders to inform the development of the next 2017 Plan, as well as feedback input on ongoing program implementation. In addition, CARE will continue efforts to engage stakeholders on an ongoing basis, including but not limited to, annual stakeholder workshops, member communications, manufacturer and retailer interactions and local government connections.

Council Structure

Per CalRecycle's September 2015 RFA, "PRC section 42972 (d) and 14 CCR section 18943 (10) requires stakeholder consultations when developing a Plan, including, but not limited to, *other manufacturers and stewardship organizations, service providers, state and local governments, non-governmental organizations, haulers, demolition or other contractors, recyclers, retailers and wholesalers, installers, and consumers.*"

The Council will comprise representatives from across these various stakeholder pools, subject to interested applicants. The Council will provide feedback to be used by the Sustainable Plan Committee (SPC) for program growth and management. The Council will serve as an advisory body to the SPC and as such may be asked to make non-binding recommendations on program elements. The Council does not have decision-making authority. Meetings will follow Roberts Rules of Order and abide by CARE's Antitrust Policy.

Membership

The Council shall comprise no fewer than 9 and no more than 19 members, including interested parties from stakeholders including: retailers, installers, manufacturers, collector/sorters, processors, NGOs, and local government. The CARE Executive Director and the California Program Manager shall be ex officio members of the Council. CalRecycle is invited to appoint a member on the Council or to send representatives to participate in all meetings. Upon launch, the Council will be led by the current Chair of the SPC, Eric Nelson of Interface. Any members of the SPC serving on the Council shall be non-voting members. CARE may hire a third party facilitator to facilitate the meetings, ensure voices are being heard and discussions are guided to productive outcomes.

Members: CARE is seeking 1-2 candidates from the following areas:

- Retailer(s)
- Installer(s)
- NGO(s) / Environmental Organization(s)
- Waste hauler(s) / transportation provider(s)
- Collection Site Operator(s) (Transfer stations, landfills, MRFs)
- State/Local Government(s) (may include Joint Powers Authorities, etc.)
- State/Local Government(s) (Staff – Recycling/Capital Projects/Building & Planning)
- Processor(s) (New, Existing, Previous Experience)
- Collector/Sorter Enterprise(s)/Service Provider(s) (New, Existing, Previous Experience)
- Secondary Product Manufacturer(s) (New, Existing, Previous Experience)
- Academic Advisor(s)
- Market Developer / Business
- Other Stewardship Organization(s)
- Manufacturer(s)
- Member at large (Consumer)
- CalRecycle Staff
- Department of General Services Staff (SABRC), CalTrans Staff
- CARE C Staff – facilitation/support

CARE seeks representation from around the State of California, such as Northern and Southern California, rural and urban counties, inland and coastal communities. State and local government

representatives will be sought from individual or multi-jurisdictional agencies, with attention to diversity of perspective from solid waste, recycling as well as general services, procurement, planning and building departments. Special agencies such as Department of General Services (DGS) and CalTrans may be invited to participate as well. CARE may from time to time invite guests with special expertise to inform the Council as program needs dictate.

Terms

Council terms shall last 2 years, with an option to be re-appointed for up to two additional consecutive terms. Councilors who have served three consecutive terms will be required to rotate off the council for at least two years. Interested applicants should contact CARE to receive further information about the selection process.

Meetings

The Council will be formed in Q4 of 2015, with 3-4 meetings per year. Council meetings may be held in various locations around the State. Interim communication via teleconference or email may be conducted as program or market developments warrant. Program funds are allocated to provide a small stipend to cover costs of travel for Council members.

Duties of Council/ Council Members

Attend 3-4 Council meetings per year. Travel compensation will be provided. Provide constructive solution oriented input on program design and implementation, including input on 201 Plan elements.

Appointment Process/Timeline

CARE is presently accepting applications and/or nominations for members wishing to serve on the inaugural Council through December 1, 2015. Respondents are invited to apply directly or nominate a qualified applicant. CARE will appoint members with review of CalRecycle.

Date	Action
October 20, 2015	CalRecycle Approval of CARE Plan Addendum #2 to Establish Council
October 30, 2015	CARE Call for Nominations Released
December 1, 2015	Applications/Nominations are Due @ 5pm PST
December/January	CARE Appoints 2016 Members with Review by CalRecycle
January 2016 (tentative)	1 st Meeting – CA Council on Carpet Recycling

Application Instructions

To be considered for appointment to the Council please submit a cover letter describing your interest and qualifications for the duties above to Lisa Mekis using the information provided below. All candidate submissions will be reviewed by CARE and discussed with CalRecycle. Additional information, including references, may be requested.

Letters must be submitted by **December 1, 2015 @ 5pm PST**. Late submissions will not be reviewed.

E-mail to: lmekis@carpetrecovery.org

For additional information, please contact Lisa Mekis at lmekis@carpetrecovery.org or the CalRecycle Carpet Stewardship Team at carpet@calrecycle.ca.gov

California Carpet Stewardship Plan **ADDENDUM #2**

October 2015



Submitted by:

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Submitted to:

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Department of Resources, Recycling and Recovery (CalRecycle)
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Plan Addendum #2

The revised CARE California Carpet Stewardship Plan (v3.2.2) was approved in spring 2014 to fulfill part of the requirements of the California Carpet Stewardship Program (the 'Program'). CalRecycle approved **Addendum #1** in January 2015.

This **Addendum #2** is submitted as the next in the series of two planned addenda resulting from continuing market headwinds throughout 2014 and 2015, feedback obtained through five stakeholder workshops held in July and August 2015, and the 2014 non-compliance determination by CalRecycle in September 2015. Based on these developments, CARE is looking at a number of additional aggressive strategies to increase collection, recycled output and diversion of post-consumer carpet in California to demonstrate continuous meaningful progress toward Program goals.

The impact of falling demand for recycled commodities in general, along with a collapse in pricing due to the rapid decline in the price of oil, is putting severe pressure on the supply chain comparable to the decline experienced during the 2008 recession. This document outlines one of several strategies presently under development by CARE in response to current conditions, in an effort to demonstrate timely responsive action to market changes. The next addendum in this series, **Addendum #3**, is anticipated on or before November 30, 2015 and will constitute CARE's full response to the CalRecycle finding of September 15, 2015.

Background:

Throughout 2015, feedback received through program participants, stakeholder comments, as well as workshops held in July and August included several proposed strategies and direct requests for grant and/or loan incentives to support progress toward Program goals. In response to these developments, and using feedback from stakeholders and CalRecycle, the Sustainable Plan Committee (SPC) has examined several approaches to enable such opportunities to come to fruition. Consultation with CalRecycle indicated that the currently approved Plan does not include the ability to offer loans or grants for capital projects. ***The purpose of this timely Addendum #2 is to seek rapid approval of a Plan modification that would allow CARE to establish multifaceted grant and loan options to support the goals of the Program.***

New Carpet Stewardship Grant and Loan Program Incentive:

The proposed grant and loan program is intended to provide greater flexibility to support and enable Program goals through multiple targeted funding opportunities, to be released in 2015 and 2016. The Program is also intended to continue beyond this term on an annual basis to be further described in the New Program Plan scheduled for adoption in 2017.

Purpose:

The purpose of this new Program incentive is to offer grant and/or loan funding principally focused on supporting capital investment in processing and/or operational capacity to increase, improve, enhance or expand post-consumer carpet collection, recycled output, diversion, and/or recycled product manufacturing. In addition to capital investments, subsequent grant and/or loan solicitations may also be offered to support other critical program goals, such as but not limited to, recycled product procurement, public agency engagement, technology or product testing, research and development, product demand, or similar activities consistent with the goals of the Program.

CARE has modeled the proposed incentive based on CalRecycle's successful existing and historical grant and loan programs and discussions with CalRecycle staff. CARE will continue to work with CalRecycle to apply lessons learned from previous CalRecycle grant and loan program offerings, and refine the solicitation process over time.

Process:

CARE will employ a competitive, transparent process to support the goals of the Program, provide fair opportunity for participation by qualified applicants and benefit the citizens of California consistent with the goals of AB 2398. Priority will be given to California-based applicants, as one of the selection preference criterion by which projects will be evaluated. The proposed grant and loan program may be offered on an annual basis through one or more Request For Proposals (RFP) or Notice of Funds Available (NOFA) solicitation process(es) and use a set of published criteria, outlined within each solicitation. In the case of a loan program it is the intent of CARE that these would be no/low interest loans.

CARE requests general approval for grant and loan program elements up to \$3M per year combined to be released as grant and/or loan offerings consistent with the goals of the Program. CARE anticipates \$1M to \$3M will be allocated annually to fund grant and/or loan efforts under this new program incentive, at the discretion of the SPC. The precise allocation of funding and specific criteria and/or focus areas may be adjusted annually based on the needs of the Program, availability of funds, and feedback from stakeholders, changing market conditions and/or other factors. CARE requests the right to modify the criteria from time to time as such factors may dictate. Additional details regarding this proposed program incentive are outlined further later in this document. The incentive provides for two funding elements described in further detail below: Grant Program Element, and Loan Program Element.

Grant Program Element:

The Carpet Stewardship Grant Program will be administered by CARE, with oversight by CalRecycle. CARE will secure necessary and appropriate legal and administrative resources to administer this Program. The first cycle solicitation will be released following approval by CalRecycle in late October 2015. Approximately, \$2-3M will be allocated for 2015-2016 [Cycle 1], of which up to \$300K may be utilized for administrative staffing or legal services necessary to support the Program. CARE may elect to review proposals on an on-going basis to maximize responsiveness and minimize time to market for new ideas. Carpet Grant Program 1 funding will seek proposals from eligible applicants for capital improvements to establish new facilities and/or expand existing capacity and/or throughput, in line with Program goals and consistent with the stated purpose described above. Program details including general eligibility requirements, eligible projects, criteria, and other aspects are discussed in further detail below.

Additional targeted grant cycles are under consideration for release in 2016, to include product procurement grants for CA public agencies, as well as product testing grants for processors and manufacturers. CARE intends to launch a 2016 grant solicitation to facilitate increased procurement of recycled carpet content products, which could include grants to California public entities (state government, local government, public schools, colleges and universities) for procurement above and beyond their statutory requirements for recycled products, or for procurement pilots for environmentally preferable leadership products. The offering will be modeled after similar public agency grants offered under the CalRecycle Tire Program. Product testing grants may be issued as early as 4th quarter 2015. Additional solicitations, consistent with this Addendum may follow in 2016. CARE will work closely with CalRecycle and seek stakeholder

input from the California Council on Carpet Recycling (see below) to inform the details on these or other solicitations consistent with the goals of the Program, while also setting a goal for expeditious action to make these funds available as soon as possible over the next 1 months.

Loan Program Element:

CARE requests approval to develop a revolving loan program offering, which may be available in future funding cycle releases following additional legal consideration and input from stakeholders. The loans would be targeted as no/low interest instruments and be informed by existing CA loan programs. The Carpet Stewardship Loan Program would operate as an element of the Grant Program administered by CARE, with oversight by CalRecycle, and in line with the overall goals of the Program. Precise funding allocation and other loan details such as application fee (if any), interest rates, collateral, etc. will be outlined in a subsequent solicitation, following this analysis. Eligible projects are likely to include such components as, but not necessarily limited to, infrastructure, equipment, research and development, etc. Presently, CARE estimates up to \$1M may be available through annual loans. Administrative support for the grant and loan programs will be shared, within the funding estimate allocated above.

New California Council of Carpet Recycling:

In addition to the proposed grant and/or loan program, CARE proposes to establish a new stakeholder representative committee, to be known as the California Council on Carpet Recycling (CCCR) for feedback consistent with confidentially and competitive considerations on an ongoing basis. The establishment of this new Council will be outlined in further detail in the upcoming Addendum #3 and serve to provide a forum for ongoing stakeholder feedback and insight on a variety of Program areas, including but not limited to, future grant and/or loan program offerings. The Council is scheduled for initial formation in 4th quarter of 2015.

Addressing Key Findings in CalRecycle Request for Approval (RFA) dated September 15, 2015:

The proposed Program changes listed above are the first of many additional Program changes presently under development. These changes will support CARE's effort to respond to the CalRecycle's RFA key findings ***but do not constitute CARE's full response to these findings.***

CARE will respond to the full suite of Key Findings and Action Items in the upcoming Addendum #3.

Additional Discussion Regarding Grant Program:

As noted above, the purpose of this funding incentive is to provide catalyzing funding to establish, increase, improve and/or enhance post-consumer carpet collection, recycling, diversion, and/or utilization in recycled content product manufacturing. Cycle 1 funding will seek proposals from eligible applicants for capital improvements to establish new facilities and/or expand existing capacity and/or throughput, in line with Program goals.

This special addendum is intended to demonstrate timely responsive action by providing an immediate funding infusion focused on capital investment to provide flexibility to:

- Ensure existing processors/collectors/manufactures stay in businesses
- Prevent further contraction of the limited existing carpet recycling marketplace
- Encourage new development, expansion and increased capacity for carpet recycling
- Allow existing processors/collectors/manufacturers to increase capacity for processing, improve quality, increase collection, and/or increase storage capacity within defined parameters to be defined

- Provide operational support to encourage the use of energy recovery diversion strategies over landfill disposal, within approved allowable thresholds
- Keep material flowing through the system
- Allow new processors to get established thereby increasing California capacity for collection, processing, and storage
- Support new and existing collector/sorter entrepreneurs (CSEs) to increase capacity for collection and sorting
- Support new and existing processors in the development of new processing lines or other infrastructure to increase quality, capacity and throughput
- Support Tier 1 manufacturers to enter the marketplace, establish new product lines, improve existing products and/or perform research, development and testing for potential new products
- Support innovative partnerships between collectors, processors and Tier 2 manufacturers
- Support processors, Tier 2 manufactures and CSEs in identifying new markets for whole carpet, processed recycled output, and new product lines
- Demonstrate a good faith effort to comply with the requirements of AB 2398 by supporting continuous and meaningful improvement toward program goals
- Expand access to recycling services for California retailers, collection sites, consumers and other stakeholders
- Provide immediate competitive, transparent financial incentives to support the goals of the Program
- Provide fair opportunity for participation by qualified applicants and benefit the citizens of California consistent with the goals of A 2398
- One or more projects can be selected per funding cycle

Urgency:

- We are seeing significant contraction in (CA and beyond) the carpet recycling marketplace
- Existing retailer and other collection sites are having their service discontinued, prices increased and or not being able to find willing service providers
- Existing service providers are contracting from the marketplace, discontinuing service or closing their doors entirely
- Recent developments have raised concerns regarding the Program's throughput capacity:
 - insufficient collection/sortation providers
 - insufficient collection/sortation infrastructure/capacity
 - insufficient processing infrastructure/capacity
 - insufficient storage infrastructure/capacity
 - underutilization of energy recovery diversion strategies
 - insufficient secondary product markets
 - insufficient secondary product demand

Due to the above factors, Cycle 1 funding is proposed to allow for utilization of grant funds to support infrastructure that increases throughput capacity, especially within the capital investment areas described above. Limited grant funds may be expended to offset the operational cost of diversion via energy recovery (CAAF, Kiln and/or Waste-To-Energy) for waste materials and/or in those circumstances when material has exceeded storage guidelines and end markets cannot be identified for recycled output. Grant recipients will be required to keep

careful records on any grant funds utilized for diversion via energy recovery. It should be emphasized however, that the principle focus of these grants is intended to support program goals including collection, recycled output, diversion and recycled product manufacturing. Use of funds for storage and/or utilization of energy recovery diversion shall be limited and temporary, hold to defined quantity and timeline thresholds and be consistent with the CA waste hierarchy. However, CARE reserves the right to consider such proposals should they be submitted.

Current pinch points within the system are limiting the amount of material being sold as bundled whole carpet or processed recycled output. In response, CARE is actively working to increase utilization and diversification of secondary products to pull this material through the system. Infrastructure funding through this opportunity is intended, in part, to help address this need in tandem with additional new and existing incentives. However, it will take time for the market to rebound and these new technology improvements to take hold in the marketplace. Rather than establishing a long-term incentive, grant funds can be targeted to particular places of need, automatically sunset at the end of the grant term, and be reallocated to new need areas for future funding cycles over time as conditions change and/or new/better recycling and diversion opportunities are available. In this way, long-term utilization of strategies higher on the waste hierarchy are increasingly emphasized over time, while helping to improve diversion during this economic decline cycle.

Specific requirements for eligible applicants, project requirement, eligible projects, timeline, scoring and evaluation criteria are subject to change for each grant funding cycle A summary of key elements to be included in the Cycle 1 solicitation is presented below, as an example.

Eligible Applicants

Eligible applicants may be adjusted for each solicitation release, consistent with the objectives of the funding cycle and goals of the Program. In general:

- All existing CARE members are eligible applicants; applicants can choose to become a CARE member prior to submission an application (membership is required)
 - Operators of Tier processing facilities, Tier product manufacturing facilities handling California post-consumer carpet;
 - Carpet manufacturing facilities participating under CARE's approved California Carpet Stewardship Plan;
 - Collector/Sorter Entrepreneurs (CSEs) operating in the state of California;
 - Private, for-profit entities. For purposes of this program, a "private, for-profit entity" is defined as a business intended to operate at a profit and return a profit to its owners. This definition includes benefit corporations, as defined in Corporations Code section 14601(a). The business must be Member in good standing of CARE and verify there are no local, state or federal violations or notifications pending.

Project Requirements (Use of funds):

Projects must use or manage California generated post-consumer carpet consistent with the goals of AB 2398

- **Projects must increase the quantity (pounds) of California generated post-consumer carpet collected, recycled, diverted from landfill(s), and/or utilized in the manufacturing of Tier recycled products**
- For the purpose of this incentive, manufactured "product" is defined as good or package in a form which requires no further processing or forming before it is offered for sale to an end-user. Eligible applicants with operations in California and/or whose

operations contribute to the creation of new California green jobs may be prioritized for funding

- Projects must specify itemize and quantify pounds to be diverted via reuse, energy recovery, export, or other strategies.
- Projects must submit storage management plan to CARE outlining quantities of materials to be stored and timeline and/or quantity thresholds at which materials will be diverted via energy recovery or other strategies, as well as when disposal would be utilized.
 - Strategy must identify how many additional pounds can be collected through this mechanism, how project team will ensure the material is prioritized for best use consistent with CA waste hierarchy; how/when energy recovery would be utilized vs. storage
 - Energy recovery strategy must be well outlined, including identification of potential facility outlets, how/when CAAF/Kiln would be utilized vs. WTE; how incentive funds are proposed to offset this cost; incineration is prohibited

Eligible Projects

- Capital investment, infrastructure, equipment, trailers, construction, renovation or expansion of collection, processing or manufacturing facilities which manage or utilize California generated post-consumer carpet
- Recycling or diversion of materials not otherwise eligible for Program incentives
- Partnerships aimed at establishing or increasing use of energy recovery mechanisms in California especially Kiln and CAAF, as well as Waste To Energy, with potential benefit to the broad carpet recycling marketplace (e.g. collective brokering)

Major Components of Cycle 1 Application (subject to further refinement by CARE)

- Executive summary
- Project Narrative (Concept Proposal)
 - Applicant/Team qualifications and experience
 - Project Need
 - Goals, Objectives and Measurable Outcomes
 - Project Impact/Cost Effectiveness
 - Project timeline including expected full-scale operation and capacity
 - Applicant Commitment, Sustainability, Conservation
 - Strategy for Throughput (describe proposed plan for Sale, Shipment, Storage, Energy Recovery, Export, including any grant funds requested to support these strategies)
 - Creation of C Jobs, C Facilities, Disadvantaged Communities
- Project Work Plan, Milestones and Deliverables
- Proposed Budget
- Letters of Commitment/Letters of Support
- Other Documentation

Tentative Timeline

Suggested Timeline is outlined below subject to incentive approval at CalRecycle Public Meeting on October 20, 2015. The goal of this timeline is to release Cycle 1 funding notification, receive and evaluate proposals, and select awardees before the end of 2015. In order to meet this ambitious timeline, CARE requests approval issue Cycle 1 solicitation immediately following the approval of this Addendum #2.

CARE will post NOFA or RFPs on CARE website informing potential applicants of the funding, requirements, deadlines and other important information. Notices will also be released via CARE list serve, member communications, CalRecycle web posting (if appropriate) and list-serve, and/or other various stakeholder distribution pathways. CARE will coordinate with CalRecycle's Local Assistance and Market Development staff to inform local jurisdictions for various solicitations as deemed appropriate/relevant.

Precise timeline dates listed below subject to change.

KE DATES – Based on CalRecycle Public Meeting October 20, 2015	KE ACTION
October 9, 2015	Submit Plan Amendment # for Grant Program Emergency Allocation
October 20, 2015	Approval by C of Plan Amendment #2
October 21, 2015	Notice of Funds Available
October 28, 2015	Question & Answer Period
November 6, 2015	Q&A Responses (if offered)
November 20, 2015	Application Due Date
November 21- December 4, 2015	Proposal Evaluation by CARE
December 31, 2015	Notice of Proposed First Award(s)
January 2015	First Grant Agreements Routed to Awardees
January/February 2016	Grant Term Begins

Evaluation & Scoring Criteria:

Draft criteria have been identified based on review of previous similar CalRecycle offerings and initial consideration by CARE. Evaluation and scoring criteria will be developed for each funding solicitation and include criteria, such as but not limited to:

- Quality of Proposal, Probability of Success,
- Applicant Qualifications & Experience,
- Need, Proposed Effectiveness,
- Work plan, Market-Readiness,
- Budget, Cost Effectiveness,
- Applicant Commitment,
- Sustainability, Resource Conservation,
- Project Impact,
- C Job Creation/Retention, C Business Location.

An evaluation committee will be formed by CARE at the direction of the Executive Director and/or SPC. CARE will seek stakeholder input from the CCCR to make recommendations for future funding cycle focus areas and proposed evaluation criteria, subject to consideration, and approval by CARE. CARE shall maintain records of selection process, as directed by CalRecycle, consistent with requirements of AB 2398. CARE may set a minimum annual impact requirement for funding consideration based on program feedback.

Coordination with CalRecycle

CARE will continue to work with CalRecycle in 2015 and 2016 to further refine future grant and loan program offerings under this incentive area. Future coordination may include exploring the opportunity to have CalRecycle manage future grant cycles on CARE's behalf, if deemed advantageous to achieving program goals. CARE will also work with CalRecycle staff to identify

and connect applicants to additional California state resources such as lines of credit, additional loans, etc. Additional provisions will be included as deemed necessary, based on direction of CalRecycle, summarized below.

Transparency and Oversight of Grant and/or Loan Process

- a. CalRecycle has a role in approving the plan addendum and then overseeing overall program implementation including any grant/loan element (not necessarily a role in the selection and award of individual grant/loan recipients). To support CalRecycle oversight, CARE will provide necessary and timely information to CalRecycle upon request, to ensure that funds are expended appropriately. Proper provisions will be enabled to protect proprietary business information which will be necessary to adequately review proposals.
- b. If CalRecycle finds that CARE has failed to administer this Grant and Loan Program Incentive in accordance with the Plan, the Director of CalRecycle (or designee), shall notify the Executive Director of CARE (or designee), in writing. The Executive Director of CARE (or designee), may meet with the Director of CalRecycle (or designee), to discuss program deficiencies and corrective actions that may be taken within a reasonable time in order to permit continuation of the Grant and Loan Program Incentive. If the Director (or designee), determines that CARE has not implemented such agreed-upon corrective action, then upon receipt of a written notification from the Director of CalRecycle (or designee), no new grants or loans shall be awarded under the Grant and Loan Program without a written order from the Director. If the current grant cycle has been initiated, CARE may continue to receive and evaluate grants, but no additional grants shall be made without a written order from the Director. Any order by the Director to discontinue awarding grants will have no impact on CARE's administration of previously awarded grants and loans.
- c. Grants/loans shall be solicited publicly. CARE shall direct a confidential copy of any grant/loan to the Department within 10 business days of receipt for informational purposes.
- d. CARE will seek legal guidance, implement appropriate terms and conditions and procedures and requirements to hold awardees accountable to fulfillment of specific grant or loan obligations.
- e. When any grant/loan is issued by CARE using California Assessment Funds, CARE will provide relevant particular information, including but not limited to the name of the recipient, amount granted/loaned, purpose of the grant/loan, regarding that grant/loan to CalRecycle once a decision is made by the SFOC.
- f. No Grant or loan of funds shall be made from the California Assessment for any political purpose, or for marketing outside of California.
- g. When any loan is issued, CARE will provide a copy of the loan documents to CalRecycle as a confidential addendum to the Quarterly Report directed to the Department.
- h. Recipients of any Grant or Loan shall be provided with written notice, as part of the contract, that the Department will have full and unrestricted access to all information made available to CARE associated with the Grant or Loan. Proper

provisions will be enabled to protect proprietary business information which will be necessary to adequately review proposals.

- i. CARE shall maintain all documents relating to grant/loan recipients, as well as solicitations, responses/bids for each grant/loan, for 3 years after the grant/loan has been issued.
- j. The CARE Annual Report shall include a section titled “Loans & Grants”, providing information regarding the general status of the Loan & Grant Elements of the Program. In particular, this section will list the recipients of any grants/loans issued during the period, along with the amount granted/loaned, a statement of the intended use of the grant/loan, and an accounting of how the grant/loans are performing and contributing to continuous and meaningful improvement in the Program. Also, the Annual Report will list the names of all loan recipients with an outstanding balance and provide, at a minimum, the outstanding balance of the loan (this information will be duplicated in the Budget section of the Annual Report).
- k. To ensure the best use of assessment funds, towards the Program goals, CARE shall make particular efforts to avoid conflicts-of-interest regarding the issuance of all grants or loans. CARE shall establish conflicts-of-interest procedures regarding grants and loans in 2016. Draft and final versions of the conflicts-of-interest shall be provided to the Department for review and ultimately, adoption to the Plan as an Addendum.

Summary

CARE continues to process the feedback from CalRecycle and other stakeholders interested in the long-term success of this Program, and is taking swift and immediate actions to incorporate necessary Program changes for responsive action.

After an analysis was completed by the SPC, the Committee has recommended to the SFOC for approval a set of aggressive initiatives it believes will increase PCC recovery, recycle output, diversion and drive new product development and demand in the marketplace.

The SFOC approved the new program elements proposed in this Addendum #2 after careful review at their September 10, 2015 meeting. An additional suite of changes to be outlined in Addendum #3 is under consideration, with final recommendations scheduled for approval in October/November 2015.

Exhibit 4
Grant Solicitation – Capital Investment



CARPETAMERICARECOVERYEFFORTSM

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

Notice of Funds Available for California Carpet Stewardship

Grant Pilot Program (Cycle 1A)

Capital Improvement Grants

November 13, 2015

Draft version

Cycle 1A Outline

Purpose

Carpet America Recovery Effort (CARE) serves as the Carpet Stewardship Organization for the California Carpet Stewardship Program. The purpose of the **Capital Improvement Grant Program – Cycle 1A** (Program) is to provide funding for capital improvements that will establish, increase, improve and enhance post-consumer carpet (PCC) collection, recycling, diversion, and/or utilization of recycled content product manufacturing. Funding may be allocated to grantees on an annual or semi-annual basis during Cycle 1A, based on available funds.

The precise focus of each solicitation cycle is subject to adjustment by CARE, consistent with the overall goals of the Program. Cycle 1A has been established as a pilot program. Funding seeks proposals from eligible applicants for capital improvements to establish new facilities or expand existing PCC capacity and throughput, in line with Program goals.

Eligible Applicants

Eligible applicants may be adjusted for each solicitation release, consistent with the objectives of the funding cycle and goals of the Program. Eligible applicants for Cycle 1A include:

- All existing CARE members.
- Non-CARE entities may apply for Program funds, although CARE membership is required for

any entity that seeks AB 239 incentives in accordance with CARE's adopted Carpet Stewardship Plan.

- Private entities are eligible to apply. For purposes of this Program, "private entities" are defined as businesses intended to operate at a profit. This definition includes benefit corporations (B-Corp), as defined in Corporations Code section 14601(a). The entity must be qualified to do business in California, but may be based in another state, and must be in good standing with all applicable federal, state and local agencies.
- Nonprofit organizations that are tax-exempt under IRC 501(c)(3) may apply to the Program if they can demonstrate active involvement in developing market-based solutions to carpet recycling in line with the goals of this Program and CARE's Carpet Stewardship Plan. The organization must be in good standing with all applicable federal, state and local agencies.
- Local agencies such as California cities, joint powers authorities and special districts such as local sanitation agencies, may apply if they can demonstrate an active involvement in the collection, recycling, diversion and/or utilization of recycled content in product manufacturing of PCC in line with the goals of this solicitation and CARE's Carpet Stewardship Plan.

Project Requirements (Use of funds):

- **Projects must increase the quantity (pounds) of California generated post-consumer carpet collected, recycled, diverted from landfill(s), and/or utilized in the manufacturing of Tier 2 recycled products**
- For the purpose of this Program, "manufactured "product" is defined as a good or package in a form which requires no further processing or forming before it is offered for sale to an end-user. [It does not include intermediate products, such as plastic pellets sold as feedstock to a converter for fabrication into a consumer product.
- Eligible applicants with operations in California or whose operations contribute to the creation of new California green jobs may be prioritized for funding.
- Projects must specify, itemize and quantify pounds to be diverted via reuse, energy recovery, export, or other strategies.
- Projects must submit a storage management plan to CARE outlining the quantities of materials to be stored, a timeline for storage, and quantity threshold at which materials will be diverted via energy recovery or other strategies, as well as when landfilling would be utilized.
 - The storage management plan must identify how many additional pounds can be collected and stored through the proposed project, what timeline and quantity thresholds the facility will utilize to ensure stored material is appropriately managed, and how the project team will ensure materials are prioritized for best use, consistent with California's waste hierarchy in such case that these timeline or quantity thresholds are reached.
 - The storage management plan must identify and clearly define any energy recovery strategy, including the identification of facility outlets, and how and when Carpet As Alternative Fuel (CAAF) or Kiln would be utilized vs. Waste-To-Energy (WTE). Incineration is prohibited. **No grant funds may be used to support energy recovery (CAAF, Kiln or Waste-To-Energy or landfilling)**. Pounds diverted via CAAF/Kiln may be eligible to receive subsidy funds under the current AB 2398 subsidy payment structure.

- CARE may retain a portion of grant funds in connection with each storage management plan until PCC is recycled, diverted and/or utilized in recycled content manufacturing.

Eligible Projects

- Capital investment; infrastructure; equipment; construction, renovation or expansion of collection, processing or manufacturing facilities which manage or utilize California generated post-consumer carpet.
- Partnerships aimed at establishing or increasing the use of recycled output fiber, calcium carbonate, carpet carcass, commercial broadloom, or other material or component of post-consumer carpet waste stream with potential benefit to the broad carpet recycling marketplace.

Ineligible Costs

- Costs incurred prior to the Notice to Proceed letter or after the end of the Grant Term.
- Costs associated with incineration. Projects must adhere to the California waste hierarchy; non-recyclable portions of the PCC gross collections should be prioritized for other diversion prior to disposal by landfill.
- Costs exceeding five percent (5%) of the total amount requested for permitting, public education and outreach, indirect costs, overhead and salaries.
- Design and engineering costs greater than five percent (5%) of the total grant amount.
- Costs related to environmental review of the project, including the preparation of environmental impact reports.
- Purchase of recycled carpet feedstock.
- Purchase of offsets.
- Costs deemed unreasonable by CARE; costs that are unrelated to the grant project.

Funding (total allocation, min/max amounts)

CARE anticipates \$1M to \$3M may be allocated annually under this new grant Program incentive, at the discretion of the Sustainable Plan Committee (SPC). **\$2M is allocated for Cycle 1A (2015/2016) Capital Improvement Grants** Maximum grant awards for Cycle 1A will be limited to \$500 for each grant awarded under this Program. Continuation and/or modifications of the grant program will be determined based on the success of Cycle 1A.

Timeline

Program applications are due no later than January 5, 2016. Application process and submission instructions are outlined throughout this notice. Proposals that do not follow application instructions may be considered non-responsive. The remaining key dates outlined below are to be used as reference and may be subject to revision by CARE:

KE DATES – Based on CalRecycle (CR) Public Meeting October 20, 2015		KE ACTION
November 13, 2015		Release Draft Solicitation
November 18, 2015		Stakeholder Webinar
November 20, 2015		Feedback /Comments Due
December 1, 2015		Notice of Available Funds
December 8, 2015		Question & Answer Period – All Questions Due
December 15, 2015		Q&A Responses (tentative)
January 5, 2016		Application Due Date
January 2016		Evaluation of grant proposals by CARE
January 31, 2016 (tentative)		Notice of Awards (release of funds may be in disbursements)
February 28, 2016 (tentative)		Grant Agreements Executed
		Term Begins

Evaluation & Scoring Criteria:

The criteria presented below are based on similar grant solicitations by CalRecycle, as modified by CARE. A evaluation committee will be formed by CARE at the direction of the Executive Director or SPC and the evaluation committee will review Program applications using the criteria listed below, as a guide. These criteria may be subject to further revision by CARE.

or Points	Criteria
15%	Quality of Proposal – clear project description; well-planned project approach; identification of key milestones; probability of success project adequately describes and justifies throughput strategy and use of funds requested to maximize collection, recycled output and diversion of post-consumer carpet and/or recycled product manufacturing

15%	Applicant/Project Team Qualifications & Experience – description of company history; track record implementing projects of similar size and complexity; key members of the project implementation team demonstrate background, experience, capacity and staff resources necessary to successfully implement
15%	Need – clearly describes why the project is needed and how it will benefit the CA Carpet Stewardship Program; demonstrates an industry need; addresses barriers and obstacles to recycling and diverting post-consumer carpet in CA; identifies significant market potential for increasing collection, processing or remanufacturing (Tier 2 product manufacturing) of post-consumer carpet; provides sufficient evidence and reliable data to support the need; proposals for the manufacture of recycled products leverage a proven product completed product testing, or other data to support probability of success
10%	Proposed Effectiveness – clearly identifies goals, objectives to achieve goals and measureable outcomes; goal(s) are relevant and support stated need(s); clear description of data to be collected and how effectiveness will be evaluated; project is innovative; project supports new, existing, improved and/or enhanced collection, processing, remanufacturing (Tier 2 manufacturing) of post-consumer carpet in CA; project identifies and quantifies target post-consumer carpet material types and components; project manages difficult to recycle portions of the carpet recycling waste stream and identifies the impact by material component (e.g. nylon, non-nylon commercial, calcium carbonate, natural fibers, or other material components)
5%	Work Plan – reasonable, logical and ambitious outline of key activities, milestones and due dates during the grant term; project speed to market is high; project is well planned; identification of necessary permits and ability to obtain within reasonable timeline
10%	Budget – project costs are reasonable, justified, cost effective use of funds; line items are clearly defined and justified; budget clearly identifies matching contributions and/or the value of in-kind services
5%	Applicant Commitment & Sustainability – proposal identifies the necessary resources for ongoing operations project is supported by matching funds or in-kind resources; applicant demonstrates commitment to long-term presence in the industry; project improves market stability; applicant is willing to provide a personal guarantee if requested
5%	Conservation – project incorporates additional resource conservation (energy, water, material), source reduction, reuse, environmentally preferable purchasing policy (EPPP), or take-back strategies
10%	Project Impact & Cost Effectiveness – project identifies Pounds Recycled, Pounds Diverted, MTCO ₂ e greenhouse gas Emissions Reductions per \$ of requested grant funds; size of impact is significant
10%	CA Job Creation, CA Business – project facility is located in CA project identifies the number of new CA (green) jobs that will be created and existing CA jobs that will be sustained; applicant has specialized business certifications such as: Small Business Enterprise, Disabled Veteran Business Enterprise, Woman-Owned Business Enterprise, Certified Green Business; project supports disadvantaged communities
100%	TOTAL

Coordination with CalRecycle:

CalRecycle has approved Cycle 1A of this pilot Program to run through 2015/16. CARE's goal is to implement this Program on a more permanent basis through subsequent grant funding cycles. CalRecycle will review CARE's implementation of the Program. CARE will provide CalRecycle with quarterly data on Program performance, and solicit input from CalRecycle as needed or desired in evaluating Program applications.

Application – Proposal Requirements

Applications must include the following components and clearly communicate the manner in which their proposed project meets the criteria listed above. The full proposal must not exceed 1 pages (not including attachments, such as Letters of Commitment/Letter of Support). Trade secrets and any other confidential information must be clearly marked as such and may be subject to regulatory disclosure requirements of CalRecycle or other state entities.

- Executive summary (not to exceed 2 pages)
- Key project contacts (2 required) with phone number and email information
- Project Narrative (Concept Proposal)
 - Applicant/Team Qualifications and Experience
 - Project Need
 - Goals, Objectives and Measurable Outcomes
 - Project Impact/Cost Effectiveness
 - Applicant Commitment, Sustainability, Conservation
 - Strategy for Throughput (describe proposed plan for sale, shipment, storage, energy recovery, export, including any grant funds requested to support these strategies)
 - Creation of California Jobs, use of California Facilities, benefit to Disadvantaged Communities
- Project Work Plan, Milestones and Deliverables
- Proposed Budget Narrative Description of Expenditures
- Notification of any pending or outstanding judgements or enforcement actions against the company or its products.
- Attachments (Letters of Commitment/Letters of Support, Other Documentation)

Application - Submission

- Applications must be submitted by the deadline. Late submissions will not be considered. Applications should be sent electronically in Adobe PDF format (10 point font minimum) to:
Dr. Robert Peoples, Executive Director, CARE bpeoples@carpetrecovery.org
- Applications should use the email Subject line:
 - Carpet Capital Grant Application : [Your Company/Project Name]
- Hard copies are also required - (4) copies double-sided on 100% post-consumer recycled content paper, unbound, submitted to:
 - CARE Capital Grant
c/o Brennen Jensen, Emerging Ecologies
40 Foam St., Ste. C, Monterey, CA 93940

- Applicants should acknowledge any potential conflicts with any CARE leadership committees, and current or prior employment in the carpet and recycling industries.

Grant Funding Awards

Program grant awardees will be required to agree to grant agreement terms and conditions, which may include procedures and monitoring requirements, such as the submission of regular progress reports to CARE. Grantees may be asked to provide documentation referencing their readiness for work, status of project permitting, etc.

DEADLINE FOR SUBMISSIONS: January 5, 2016 5 pm PST

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Exhibit 5
Grant Solicitation – Product Development & Testing

CARPETAMERICARECOVERYEFFORTSM



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

Notice of Funds Available for California Carpet Stewardship

Grant Pilot Program (Cycle 1B)

Product Testing Grants

November 13, 2015

Draft version

Cycle 1B Outline

Purpose

Carpet America Recovery Effort (CARE) serves as the Carpet Stewardship Organization for the California Carpet Stewardship Program. The purpose of the **Product Testing Grant Program – Cycle 1B** (Program) is to provide funding for activities that will focus on product testing, research and development, and similar market development activities to improve and enhance post-consumer carpet (PCC) collection, recycling, diversion, and utilization of recycled content product manufacturing.

The precise focus of each solicitation cycle is subject to adjustment by CARE, consistent with the overall goals of the Program and market dynamics. Cycle 1B has been established as a pilot program, and seeks proposals from eligible applicants for market development product testing grants to develop new products or applications for products using PCC material generated in California. CARE has allocated up to \$250,000 to award to projects throughout Cycle 1B (2015-16). Grants may be awarded to grantees on an annual or semi-annual basis throughout Cycle 1B, based on market readiness. As such, CARE may reissue this grant solicitation throughout Cycle 1B, if funding remains available after the first round of applications are received.

Eligible Applicants

Eligible applicants may be adjusted for each solicitation release, consistent with the objectives of the funding cycle and goals of the Program. Eligible applicants for Cycle 1B include:

- All existing CARE members.

- Non-CARE entities may apply for Program funds, although CARE membership is required for any entity that seeks AB 239 incentives in accordance with CARE's adopted Carpet Stewardship Plan.
- Private entities are eligible to apply. For purposes of this Program, "private entities" are defined as businesses intended to operate at a profit. This definition includes benefit corporations (B-Corp), as defined in Corporations Code section 14601(a). Businesses from any state within the U.S. are eligible to apply, but must be registered to do business in California and be in good standing with all other applicable federal, state and local agencies.
- Nonprofit organizations that are tax-exempt under Internal Revenue Code 501(c)(3) may apply to the Program if they can demonstrate active involvement in developing market-based solutions to carpet recycling in line with the goals of this Program and CARE's Carpet Stewardship Plan. The organization must be in good standing with all applicable federal, state and local agencies.

Project Requirements (Use of funds):

CARE will offer assistance grants of up to \$50,000 to eligible applicants to research and develop new products or applications for products produced from PCC material generated in California.

Applicants should demonstrate how the proposed product-testing project will lead to a viable strategy for increasing the quantity of California-generated PC collected, recycled, diverted from landfills or utilized in the manufacturing of Tier recycled products

- For the purpose of this Program, manufactured "product" is defined as a good or package in a form that requires no further processing or forming before it is offered for sale to an end-user.
- Eligible applicants with operations in California, and projects that may contribute to the creation of new California green jobs, will be prioritized for funding.
- No grant funds may be used for product testing activities related to energy recovery (CAAF, Kiln or Waste-To-Energy).
- If a project will require testing of significant quantities of PCC material, the applicant must also submit a storage management plan to CARE outlining the quantities of materials to be stored, a timeline and quantity threshold at which materials will be diverted via energy recovery or other strategies, as well as when disposal would be utilized.
 - The storage management plan must identify the timeline and quantity of PCC testing, to ensure stored material is appropriately managed.
 - The project team must ensure materials are prioritized for best use, consistent with California's waste hierarchy in such case that the applicant's storage capacity is exceeded.
 - The storage management plan must identify and clearly define any energy recovery strategy, including the identification of facility outlets, how and when Carpet As Alternative Fuel (CAAF) or Kiln would be utilized vs. Waste-To-Energy (WTE).
 - Incineration is prohibited.
 - CARE may require a retention of grant funds in connection with each storage management plan until diversion is achieved.

Eligible Projects

Assistance may include, but is not limited to, the following projects:

- Investigating the use of California-generated PCC material to manufacture established products that do not currently use recycled post-consumer carpet material (i.e. feedstock conversion);
- Testing and/or certifying new or reformulated products containing California-generated PCC material;
- Feasibility studies on potential new uses of PCC PET material;

Ineligible Costs

For the purpose of Cycle 1B, grant funds must be utilized directly on product testing activities.

The following costs are ineligible for Cycle 1B grant funding:

- Permitting costs;
- Public education and outreach;
- Indirect and overhead costs, including travel or mileage and salaries;
- Design and engineering costs unrelated to direct product testing activities;
- Costs incurred prior to the Notice to Proceed letter or after the end of the Grant Term;
- Costs associated with incineration;
- Costs related to environmental review of a project under CEQA or NEPA, including the preparation of environmental impact reports;
- Purchase of recycled carpet feedstock;
- Purchase of buildings or capital assets;
- Purchase of offsets;
- Costs deemed unreasonable by CARE; costs that are unrelated to the grant project;

Funding (total allocation, min/max amounts)

Funding under this pilot grant Program will be awarded in maximum amounts of up to \$50,000 for each grantee. An evaluation committee will review grant applications.

Overall, \$250,000 is allocated for Cycle 1B (2015-16) Product Testing Grants. Continuation of the grant program will be determined based on the success of Cycle 1B.

Timeline

Program applications are due no later than January 5. Application process and submission instructions are outlined throughout this notice. Proposals that do not follow application instructions may be considered non-responsive. The remaining key dates outlined below are to be used as reference and may be subject to revision by CARE:

KEY DATES	KEY ACTION
November 13, 2015	Release Draft Solicitation
November 18, 2015	Stakeholder Webinar
November 20, 2015	Feedback /Comments Due
December 1, 2015	Notice of Available Funds
December 8, 2015	Question & Answer Period – All Questions Due
December 15, 2015	Q&A Responses (tentative)
January 5, 2016	Application Due Date
January 2016	Evaluation of grant proposals by CARE
January 31, 2016 (tentative)	Notice of Awards
February 28, 2016 (tentative)	Grant Agreements Executed – Term Begins

Evaluation & Scoring Criteria:

The criteria presented below are based on similar grant solicitations by CalRecycle, as modified by CARE. A evaluation committee will be formed by CARE at the direction of the Executive Director or Sustainable Plan Committee (SPC) and the evaluation committee will review Program applications using the criteria listed below, as a guide. These criteria may be subject to further revision by CARE.

or Points	Criteria
15%	Quality of Proposal – clear project description; well-planned project approach; identification of key milestones; probability of success project adequately describes product testing goals, and justifies the use of grant funds to refine, finalize or make significant contributions to new methodologies that will increase the diversion of post-consumer carpet and/or recycled product manufacturing
15%	Applicant/Project Team Qualifications & Experience – description of company history; track record in developing new products; key members of the project team, background, experience, capacity and staff resources necessary to ensure successful product testing

15%	Need – clearly describes why the proposed product testing is needed and how it will benefit the C Carpet Stewardship Program; demonstrates an industry need; addresses barriers and obstacles to recycling and/or diverting post-consumer carpet in CA; identifies significant market potential for increasing collection, processing and/or remanufacturing (Tier 2 product manufacturing) of post-consumer carpet; provides sufficient evidence and reliable data to support the need; provides initial or preliminary data that supports a high probability of success in developing or improving new products or methodologies
10%	Proposed Effectiveness – clearly identifies objectives to achieve goals and measureable outcomes; goal(s) are relevant and support stated need(s); clear description of data to be collected and how effectiveness will be evaluated; project is innovative; project supports new, improved or enhanced collection, processing, remanufacturing (Tier 2) of post-consumer carpet in CA; project addresses difficult to recycle portions of the carpet recycling waste stream and identifies the impact by material component (e.g. nylon, non-nylon commercial, calcium carbonate, natural fibers, or other PCC material)
5%	Work Plan – reasonable, logical and ambitious outline of key product testing goals; speed to market is high; project is well planned
10%	Budget – project costs are reasonable, justified and demonstrates cost-effective use of funds; line items are clearly defined and justified
5%	Applicant Commitment & Sustainability – applicant demonstrates commitment to long-term presence in the industry and to producing in CA; project demonstrates how product testing may improve market stability
5%	Conservation – product testing demonstrates additional resource conservation (energy, water, material), source reduction and/or reuse, minimal end-of-lifecycle impacts and/or product recyclability at end of life.
10%	Project Impact & Cost Effectiveness – project identifies how new products or methodology will affect PCC pounds recycled and/or diverted, or MTCO ₂ e greenhouse gas emissions reductions; size of impact is significant
10%	CA Job Creation, CA Business – applicant is located in CA project demonstrates how new CA (green) jobs may be created; applicant has specialized business certifications such as: Small Business Enterprise, Disabled Veteran Business Enterprise, Woman-Owned Business Enterprise, Certified Green Business; project supports disadvantaged communities
100%	TOTAL

Coordination with CalRecycle

CalRecycle has approved this pilot Program to run through 2015/16. CARE's goal is to implement this Program on a more permanent basis through subsequent grant funding cycles. CalRecycle will review CARE's implementation of the Program. CARE will provide CalRecycle with quarterly data on Program performance, and solicit input from CalRecycle as needed or desired in evaluating Program applications.

Application – Proposal Requirements

Applications must include the following components and clearly communicate the manner in which their proposed project meets to criteria listed above. The full proposal must not exceed 10 pages (not including attachments, such as Letters of Commitment/Letter of Support). Trade secrets and any other confidential information must be clearly marked as such and may be subject to regulatory disclosure requirements of CalRecycle or other state entities.

- Executive summary (not to exceed 2 pages)
- Key project contacts (2 required) with phone number and email information
- Project Narrative (Product Testing Proposal)
 - Applicant/Team Qualifications and Experience
 - Project Need
 - Background, Goals and Objectives
 - Project Impact
 - Applicant Commitment, Sustainability, Conservation
 - Creation of California Jobs, use of California Facilities, benefit to Disadvantaged Communities
- Project Work Plan, Milestones and Deliverables
- Proposed Budget Narrative Description of Expenditures
- Notification of any pending or outstanding judgements or enforcement actions against the company or its products
- Attachments (Letters of Commitment/Letters of Support, Other Documentation)

Application - Submission

- Applications must be submitted by the deadline. Late submissions will not be considered. Applications should be sent electronically in Adobe PDF format (10 point font minimum) to: **Dr. Robert Peoples, Executive Director, CARE** bpeoples@carpetrecovery.org
- Applications should use the email Subject line:
 - Carpet Product Testing Grant Application : [Your Company/Project Name]
- Four (4) hard copies of each application must also be provided (double-sided on 100% post-consumer recycled content paper, unbound), and submitted to:
 - CARE Product Testing Grantc/o Brennen Jensen, Emerging Ecologies
40 Foam St., Ste. C
Monterey, CA 93940
- Applicants should acknowledge any potential conflicts with any CARE leadership committees, and current or prior employment in the carpet and recycling industries.

Grant Funding Awards

Program grant awardees will be required to agree to grant agreement terms and conditions, which may include monitoring requirements, such as the submission of progress reports or post-

testing data to CARE, or audits. Grantees may be asked to provide documentation referencing their readiness for work.

DEADLINE FOR SUBMISSIONS: January 5, 2016 5 pm PST

Exhibit 6
Data Entry Template (CSEs, Processors, Manufacturers, version Nov 2015)

1	CSE Data Entry Form	
2	Company Name:	
3	Report Prepared by:	
4	Phone Number:	
5	Email Address:	
6	Date of Report:	
7	AB 2398 Monthly Reporting CONFIDENTIAL	Actual
8		November 2015
9		
10	California Jobs Information	
11	Number of CA FTE Employees at beginning of this month	
12	Number of FTE CA Jobs lost this month	
13	Number of FTE CA Jobs gained this month	
14	TOTAL Number of FTE CA Employees at end of this month	-
15	Accounting of Beginning Inventory this month	
16	Starting Inventory - Whole Carpet	
17	Starting Inventory - Carpet Tiles For REUSE	
18	Starting Inventory - Pounds of carpet PAD/CUSHION	
19	TOTAL Starting Inventory	-
20	Accounting for total PC Carpet Inputs & Beginning Inventory this month	
21	Post-consumer carpet pounds directly collected by you from California for this month	-
22	Nylon 6	
23	Nylon 6,6	
24	Polypropylene	
25	PET	
26	Wool	

2		
7	Other/Mixed Fibers	
2	C7arpet PADDING	
8		
2	Pounds of carpet PAD/CUSHION collected by you	-
9		
3	TOTAL Carpet Padding	-
0		
3	Accounting for total PC Carpet Outputs & Ending Inventory	
1		
3	CARPET TILE REUSE: Carpet Tile Shipped and	
2	Sold/Donated for Reuse	
3	Broadloom REUSE Whole Carpet Sold/Donated &	
3	Shipped for REUSE only	
3		
4	Carpet tile shipped and sold for recycling	
3	Whole carpet shipped to US customers OUTSIDE	
5	California	
3	Whole carpet shipped to customers outside the	
6	United States	
3		
7	Whole carpet shipped to customers INSIDE California	
3	Non-carpet materials with value (i.e. carpet cushion) - Shipped	
8	for Recycling	
3		
9	Ending Inventory - Whole Carpet	
4		
0	Ending Inventory - Carpet Tile	
4		
1	Ending Inventory - Pounds of carpet PAD/CUSHION	
4		
2	TOTAL	-
4		
3	TOTAL Carpet	-
4	Output and other destinations of post-consumer carpet	
4	internally processed this month	
4		
5	CAAF	
4		
6	Cement Kiln feedstock	
4		
7	Carcass Sold	
4		
8	Landfilled	
4		
9	WTE	
5	Incinerated	

0		
5		
1	TOTAL	-
5	Mass Balance (should equal 0)	
2		
5		
3	Starting Collections In - Collections Out - Other End Use	-
5	Calculations for funding	
4		
5		\$
5	CSE Reporting Incentive	1,000.00
5	Carpet Tile REUSE: Carpet Tile Shipped and Sold/Donated for	\$
6	Reuse (\$0.10)	-
5		\$
7	Broadloom REUSE Only (\$0.10)	-
5		\$
8	Whole Carpet or TILE Shipped and Sold for recycling (\$0.02)	-
5		\$
9	TOTAL Requested	1,000.00

1	Processors Data Entry Form	
2	Company Name:	
3	Report Prepared by:	
4	Phone Number:	
5	Email Address:	
6	Date of Report:	
7	AB 2398 Monthly Reporting CONFIDENTIAL	Actual
8		November
9		2015
10	California Jobs Information	
11	Number of CA FTE Employees at beginning of this month	
12	Number of FTE CA Jobs lost this month	
13	Number of FTE CA Jobs gained this month	
14	Total Number of FTE CA Employees at en of this month	-

15	Post consumer carpet pounds directly collected or received by you for this month	
16	Post-consumer carpet pounds directly collected by you from California for this month	
17	Whole carpet from CA received from other collectors	
18	Total CA lbs. received	-
19	Post-consumer carpet pounds directly collected by you from OUTSIDE California for this month	
20	TOTAL Post-consumer carpet pounds	-
21	Carpet PADDING	
22	Pounds of carpet PAD/CUSHION collected by you	
23	Carpet POUNDS directly collected by YOU from California by FIBER type [Do NOT report pounds you are purchasing from other collectors]	
24	Nylon 6	
25	Nylon 6,6	
26	Polypropylene	
27	PET	
28	Wool	
29	Other/Mixed Fibers	
30	TOTAL	-
31	<i>CHECK: Row 30 must equal Row 16</i>	-
32	Accounting for total PC Carpet Inputs & Beginning Inventory this month	
33	Beginning Inventory of Whole Carpet from CA at start of month (should equal prior month ending inventory)	
34	Whole Carpet Collected from California (equal to Total CA lbs. received Row 18)	-
35	TOTAL CA CARPET AVAILABLE FOR PROCESSING	-
36	Accounting for total Whole Carpet Outputs & Ending Inventory	
37	Tile REUSE Carpet TILE Sold/Donated & Shipped for REUSE only	

38	Broadloom REUSE Whole Carpet Sold/Donated & Shipped for REUSE only	
39	COLLECTED and Internally Used BY YOU Whole Carpet this month from C only	
40	RECEIVED from other collectors / sorters and Internally Used BY YOU Whole Carpet this month from CA only	
41	Whole Carpet shipped to US customers OUTSIDE California	
42	Whole Carpet shipped to customers outside the United States	
43	Whole Carpet shipped to customers INSIDE California	
44	Whole Carpet sent to WTE	
45	Whole Carpet sent to Incineration	
46	Whole Carpet sent to Landfill	
47	Ending Inventory of Whole Carpet	
48	TOTAL	-
49	<i>CHECK: Row 48 must equal Row 35</i>	-
50	Processing of Internally Used Whole Carpet	
51	Internally Used Whole Carpet from CA only (Rows 39 and 40)	-
52	All Processed Outputs (Type 1, Type 2, Calcium Carbonate, CAAF, and Cement Kiln)	
53	Processed Wastes sent to Landfill	
54	Processed Wastes sent to WTE	
55	Other Outlets	
56	Processed Wastes sent to Incineration	
57	TOTAL	-
58	<i>CHECK: Row 57 must equal Row 51</i>	-
59	Output and other destinations of post-consumer carpet internally processed this month	
60	Beginning Inventory of Type 1 Outputs from prior month	
61	Processed Output generated this month (Row 52)	-
62	TOTAL TYPE MATERIAL PROCESSED	

		-
63	REUSE	
64	Tile REUSE Carpet Tile Sold & Shipped for REUSE only (Row 37)	-
65	Broadloom REUSE Whole Carpet Sold/Donated & Shipped for REUSE only (Row 38)	-
66	Type 1 Outputs (Sold and Shipped)	
67	TILE RECYCLED: Shredded Carpet tile used for tile backing	
68	Fiber	
69	DePoly or Chemical Component	
70	Total Type 1 Output (SOLD & SHIPPED)	-
71	Ending Inventory of Type Outputs	
72	<i>CHECK: Rows 60+61-67-68-69-71 must equal zero</i>	-
73	Ash Tests	
74	Number of Ash Tests run this month (min 1 per 1M pounds)	
75	Average Ash Test Results over month for Type 1 pounds	
76	Type 2 Outputs (Sold & Shipped)	
77	Filler	
78	Carcass Sold	
79	Total Type 2 Output (SOLD & SHIPPED) as Counted by CalRecycle	-
80	Calcium Carbonate	
81	Pounds of Calcium Carbonate sold & shipped as RAW MATERIAL	
82	Other Diversion	
83	CAAF	
84	Cement Kiln feedstock	
85	Total Other Diversion	-
86	TOTALS	

87	Total Ending Inventory of All Processed Output (Type 1, Type 2, Calcium Carbonate, and Other)	
88	TOTAL Recycled Output As Counted by CalRecycle (lbs)	-
89	Calculations for funding	
90	Whole Carpet collected by you Shipped/Sold for recycling (\$0.02)	\$ -
91	Tile REUSE Only (\$0.10)	\$ -
92	Broadloom REUSE Only (\$0.10)	\$ -
93	Tile RECYCLED: Shredded Carpet tile used for tile backing (\$0.10)	\$ -
94	Fiber and DePoly Type Output (\$0.10)	\$ -
95	Type Output (excluded CAAF and Kiln) (\$0.03)	\$ -
96	Calcium Carbonate as Raw Material (\$0.17)	\$ -
97	CAAF (Separate Payment Calculation) (\$0.03)	\$ -
98	Cement Kiln feedstock (Separate Payment Calculation) (\$0.03)	\$ -
99	Total Requested \$s (Tile Reuse Tile Recycle Type Type CC + Other Diversion)	\$ -
100	ATTESTATION	
101	Have you submitted the attestation form?	

Submission of this data reaffirms my agreement to maintain good standing with CARE: I attest to the truthfulness of this data, I will allow on-site review by CARE and its accounting representatives for verification, and I acknowledge I am not in violation of any local or state environmental regulations.

For Office Use Only	
VERSION # and DATE CREATED:	v3 11/13/2015
Date Filed:	

Signoff:	
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Manufacturers Data Entry Form		
1		
2	Company Name:	
3	Report Prepared by:	
4	Phone Number:	
5	Email Address:	
6	Date of Report:	
7	AB 2398 Monthly Reporting & Forecast CONFIDENTIAL	Actual
8		November
9		2015
10	If located in CA, number of Full Time Equivalent (FTE) Employees working on PCC Products	
11	Number of FTE CA Employees at end of each month using PCC carpet	
12	Type 1, Non Nylon PC Carpet pounds purchased by you in this month	
13	Type 1 pounds directly purchased by you from a QUALIFIED Processor of CA Waste Carpet each month	
14	Type 1, Non Nylon Processed CA PC Carpet pounds directly purchased by YOU by FIBER type	
15	Polypropylene	
16	PET	
17	Other including mixed non-nylon fibers	
18	TOTAL	-
19	CHECK: Row 18 must equal Row 13	-
20	Accounting for total processed Type 1 PC Carpet Inputs & Beginning Inventory this month	
21	Beginning Inventory of Type 1 Non-Nylon processed PC Carpet from CA at start of month (should equal prior month ending inventory)	
22	Type 1 Non-Nylon Processed PC Carpet received/purchased (Row 13)	-
23	TOTAL Material Available for Current Month	-
24	Accounting for total PC Carpet Outputs & Ending Inventory	
25	Type 1 Non-Nylon Processed PC Carpet SOLD & SHIPPED each month [SEE NOTE 1]	
26	Calculations for funding	
27	Total Requested (\$) Non-Nylon (\$0.25)	\$ -
28	Output and other destinations of Non Nylon Type 1 materials internally processed this month	
29	Non Nylon Products SOLD & SHIPPED in month	
30	Name of End Product (Specify Product)	
31	Name of End Product (Specify Product)	
32	Name of End Product (Specify Product)	
33	Name of End Product (Specify Product)	
34	Name of End Product (Specify Product)	
35	Source of Type 1, Non Nylon Processed CA PC Carpet pounds directly purchased by YOU	
36	PLEASE LIST ALL SOURCES OF FIBER PURCHASES BY COMPANY	LBS Purchased
37	[insert]	[# LBS]
38	[insert]	[# LBS]
39	[insert]	[# LBS]
40	[insert]	[# LBS]
41	[insert]	[# LBS]
42	ATTESTATION	
43	Have you submitted the attestation form?	

Submission of this data reaffirms my agreement to maintain good standing with CARE: I attest to the truthfulness of this data, I will allow on-site review by CARE and its accounting representatives for verification, and I acknowledge I am not in violation of any local or state environmental regulations.

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.

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Date Filed:	
Signoff:	

Exhibit 7

List of SFOC and SPC Committee Members

Sustainable Funding Oversight Committee (SFOC)

Name	Title	Company
Vance Bell	CEO	Shaw Industries
Ronald Greitzer	President	Los Angeles Fiber Company
Jeffery Loberbaum	CEO	Mohawk Industries
Tom Pendley	Corp. VP: Ops and Finance	J + J Flooring Group
John Wells	President & CEO	Interface
Joseph Yarbrough (Chair)	President	Carpet and Rug Institute

Sustainable Plan Committee (SPC)

Name	Title	Company
Russell Bennett	PVC Tile Recycle Manager	Tandus Centiva
Russ Delozier	PCC Collection Manager	J + J Flooring Group
Joe Foye	Divisional Gen. Counsel	Mohawk Industries
Ronald Greitzer	President	Los Angeles Fiber Company
Paul Murray	VP Sustainability	Shaw Industries
Eric Nelson (Chair)	Vice President	Interface
Joseph Yarbrough	President	Carpet and Rug Institute

Economic Model RFP



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

RFP for Carpet Recycling Analysis Model

October 16, 2015

Background

CARE is requesting proposals for the development of an economic model that can be used for both the optimization of supply chain logistics (costs and efficiency) and to examine “what if” scenarios for the subsidy program in the State of California. The proposal should address the following key elements:

- Identify the main markets and their volumes for materials extracted from recycled carpet. This should include, but not necessarily limited to, nylon 6, nylon 66, PET, PTT, polypropylene, and calcium carbonate with appropriate market differentiation based on the purity of the materials derived from carpet.
- Identify if these markets are growing or contracting and what macro-economic factors influence their dynamics. In particular identify the leading indicators that are able to predict the market growth or contraction and by how much.
- Identify the main competitors to those materials and their volumes, be sure to include virgin sources as one of the competitors.
- Identify the prices at which those materials are sold and the main drivers of those prices (price sensitivity). Be sure to include the prices of oil and natural gas as one of the drivers.
- For each of the materials extracted from carpet identify the main cost components that make up the final price of the material into the appropriate markets. These cost components should at a minimum include carpet collection and inbound transportation, sorting, processing, any final product manufacturing, and outbound transportation.
- The model should include increases in costs that arise due to increased volumes of carpet that cannot be effectively recycled, and decreases should new markets open up for materials that are not currently recycled from the discard streams.
- Construct a model that uses macro-economic and other product indicators to predict the availability of discarded carpet volumes.
- Examine leading economic indicators that will facilitate preemptive actions (as opposed to reacting) by CARE as markets for recycled materials from carpet shift due to the competitive materials.

- For each of the main markets for material recycled from carpet construct a material competition curve, an abstract example is given below in Figure 1. This curve should reflect the current position of market volumes and prices. A model should be able to show how carpet recycled volumes shift with changes in the price and overall market volumes as well as the changes in the costs of the options on this diagram, as shown in Figure 2.

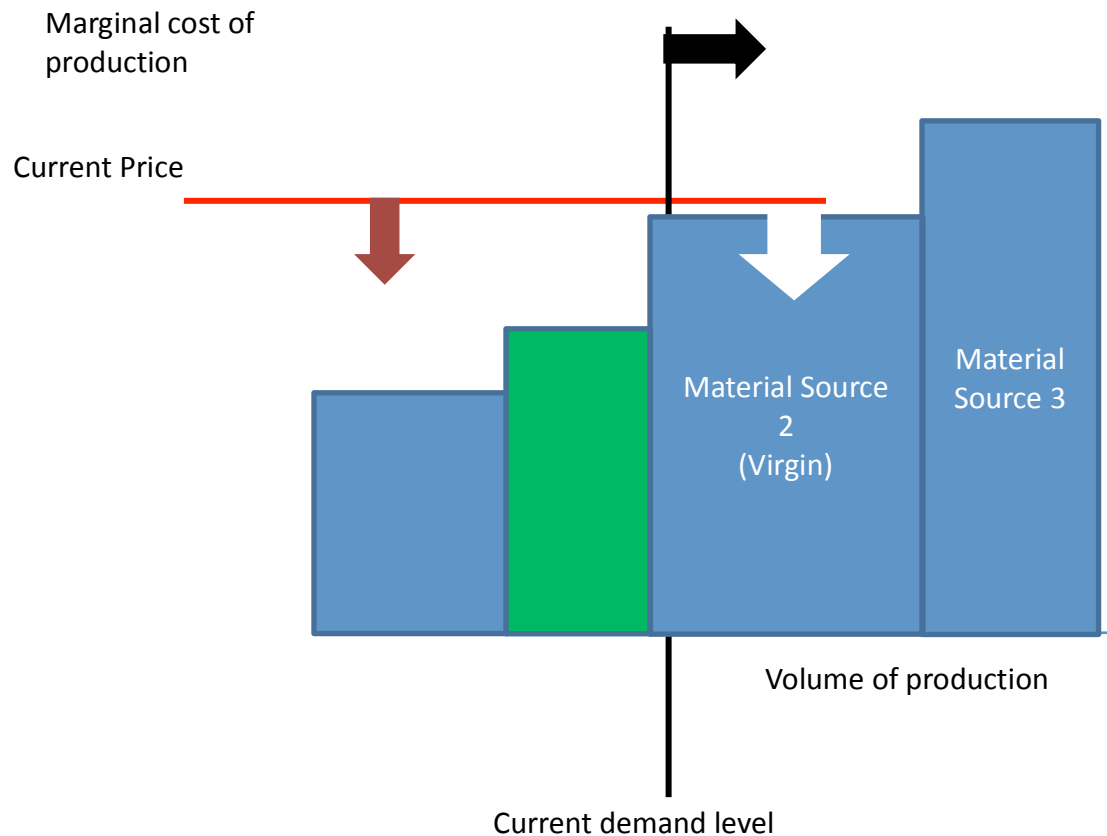


Figure Abstract Material Competition Curve. The model should be able to use macro-economic indicators to predict how the material sources will change in price and how the change in price will drive the market volumes.

Marginal cost of
production

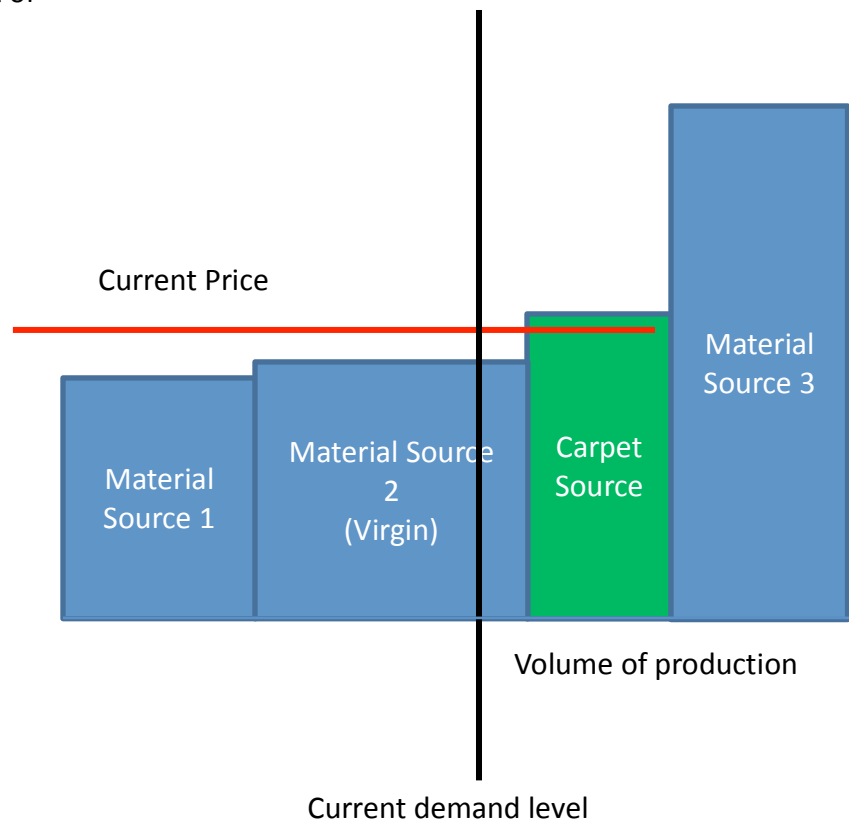


Figure Result of Model. The model should be able to predict that if virgin material drops in price due to macro-economic indicators and even with an expanding market, that recycled carpet materials will be displaced from the market.

Timeline

CARE would like to have a final working model and analysis completed by March 4, 2016 for use by the Sustainable Plan Committee (SPC) to facilitate analysis and decision making.

Application

- Applications should be sent electronically in Word format and limited to 5 pages (10 point font) to: Dr. Robert Peoples, Executive Director, CARE, bpeoples@carpetrecovery.org
- Proposals should outline the multi-disciplinary skills proposed for the team
- Include a draft work plan and project timeline
- detailed budget for project execution
- Acknowledge any conflicts or prior employment with carpet industry and/or recycling industry entities.

Selection Process

A CARE selection Committee will review proposals and make a final decision by late-November 2015. Project Team must be ready to initiate work upon notification of acceptance of a signed contract.

DEADLINE FOR SUBMISSIONS: November 16, 2015 5 pm EDT

End of Addendum #3