

Ontario Tire Stewardship

Wind Up Plan

November 2017

Ontario Tire Stewardship Wind Up Plan

Table of Contents

1.0	Program Overview and Wind Up Process.....	4
1.1	Wind Up Operating Plan.....	13
1.2	Implementation Plan and Timeline.....	43
1.3	Communications with Stakeholders.....	45
1.4	Financial Forecast and Budget.....	54
1.5	Assets.....	62
1.6	Liabilities.....	74
1.7	Cut-Off.....	77
1.8	Reserves.....	79
1.9	Data.....	82
1.10	Human Resources.....	86
1.11	Legal Considerations.....	89
1.12	Tax.....	91
1.13	Management of Other Risks.....	95

List of Appendices and Schedules

Appendix A:	Minister of the Environment and Climate Change Wind Up Direction Letters: <ul style="list-style-type: none">• February, 2017;• June, 2017. Waste Diversion Transition Act, 2016 Excerpts
Appendix B:	OTS Wind Up Consultation Report
Appendix C:	OTS By-laws OTS Board Member List (February 2017 – September 2017) OTS Board Minutes (February 2017 – September 2017)
Schedule 1	Proposed Amendments to OTS Steward Fee Rules for Wind Up
Schedule 2	OTS Research and Development Projects
Schedule 3	Draft OTS Implementation Plan and Timelines
Schedule 4	Communications Tactics & Stakeholder Communications Calendar
Schedule 5	Financial Forecast and Budget (Partially Confidential)
Schedule 6	OTS Organizational Chart (Confidential)
Schedule 7	OTS Employee Severance & Retention (Confidential)
Schedule 8	OTS Litigation and Claims (Confidential)

List of Abbreviations Used in Report

API	Application Program Interface
CA	Collection Allowance
CRA	Canada Revenue Agency
CRM	Crumb Rubber Manufacturers
DOT	Dedicated Off-the-Road Tires
DRP	Deficit Repayment Premium
DZM	Delivery Zone Model
FF&B	Financial Forecast & Budget
HST	Harmonized Sales Tax
HTML	Hyper Text Markup Language
IFO	Industry Funding Organization
IP	Intellectual Property
LED	Light Emitting Diode
LLP	Limited Liability Partnership
LSM	Law Society Medal (Upper Canada)
MI	Manufacturing Incentive
MOECC	Ministry of the Environment and Climate Change
MOE	Ministry of the Environment
MT	Medium Truck
MTO	Ministry of Transportation of Ontario
OES	Ontario Electronics Stewardship
OTR	Off The Road
OTS	Ontario Tire Stewardship
PI	Processing Incentive
PLT	Passenger and Light Truck
PRO	Producer Responsibility Organization
PTE	Passenger and Light Truck Equivalent
RFP	Request For Proposal
RMA	Rubber Modified Asphalt
RPM	Recycled Product Manufacturer
RPRA	Resource Productivity and Recovery Authority
RRCEA	Resource Recovery and Circular Economy Act, 2016
SO	Stewardship Ontario
SQL	Structured Query Language
TBD	To be determined
TCC	Tax Court of Canada
TI	Transportation Incentive
TSF	Tire Stewardship Fee
UI	User Interface
UTP	Used Tire Program
WDA	Waste Diversion Act
WTDA	Waste Diversion Transition Act, 2016
WUP	Wind Up Plan
WYSE	Cloud Computing System

Ontario Tire Stewardship Wind Up Plan

WUP SECTION 1.0 PROGRAM OVERVIEW AND THE WIND UP PROCESS

Ontario Tire Stewardship (OTS) is an Industry Funding Organization (IFO) responsible for managing the waste diversion program for used tires under the *Waste Diversion Transition Act, 2016* (WTDA) (previously under the *Waste Diversion Act, 2002*).

Since its inception in 2009, OTS has diverted over 108 million used tires from Ontario landfills and has met or exceeded deliverables for the program including the removal of more than 1.5 million used tires from illegal dump sites.

In 2016 as part of the Ontario government's Strategy for a Waste-Free Ontario, the Ontario legislature passed both the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and the WTDA. The RRCEA creates a new legislative framework for managing waste in Ontario that will wind up current waste diversion programs and related IFOs, such as Ontario Tire Stewardship. Under the RRCEA producers will be responsible for the implementation of new waste diversion programs that must meet recycling targets and objectives established under that Act.

Under the WTDA wind up process IFOs are required to develop wind up plans in accordance with specified statutory requirements. Subsection 14 (13) of the WTDA also requires IFOs to consult with Stewards, municipalities and other stakeholders affected by termination of the program in developing the wind up plan.

IFOs submit wind up plans to the Resource Recovery and Productivity Authority (RPRA) which reviews and approves the plan if it is consistent with the Minister's direction.

In February 2017, the Minister of Environment and Climate Change issued, a wind up direction letter to OTS designating the UTP as the first Ontario waste diversion program to be wound up with a termination date for the program set for December 31, 2018. This direction letter was supplemented by a second direction letter issued in June 2017. Minister Wind Up direction letters and statutory excerpts are attached in Appendix A.

OTS met with a number of stakeholders, including stewards, service providers, municipalities and other affected stakeholders throughout May to September 2017 to review OTS financing and key issues related to Wind Up of the used tire program. A Consultation Report is attached as Appendix B.

In August 2017, the RPRA also issued a *Guide to Assist in Evaluating an Industry Funding Organization (IFO) Wind-up Plan* which provides IFOs guidance as to how RPRA will assess whether IFO Wind Up Plans comply with statutory requirements and Ministerial Directions. The RPRA IFO Wind Up Guide clarifies expected content of IFO Wind-Up Plans from the RPRA's perspective.

Initially, OTS was directed by the Minister to submit a Wind Up Plan to RPRA by October 31, 2017 with the expectation that RPRA review and approve a Plan by March 31, 2018. In October 2017, the OTS deadline for submission of this Wind-up Plan was extended at the request of OTS to November 30, 2017 (the RPRA timeline for review and approval remained the same).

The following OTS Wind Up Plan was developed based on WDTA statutory requirements, Ministerial wind up directions and principles, RPRA IFO Wind-up Guide and feedback from OTS stakeholders received during consultation.

The Wind Up Plan will allow OTS to continue to maintain or exceed current performance during the wind up period.

Description of Designated Program Waste Covered by Plan

Under WDTA regulations used tires are defined as waste consisting of tires or parts of tires that have not been refurbished for road use or that are not suitable for their intended purpose.

The OTS Used Tires Program Plan, approved by Waste Diversion Ontario (predecessor to the RPRA) further clarifies that tires are products comprised primarily of rubber mounted on all types of passenger and commercial on-road and off-the-road motorized vehicles, including passenger vehicles, motorcycles, trucks, buses, mobile homes, trailers, aircraft, earthmoving, road building, mining, logging, agricultural, industrial and other vehicles.

The current Used Tire Program does not include tires from toys, bicycles, personal mobility devices and commercial aircraft.

OTS Steward rules also exempt Stewards from paying fees or reporting supply on two categories of new tires: 1) those with diameters of less than 7 inches, and 2) those which include rubber content of greater than 50% by weight which has been derived from used tires.

The OTS Wind Up Plan will include the same designated waste materials covered under the existing UTP.

Current Program Funding:

The Used Tires Program is funded by Stewards, who under the OTS Rules for Stewards are obligated to report the type and number of tires supplied into the Ontario market and remit related Tire Stewardship Fees (TSF) to OTS.

Under the program plan, Stewards are Original Equipment Manufacturers (OEMs), brand holders and first importers with definitions essentially covering all entities who bring new tires into the Ontario marketplace either on vehicles and equipment or for sale separately. Currently there are over 700 Stewards registered with OTS.

Under the OTS Tire Classification referenced in the *WDTA Regulation 390/16*, OTS divides new and used tires into “tire classes” and must manage costs and assess Steward fees on a cost recovery basis for each tire classification category. Currently there are three primary tire classes in the UTP: Passenger and Light Truck (PLT); Medium Truck (MT) and Off-the-Road (OTR) (which includes a number of agricultural and industrial tires which are divided into different subclasses).

Stewards must submit monthly reports to OTS indicating the volume of tires by tire class supplied into the Ontario market in that period. Monthly reports and related Steward fees are required at the end of the following month (i.e. September’s report must be submitted to OTS by October 31). Stewards can also reconcile previous monthly reports based on subsequent wholesale supply information where Ontario wholesale tires are distributed to other provinces.

Table 1: Current OTS Tire Stewardship Fees	
Passenger and Light Truck (per unit)	\$3.30
Medium Truck (per unit)	\$12.95
Off the Road (per PLT equivalent)	\$5.55

The respective revenues associated with the various OTS tire classes can be seen in Table 2 below which outlines OTS TSF revenues by category for 2016 (actual) through to 2017 and 2018 (estimated). As can be seen in Table 2, On Road (PLT and MT) TSFs account for approximately 82% of OTS revenues with OTR tires representing the remaining 18%.

Table 2: Total TSF Revenue - \$ In Thousands			
Tire Category	2016 Actual	2017 Estimate	2018 Estimate*
PLT TSF	\$43,594.8	\$39,979.2	\$38,521.9
MT TSF	\$11,876.0	\$11,264.7	\$11,660.2
OTR TSF	\$10,436.5	\$11,069.9	\$13,119.2
Total TSF	\$65,907.3	\$62,313.8	\$63,301.3
PLT Reconciliations	(15,149.8)	(1,420.8)	0
Total TSF Revenue	\$50,757.5	\$60,893.0	\$63,301.3

* Note: 2018 revenue estimates are consistent with recommendations made in this Wind Up Plan.

Under *WDTA* regulations, OTS was required to conduct an annual reconciliation of Steward fees in 2014, 2015 and 2016 with operating deficits or surpluses recovered from or distributed to Stewards as one-time payments or credits against current fees. Operating surpluses in the PLT tire class for these years have been distributed to PLT Stewards in accordance with *WDTA* regulatory requirements.

Regulatory changes made under the *WDTA* in June 2017 no longer require OTS to reconcile operating annual deficits or surpluses as of July 1, 2017. OTS will reconcile its operating deficit/surplus for the period between January 1, 2017 and June 30, 2017. For the remainder of the UTP program, financial reconciliations will be governed by new Steward fee rules submitted to RPRA (for approval) as part of this Wind Up Plan (see Steward Fees and Revised Steward Rules During Wind Up below)

Current Program Operations and Expenses

Used Tire Collection

Under the UTP, OTS provides Collection Allowances to entities that collect used tires for recycling. A collector is a for-profit, not-for-profit or municipal corporation that has entered into an agreement with OTS for the collection of designated used tires. In practice this includes businesses that may remove tires from vehicles or collect them including: tire dealers, retailers and wholesalers; car, truck or trailer dealers; municipalities; auto service centres and garages; auto recyclers and dismantlers and private waste disposal sites.

Registered Collectors are eligible for OTS used tire Collection Allowances. They must report the type and volume of used tires collected, use registered OTS Haulers for transportation of used tires off their sites and accept up to four tires free of charge from consumers. There are currently over 7,000 Collectors registered with OTS across the province.

Table 3: Current Collection Allowances

Program Tire Classification	Incentive per Collected Tire
Passenger Light Truck (PL/T) Tires	\$0.88
Medium Truck (MT) Tires	\$3.05
Off the Road (OTR) Tires (< or = 1 PTE)	\$0.88
Off the Road (OTR) Tires (> 1 PTE)	\$3.05

Collectors are required to submit claims for Collection Allowances on a quarterly basis within 3 months from the end of each quarter. For example, claims for January to March would be required by the end of June. OTS pays out Collection Allowances within 35 days of finalizing the claims submission. In 2016, OTS paid out \$7.1 million in total Collection Allowances and estimates that CA payments will increase slightly in 2017 growing to approximately \$7.6 million.

The UTP program also provides free used tire pick up to “used tire generators” which are businesses that may generate some used tire volumes, such as a company with a large trucking fleet, but which are generally not open to the public or other businesses

vis a vis used tire drop offs. Used tire generators are not eligible for OTS Collection Allowances.

Used Tire Transportation

Under the UTP program, OTS pays out Transportation Incentives (TI) which are subsidies for the transportation of used tires and scrap program tires to registered Processors. UTP transportation activities are carried out by registered Haulers.

Under the UTP, Haulers must meet OTS service standards, report the type, volume and destination of used tires delivered to Processors and pick up used tires from Collectors at no charge. There are currently 91 registered OTS Haulers operating throughout the province.

Under the current program, OTS pays out TI to Processors (based on deliveries from registered Haulers) and Haulers are paid directly by Processors. In the case of Northern Ontario premiums and Dedicated Off the Road Tires (DOTs), OTS pays a transportation premium directly to eligible Haulers over and above the TI rates that apply generally.

For the purposes of determining the appropriate Transportation Incentive, OTS utilizes a Delivery Zone Model (DZM) which creates a single delivery rate by tire class for four geographic zones in the case of on-road tires and three geographic zones in the case of OTR tires. DZM rates are calculated based on assumptions about processing capacity, tire generation by location and efficient collection and distribution patterns within each zone.

OTS pays out TI upon the completion and submission of Processor Tire Receipt (PTR) forms which include information on both the Hauler and Processor and details of tire type volumes and overall weight associated with the transaction. TI claims whether submitted by Processors or Haulers (in the case of Northern Premiums and DOTs) are required on a monthly basis by the end of the following month for Haulers and within sixty days for Processors.

In 2016 OTS paid out a total of \$19.2 million in TI under the UTP and estimates that amount will increase to \$22.5 million in 2017.

Used Tire Processing

Under the UTP Processors are businesses that process scrap tires into streams that can be further processed in order to recover specific components within the same organization or send scrap tire material to businesses for use as a raw material in another process.

Registered Processors are eligible for a range of OTS Processing Incentives (PI) which vary dependent on both the feedstock material and the nature of tire derived product (TDP) produced. In order to encourage the production of higher-value added products,

OTS's Processor Incentive ranking system recognizes three product categories: crumb rubber, shred and fabricated products with crumb rubber receiving the highest incentive level.

To be eligible for incentives registered in-Province Processors must enter into service agreements with OTS, meet OTS processing service standards, track and report on Ontario used tires received from registered Haulers and provide proof of the sale of tire derived products. There are currently 12 used tire processing facilities operating in Ontario.

Processors submit PI claims on a monthly basis with submissions due sixty days after the end of the month of that claim period. As with TI and CA claims, OTS pays out PI within 35 days of finalizing the claims submission. In 2016, OTS paid out \$15.1million in total PI and estimates that this amount will increase in 2017 to approximately \$15.4 million.

With respect to processing, OTS operates an Ontario First policy which calls for used tires to be transported to Ontario processing facilities before tires are shipped out of Ontario. However, OTS also recognizes that from time to time there maybe a need to ship used tires out of Ontario to ensure they are processed in manner consistent with UTP objectives. Consequently, OTS also registers some out-of-province Processors which must meet the same service standards as those located in Ontario to be eligible for PI when their services are required.

Used Tire Recycled Product Manufacturers

Under the UTP, Recycled Product Manufacturers (RPMs) are businesses that use the tire derived products supplied by Processors, such as crumb rubber, to create new products or other uses. RPM products include such things as auto parts, roof shingles and playground tiles. Recycled product technologies that are eligible for Manufacturer Incentives (MI) under the UTP includes moulded goods, calendared goods and extruded goods.

UTP MI incentives encourage the use of used tire materials in higher value products based on optimum recycling outcomes and help establish a provincial wide market for such goods thereby supporting the evolution of Ontario's green economy.

To be eligible for incentives RPMs must enter into service agreements with OTS and meet OTS RPM service standards, track and report on Ontario used tire materials received from registered Processors (and/or Haulers) and provide proof of the sale of eligible manufactured products. There are currently 19 registered RPMs in the UTP.

RPMs submit MI claims on a monthly basis with submissions due sixty days after the end of the month of that claim period. As with other incentive claims, OTS pays out MI within 35 days of finalizing claims submissions. In 2016, OTS paid out \$5.5 million in total MI and estimates that it will spend approximately \$4.1 million on MI in 2017.

Promotion and Education and Market Development

As part of the UTP, OTS runs a number of promotional, educational and market development activities all designed to promote awareness of tire recycling and use of tire derived products (TDP) and encourage the use of higher-value TDP in products throughout Ontario by creating an enhanced consumer demand for these products.

These programs include:

- Community renewal projects;
- Consumer rebate programs; and
- Rubber modified asphalt.

See Sections 1.4 and 1.5 for description of current programs and proposals for Wind Up.

OTS estimates that total program spending on promotional and educational activities and market development activities in 2017 (including the rubberized asphalt project) will be approximately \$6.9 million. The Wind Up Plan does not anticipate any new projects for 2018.

Research and Development

Under the UTP, OTS also provides grants to registered product manufacturers (both Processors and Recycled Product Manufacturers) to help support tire recycling research and development projects in Ontario. These projects include subsidizing equipment acquisitions and upgrades to help drive efficiencies in manufacturing processes, implementation of new technologies to improve product quality, and investments into new applications of crumb rubber. A description of Research and Developments projects and Wind Up proposals is included in Section 1.5 Market Development.

In 2017, OTS estimates that it will spend approximately \$1.5 million on 5 on-going research and development projects. The Wind Up Plan does not anticipate any new research and development projects for 2018.

OTS General and Administrative Functions

OTS estimates that in 2017 General and Administrative expenses will be approximately \$8.0 million or approximately 11% of total program expenditures. General and Administrative expenses include approximately \$6.6 million in salaries and benefits associated with 34 full time employee equivalents, legal and consulting fees, information technology services, amortization expense and other general and administrative expenses. General and Administrative expenses forecasts associated with 2018 and 2019 include a number of one-time costs associated with OTS wind up.

Overview of OTS Financial Situation Heading Into Program Wind Up

At the end of 2016, OTS had net assets in three reserve funds of \$49.16 million. The exact amounts associated with each fund are provided in Table x below.

Table 4: OTS Net Assets End of 2016 (From Audited Financial Statements)	
Operational Reserve Fund	\$26,195,846
Market Development Fund	\$8,000,000
Stabilization Reserve Fund	\$14,959,364
Total	\$49,155,120

OTS internally designated the above funds to be used for specific purposes. The Operational Reserve Fund was established as a means of mitigating OTS's risk involved in fulfilling its financial and contractual obligations in the event the Used Tire Program was terminated without notice. The Market Development Fund was established to develop markets to support additional recycling of tires. The Stabilization Reserve Fund was established to address both short and long-term needs, providing OTS with the assurance that funds are available when needed due to unforeseen operating shortfalls, or for new initiatives.

At the end of 2017, in order to prepare for program Wind Up, OTS intends to amalgamate the three reserve funds into a single operational reserve fund which will be utilized to fund OTS Wind Up obligations.

Given the impending termination of the program as set out in the wind up direction issued by the Minister (February 2017), the OTS Board also approved a fee reduction to the PLT TSF rate from \$3.55 per unit to the current \$3.30 per unit which was implemented in May 2017. Given that PLT TSFs generate close to 65% of OTS revenue this fee reduction is expected to put OTS into a net operating deficit position for 2017 and assuming no fee changes in 2018.

An overview of estimated revenues and expenses for 2017 and 2018 is provided in Table 4 below.

Table 4: OTS Revenues and Expenses 2016 – 2018 (\$000s)			
	2016 Actual	2017 Estimate	2018 Estimate
Total Revenue*	\$51,383	\$61,622	\$63,745
Operational Expense	\$57,571	\$65,441	\$62,901
General and Administration	\$6,481	\$7,997	\$9,477
Total Expense	\$64,052	\$73,438	\$72,378
Excess of Revenues Over Expenses	(\$12,669)	(\$11,816)	(\$8,633)

As can be seen from Table 4 OTS's preliminary estimates indicate that net reserves will reduce by an estimated \$20.4 million during 2017 and 2018 bringing its preliminary reserve fund estimate at December 31, 2018 to approximately \$28.7 million.

OTS financial forecasts are complicated by a large HST expense accrual liability estimated to be \$12.6 million at program termination related to TI paid to Processors. OTS is currently not paying HST on these payments but may be required to do so. OTS is taking steps to clarify this particular HST tax obligation prior to program termination (See WUP Section 1.12 Tax). If this potential tax obligation can be clarified, OTS's net asset position at program termination may increase by this amount.

As noted earlier, regulations under the WDTA require OTS to reconcile revenues and expenses from January 1, 2017 to June 30, 2017¹. For the remainder of the Wind Up period Steward fees will be set and adjusted in accordance with WTDA regulations and Amended Steward Fees Rules for Wind Up (amendment proposals submitted as part of this plan).

¹ Note: At this point, OTS anticipates that the operating period from January 1, 2017 to June 30, 2017 will generate an overall deficit. Stewards will not be required to pay additional fees to address this deficit, rather OTS will finance any deficit from this period by drawing funds from its Stabilization Reserve Fund.

WUP SECTION 1.1 WIND UP OPERATING PLAN

In order to facilitate a smooth wind up of the current used tire program, OTS is proposing the following adjustments to its operations in 2018 and 2019. These changes are designed to minimize disruption to program operations in 2018 while addressing OTS regulatory obligations and meeting key criteria established for OTS Wind-Up in both Ministerial directions and RPRA's IFO Wind-up Guide.

1.1.A1 OVERVIEW

OTS proposes to run the used tire program, subject to changes identified below until December 31, 2018. After that date, OTS will no longer be responsible for managing used tire waste generated in Ontario.

However, although the used tire program will terminate at the end of 2018, OTS as a corporate entity will continue operations for a number of months to finalize legal, financial and operational obligations, including:

- Collection and reconciliation of outstanding steward fees for 2018;
- Processing of payments for Collection Allowances, Transportation Incentives, Processing Incentives and Manufacturing Incentives in relation to 2018 including recognition of service provider inventories held as of December 31, 2018;

OTS is proposing to treat service providers in accordance with the legal requirements associated with existing OTS service provider contracts by paying Allowances and incentives on UTP service provider inventories held as of December 31, 2018 subject to the terms described in more detail below.

In OTS's view, this approach:

- Addresses the primary stakeholder concern raised during consultation;
- Meets the Ministerial Direction to ensure "no disruption to in the operation of the waste diversion program" in 2018;
- Minimizes the likelihood of disputes between OTS and existing service providers about whether the OTS Wind Up plan complies with existing contractual commitments.

OTS anticipates that it will take approximately five months to finalize processing of Allowance and incentive payments in 2019 related to December's claims and claims for service provider inventories held as of December 31, 2018.

OTS proposes to appoint a liquidator once the program has been fully wound down, to complete the formal winding up and dissolve the OTS corporation entity. The proposed liquidator will be obligated to follow the Wind Up instructions approved in this plan.

Following the processing of final Allowance and incentive payments, the proposed liquidator will initiate a process to sell off any remaining OTS assets (other than TreadMarks and Communications Materials - see below), lay off any remaining OTS staff and initiate steps to wind down the OTS corporate entity.

One of the final OTS Wind Up steps will be the determination of a final corporate account balance. At this point, OTS Steward fee on and off-road accounts will be subject to final reconciliations (see Final OTS Financial and Steward Reconciliation below). As per the RPRA IFO Wind Up Guide, to the extent that there are excess cash balances, these excess funds will be allocated to stewards who paid the fees that gave rise to those excess funds, in accordance with the applicable laws governing the transaction and to the extent feasibly possible.

Following the liquidation of all OTS assets and fiscal obligations, including the final reconciliation of OTS Steward fees, the liquidator will take steps necessary to terminate OTS as a corporate entity.

OTS anticipates that the final reconciliation of Steward fee accounts will be completed by June 2019 with a Final Wind Up Report submitted to the RPRA by September 2019.

Table 5: OTS Net Asset Estimate Through Wind Up	(\$000s)
Total Net Assets as of December 31, 2016	\$49,155
2017 Operating Deficit (9+3 Estimate)	(\$11,816)
2018 Operating Deficit (Includes \$1.5 M OTR End of Year Invoice)	(\$8,633)
Net Asset Estimate as of December 31, 2018	\$28,706
Wind Up Expenses Estimate for 2019	(\$19,039)
Unrestricted Net Asset Estimate at the End of Wind Up*	\$9,667

* Note: OTS net asset projection includes a \$12.6 million HST-related accrual expense. If this potential OTS obligation is resolved prior to program termination, OTS net assets will increase by this amount.

As noted in Table 5 above, OTS's preliminary estimate of expenses required to finalize Wind Up expenses and obligations in 2019 is approximately \$19 million. This includes: an estimated \$9 million in contractual allowance and incentive payments associated with service provider inventories; operating expenses for approximately 6 months, RPRA service fees, staff severance costs and other one-time legal and operational Wind Up costs.

Based on these cost assumptions, OTS currently estimates that the level of unrestricted net assets will be approximately \$9.67 million more than it needs to fully address final Wind Up expense obligations. However, this estimate is contingent upon a number of financial contingencies associated with 2017 and 2018 OTS operations and approval of this Wind Up Plan.

OTS's ability to implement a PLT fee elimination as per the Minister's direction is contingent upon it retaining revenues necessary to complete various Wind Up obligations. It is currently estimated that the PLT fee can be eliminated on October 15, 2018. In March 2018 OTS it will re-evaluate the target date for elimination of the PLT and provide notice to Stewards and other service providers of the exact implementation date.

1.1.A2. Steward Fees

2018 Changes

OTR TSF Account Balance

Following the launch of the UTP in September 2009 OTS recognized that OTR TSF revenues were insufficient to cover OTR tire diversion costs due to new tire supply being significantly lower than pre-program estimates (used tire volumes and diversion costs were approximately in-line with program estimates). This structural imbalance led to the accumulation of a deficit in the OTR division of the UTP, with this shortfall being temporarily covered by surplus revenues from the On-Road division.

In 2010 and 2011 OTS sought to make adjustments to the OTR TSF rates to bring revenues into balance with expenditures however the proposals brought forward were rejected by the Ministry of the Environment (MoE) and Waste Diversion Ontario (WDO). As a result by the end of 2012 the OTR-division of the UTP accumulated an estimated deficit of \$25.6 million.

In February 2012 the Minister of the Environment directed WDO (WDO) to develop and implement a cost recovery approach to fee setting for IFO's and for the resolution of any accumulated deficits or surpluses. WDO, OTS and the MOE staff worked together to develop an annual fee setting methodology that was formalized in regulation in early 2013.

In parallel an approach to addressing the OTR deficit was developed and implemented on a voluntary basis (no reference to the historic deficit or the approach was made in the cost recovery regulation). OTS consulted on and implemented a 10-year "repayment" process that allowed the accumulated deficit to be gradually paid down by the OTR Stewards. This approach repaid accumulated deficit amounts in a manner which did not adversely impact the OTR tire Stewards and their customers.

Since the 2013 TSF fee implementation the OTR cost allocation (fee) has included a dedicated cost for the purposes of paying down the deficit. This "Deficit Repayment

Premium” (DRP) amount has been added to the OTR TSFs following the calculation of the per PTE fees (as adding it to the “general program budget” in a blended model would result in all tires carrying a portion of this cost). In each subsequent year (beginning in 2014) the funds accumulated through the imposition of the DRP have been credited to the PLT (Class 1) fees, thereby reducing the fee rates and addressing the fiscal imbalance.

In addition in 2015 OTS undertook a historic revenue reclassification based on the new tire supply information gathered subsequent to the imposition of the revised Tire Classes. This resulted in approximately \$4.39 million in revenues in the 2009-Q1 2013 timeframe being reallocated from the PLT to the OTR classes, further reducing the accumulated historic deficit.

The remaining historic OTR deficit is forecast to be approximately \$4.84 million as of December 31, 2017.

At the time of writing this WUP the DRP charged on the OTR costs is \$1.66/PTE, and there is no plan to change this amount through wind-up on December 31, 2018. Additionally the PLT (Class 1) Tire Class is currently operating at a deficit and is forecast to continue to remain in a deficit until program wind-up on December 31, 2018.

Although OTS during consultation sessions indicated that it estimated that the OTR Account would continue to have a deficit of approximately \$2.2 million as of December 31, 2018, this estimate did not take into account the full amount of the DRP generated by OTR TSF fees in 2018, as historically these amounts were credited to the PLT account in the year following their generation.

In order to fully recognize DRP amounts in the Wind Up period OTS is proposing to credit the full DRP generated in 2018 to the PLT account in 2018. This will result in the remaining deficit to be recovered from Stewards being reduced as compared to the amounts shared in the consultation. At the time of writing this WUP OTS is forecasting that the remaining deficit on program wind-up will be approximately \$1.5 million.

A summary of the OTR Account Deficit accumulation and repayment amounts is provided in Table 6 below.

Table 6: OTS Account Deficit Accumulation and Repayments					
Year	OTR Deficit		Accumulated		
2009	\$	2,617,409			
2010	\$	8,328,900	\$	10,946,309.0	
2011	\$	7,685,601	\$	18,631,910.0	
2012	\$	6,984,955	\$	25,616,865.0	
2013	\$	-	\$	25,616,865.0	
	Proposed Repayment		Actual Repayment		Remaining Deficit
2014	\$	(2,000,000)	\$	(2,000,000)	\$ 23,616,865.0
2015	\$	(2,000,000)	\$	(5,400,000)	\$ 18,216,865.0
Historic Revenue Reclassification			\$	(4,388,586)	\$ 13,828,279.0
2016	\$	(2,000,000)	\$	(2,500,000)	\$ 11,328,279.0
OTR Recovery from 2015 Reconciliation			\$	(487,922)	\$ 10,840,357.0
2017 OTR DRP	\$	(2,500,000)	\$	(2,547,521)	\$ 8,292,835.8
OTR Recovery from 2016 Reconciliation			\$	(171,467)	\$ 8,121,368.8
2018 OTR DRP	\$	(2,500,000)	\$	(3,279,365)	\$ 4,842,004.2
2019 OTR DRP	\$	(2,500,000)	\$	(3,353,653)	\$ 1,488,350.7
OTR Deficit Balance Owing @ Jan 1, 2019	\$	12,116,865	\$	1,488,351	\$ 1,488,35
Amount to be collected from OTR Stewards					\$ 1,488,35

Assumptions:

*2017 OTR Surplus will be applied against 2017 Class 1 Reconciliation of Fees

*2018 OTR Surplus will be applied against 2018 Class 1 Reconciliation of Fees

Table 7: OTR TSF Rate Repayment Schedule 2016 – 2018

	2016	2017	2018
OTR PTEs	1,841,821	2,000,270	2,020,273
OTR Deficit RP/PTE	\$0.94/\$1.60	\$1.60/\$1.66	\$ 1.66
OTR TSF Repayment	\$ 2,547,521	\$ 3,279,365	\$ 3,353,653

OTS is proposing that this OTS account deficit be addressed by invoicing OTR stewards at program completion. Upon approval of the WUP OTS will undertake a calculation of the amounts that will be owed by each Steward at the end of 2018 using 2017 Supply and 2018 forecast information. This forecast will be communicated to each Steward in 2018 to provide them with a measure of visibility into their share of the remaining OTR deficit at the end of the program.

Final confirmed invoices for remaining deficit amounts will be sent out to Stewards by March 31st 2019, payable within 30 days of issuance.

Potential PLT TSF Adjustments

OTS is currently forecasting final reserve surpluses with respect to the PLT account balance once wind up financial obligations have been addressed. As noted earlier, OTS is currently forecasting a reserve surplus of approximately \$9.67 million in 2019 once its Wind Up financial and legal obligations have been fully addressed.

However this preliminary forecast is contingent on a number of different factors including:

- Finalization of 2017 revenues and expenditures;
- Updated projections for 2018 revenues and expenditures;
- Resolution of a number of Wind Up decisions with significant financial implications;
- Resolution of Wind Up issues, such as HST obligations, with significant financial implications (see Outstanding HST Obligations discussion below).

OTS is currently working to resolve the liabilities associated with potential HST obligations. If OTS is not obligated to pay certain HST amounts the reserve surplus referenced above may increase by as much as \$12.6 million.

Consistent with the Minister's wind up direction, OTS is planning to implement a fee elimination for PLT tires prior to program termination. Based on current financial forecasts OTS is currently targeting implementation of a PLT fee elimination (or reduction of the current PLT to zero) for October 15, 2018.

In March 2018, OTS will re-evaluate the appropriate level of reserve funding necessary to complete all Wind Up obligations and determine the exact date of the PLT fee elimination.

PLT Stewards will still be obligated to report tire shipments in the Ontario market to OTS up until the end of 2018 (and reconcile that shipment information as required) in the event of a fee elimination, but OTS Steward fees associated with those reported sales will be zero.

Rationale:

OTS’s plan to implement a PLT TSF fee elimination in 2018 is consistent with Ministerial direction with respect to management of OTS funds. The fee elimination will reduce the level of the potential OTS reserve surpluses in a way which should provide some consumer benefits as the OTS fee elimination may eliminate fees which Stewards, tire wholesalers and retailers have been passing onto consumers for the duration of the program (See Section 13 Management of Other Risks for discussion of risks associated with OTS TSF fee elimination).

As per Ministerial Direction, OTS also needs to ensure that it has sufficient funds to complete all Wind Up obligations. As such in order to verify the date of the OTS fee elimination, OTS needs a full resolution of Wind Up decisions prior to that determination.

Table 8: Proposed TSF Wind Up Rates		
TSF Category	Current Rate	Oct 15 to Dec 31, 2018
PLT	\$3.30	\$0.00
MT	\$12.95	\$12.95
OTR	\$5.55/PLT equivalent	\$5.55/PLT equivalent

2019 – Final OTS Financial and Steward Reconciliation

While the OTS used tire program will end on December 31, 2018, OTS as a corporation will need to operate for a period of time in 2019 to address remaining operational and financial obligations, including the payment of allowances and incentives on existing service provider inventories (see Allowances and Incentive Payments below).

Once OTS’s final legal, financial and operational obligations have been addressed and assets have been disbursed, OTS will conduct a final reconciliation of its financial position. If excess funds exist at the end of the used tire program wind up, OTS will allocate those excess funds back to stewards in accordance with their contributions to OTS over the last three years. If the OTS account balance is negative, OTS may bill

Stewards for any shortfall in its final account balance in proportion to their supply volumes into to the program.

At this point, OTS anticipates that it will likely be in a surplus situation following the resolution of outstanding legal, financial and operational obligations in 2019.

Despite this forecast, due to potential financial contingencies, OTS cannot guarantee that it will be in a surplus situation following the resolution of its outstanding legal, financial and operational obligations in 2019.

See Section 1.2 Draft Rules for Steward Fees During the Wind-up Period (p. 30) for discussion of potential amendments to Steward Fee Rules implement fee changes and proposed final Steward Fee On and Off-Road Account Reconciliations.

1.1.A3. OTS Collection Allowances, Transportation, Processing and Manufacturing Incentives

2018 Changes

In 2017, in response to a backlog of used tires waiting for collection and processing, OTS issued a Request For Proposal (RFP) for processing additional used tire volumes in 2018. The RFP, which closed in November 2017 resulted in OTS awarding processing contracts to four Ontario used tire Processors and one out-of-province Processor.

The RFP contracts will generate used tire processing over and above the volumes being driven by current Processing Incentive rates. This will address the building 2017 backlog in tire processing and ensure that used tire flows are not disrupted in 2018. Under the terms of the RFP Processors are paid to process specific volumes over and above current baseline projections.

While the processing RFP terms do not affect the regular OTS Processing Incentive rate, they will result in an estimated \$528,000 and \$1,056,000 increase in OTS related processing expenditures in 2017 and 2018 respectively. These cost increases have been factored into OTS financial forecasts which form part of this Wind Up Plan.

Other than incentive payments related to the processing RFP, OTS is not proposing any other changes to OTS Collection Allowances or Transportation, Processing or Manufacturing Incentives during UTP Wind Up in 2018.

Rationale

The maintenance of OTS Allowances and Incentives throughout 2018, in combination with the recent processing RFP awarded by OTS in November 2017, should ensure that used tire service providers continue to provide those services without disruption to stakeholders and the public during the OTS Wind Up process.

This objective was also one of the key Ministerial Directions associated with program Wind Up – that there is no disruption to, or reduction in performance associated with, the UTP program throughout the Wind Up period.

OTS Incentives and Service Provider Inventories at Program Termination

One of the key wind-up issues identified by OTS service providers is whether OTS recognizes existing service provider used tire and related material inventories as of December 31, 2018.

With respect to this issue, OTS has existing contracts with Collectors, haulers, Processors and recycled product manufacturers (RPMs). Existing OTS contracts set out provisions as to how OTS will pay Allowances or incentives in relation to inventories held by service providers in the event that the program and related service provider contracts are terminated.

OTS proposes to manage service provider year-end 2018 inventories in a manner consistent with current OTS legal obligations in relation to service provider contracts (see below for details).

As per existing contract notification requirements, OTS intends to begin providing service providers with notification of contract terminations for December 31, 2018 prior to December 31, 2017. In 2019 OTS will honour contractual obligations to service providers in terms of the Allowances and incentives for used tire materials those service providers hold in inventory as of December 31, 2018.

OTS will monitor/verify Collector, Hauler, Processor and RPM inventories as of December 31, 2018 to ensure it can accurately assess 2019 claims for year-end inventories. With respect to Processor and RPM year-end inventories OTS will conduct site visits to all locations early in 2019 to confirm inventory levels for those service providers (see Processing Incentives (p. 24) and Manufacturing Incentives (p. 25) below for details).

Collection Allowances:

Currently, there are approximately 7,200 Collectors registered with OTS. Collectors must submit Collection Allowance claims to OTS within 90 days at the end of each quarter.

With respect to program termination current Collector contracts include the following provision:

8.5 Incentive Payment Following Termination.

- (b) Upon termination of this Agreement, provided that payment has not been suspended by OTS in accordance with Section 7.4 (*collector default*), OTS shall continue to pay Collection Incentives with respect to services performed before the termination of this

Agreement (notwithstanding that claims for such services may be submitted to OTS after or termination of this Agreement).

With respect to this provision, OTS will interpret services performed to mean the collection of used tires meaning that any tires collected by Collectors prior to December 31, 2018 will be eligible for Collection Allowances claims submitted in Q1 2019.

OTS will give registered Collectors until January 25, 2019 to have year-end inventory tires (i.e. tires collected in 2018) transported off their properties by registered Haulers. OTS will use historical sales data to monitor Collection Allowance claims submissions and initiate necessary audit processes to validate particular claims that are inconsistent with historic norms.

With respect to the timing of claims submissions in relation to program termination, OTS is proposing to move the reporting submission requirement up by two months in relation to fourth quarter Collection Allowance claims for 2018, meaning that claims for the fourth quarter 2018 must be submitted to OTS by January 31, 2019.

OTS is proposing that Collection Allowance claims related to year-end inventories held as of December 31, 2018 and picked up before January 25, 2019 must be submitted to OTS by February 28, 2019.

Summary Collection Allowance Termination Steps:

- Claims for used tires transported off the collection site between October 1, 2018 and December 31, 2018 (4th Quarter) must be submitted to OTS by January 31, 2019 (two months earlier than current reporting requirements);
- Used tires held in inventory as of December 31, 2018 must be transported off site by January 25, 2019 with related claims submitted to OTS by February 28, 2019 (Final Collection Allowance submissions).

Transportation Incentives:

Currently, there are 91 Haulers registered with OTS. Claims for Transportation Incentives (TI) are submitted on a monthly basis with submissions due to OTS at the end of the following month. As noted earlier, OTS pays most TI to Processors upon submission of PTR documentation with some Northern TI and Dedicated Off the Road Tire premiums paid directly to Haulers. Processors compensate Haulers directly for transportation of used tires.

With respect to program termination, current Hauler contracts include the following provision with respect to payment of TI:

8.5 Incentive Payment Following Termination.

- (b) Upon termination of this Agreement, provided that payment has not been cancelled by OTS in accordance with Section 8.5(a), OTS shall continue to pay Transportation Incentives with respect to services performed before the termination of this Agreement (notwithstanding that claims for such services may be submitted to OTS after or termination of this Agreement).

With respect to this provision, OTS will interpret services performed to mean used tires which have been picked up from registered Collectors meaning that TI will be paid for used tires held by Haulers as of December 31, 2018.

OTS will pay out TI related to year-end used tires held in inventory by Haulers provided that they are delivered to registered Processors by January 31, 2019. Under the TreadMarks system, OTS will have year-end inventory data on registered Haulers that it can use to validate TI claims related to those year-end inventories. OTS will initiate necessary audit procedures to review and validate any TI submissions that are inconsistent with its TreadMarks year-end inventory data related to individual Haulers.

With respect to timing of TI claims submissions in relation to program termination, OTS is will follow the same terms as are currently in place, meaning that TI claims for December 2018 must be submitted to OTS by January 31, 2019.

TI claims related to registered Hauler year-end inventories held as of December 31, 2018 and delivered to Processors in January 2019 must be submitted to OTS by February 28, 2019.

Summary Transportation Incentive Year-End Steps:

- Consistent with current contracts, TI claims for used tires transported to Processors in December 2018 must be submitted to OTS by January 31, 2019;
- Claims for TI related to used tires held in inventory by Haulers and/or Processors as of December 31, 2018 (for which no TI claim has been submitted) must be transported to Processors by January 31, 2019 with claims submitted to OTS by February 28, 2019 (Final Transportation Incentive Submissions);

For greater clarity, used tires which Haulers had been collected in 2018 but which had not completed all steps necessary for the submission of a TI claim related to 2018 activities would be eligible for TI provided that those used tires were delivered to registered Processors by January 31, 2019. Used tires picked up by Haulers from Collectors in 2019 would not be eligible for TI.

Processing Incentives:

Currently there are 12 processing facilities registered with OTS in Ontario (and one additional out-of-province facility). Claims for PI are submitted on a monthly basis with submissions due to OTS sixty days after the end of the month of that claim period.

With respect to program termination, OTS Processor contracts include the following provision:

Processing Following Termination. Within ninety days of termination of this Agreement, the Processor shall process all inventory of Used Tires in its possession at the time of delivery of the notice of termination into TDP on the terms and conditions as set out in this Agreement and, provided that payment has not been cancelled by OTS in accordance with Section 8.5(a) (*regarding processor default*), OTS shall continue to pay Incentives to the Processor with respect to such processed Used Tires, notwithstanding the termination of this Agreement.

With respect to this provision, OTS will pay out PI in relation to Processor year-end inventories as of December 31, 2018 that have been processed into TDP between January 1 and March 31, 2019 (i.e. for up to 90 days following termination of the program).

Processor year-end inventories must be confirmed by an OTS audit process which will be completed by January 10, 2019. OTS will conduct site visits with Processors between January 2nd to 8th 2019.

With respect to the timing of Processor Incentive claims submissions and program termination, OTS is proposing to move the reporting submission requirement up by one month in relation to the final claims for 2018, meaning that claims for December 2018 must be submitted to OTS by January 31, 2019. For the first three months of 2019, OTS will follow the same schedule related to used tire year-end inventories processed between January 1st and March 31st, 2019.

Summary Processing Incentive Termination Steps:

- OTS site visits between January 2nd to 8th with year-end inventories confirmed with Processors by January 10, 2019;
- PI claims for used tires processed in December 2018 must be submitted to OTS by January 31, 2019;
- PI claims for Processor used tire year-end inventories processed in January 2019 must be submitted to OTS by February 28, 2019;
- PI claims for Processor used tire year-end inventories processed in February 2019 must be submitted to OTS by March 31, 2019;

- PI claims for Processor used tire year-end inventories processed in March 2019 must be submitted to OTS by April 30, 2019 (Final PI Submissions).

For greater clarity, Processors will not be eligible to collect PI on used tires received between January 1 and March 31, 2019, but only on those used tires held in inventory as of December 31, 2018 (as confirmed by an OTS audit) that were processed during the first three months of 2019.

Manufacturing Incentives:

Currently, there are 19 RPMs registered with OTS. Claims for Manufacturing Incentives (MI) are submitted by RPMs on a monthly basis with submissions due to OTS sixty days after the end of the month of that claim period.

With respect to program termination, OTS manufacturer contracts include the following provision:

9.5 Processing Following Termination. Within ninety days of termination of this Agreement, unless otherwise directed by OTS, RPM shall manufacture all Inventory in its possession at the time of delivery of the notice of termination into Manufactured Products on the terms and conditions as set out in this Agreement and, provided that payment has not been cancelled by OTS in accordance with Section 9.4(a), OTS shall pay the Manufacturing Incentives to the RPM with respect to the sale of such Inventory notwithstanding the termination of this Agreement.

With respect to this provision, OTS will pay MI in relation to RPM year-end inventories that have been manufactured and sold for up to 90 days following termination of the program (i.e. 90 days after December 31, 2018 or March 31, 2019). This would include any otherwise eligible RPM recycled product which had been manufactured but not sold in 2018 provided that no MI had previously been paid on that product.

RPM year-end inventories must be confirmed by an OTS audit which will be completed by January 10, 2019. OTS will conduct site visits with RPMs between January 2nd to 8th 2019.

With respect to the timing of Manufacturing Incentive claims submissions and program termination, OTS is proposing to move the reporting submission requirement up by one month in relation to the final claims for 2018, meaning that claims for December 2018 must be submitted to OTS by January 31, 2019. For the first three months of 2019, OTS will follow the same schedule related to used tire year-end inventories processed by RPMs and sold as recycled products between January 1st and March 31st, 2019.

Summary Manufacturing Incentive Termination Steps:

- OTS site visits between January 2nd to 8th with year-end inventories confirmed with RPMs by January 10, 2019;

- MI claims for used tires processed and sold as recycled products in December 2018 must be submitted to OTS by January 31, 2019;
- MI claims for RPM used tire year-end inventories processed and sold as recycled products in January 2019 must be submitted to OTS by February 28, 2019;
- MI claims for RPM used tire year-end inventories processed and sold as recycled product in February 2019 must be submitted to OTS by March 31, 2019;
- MI claims for RPM used tire year-end inventories processed and sold as recycled product in March 2019 must be submitted to OTS by April 30, 2019 (Final MI Submissions).

For greater clarity, RPMs would not be eligible to collect MI on used tire TDP received between January 1 and March 31, but would be eligible for MI on product held in inventory as of December 31, 2018 (as confirmed by an OTS audit) that was manufactured and sold between January 1 and March 31, 2019.

General

Based on the preceding submission schedule, OTS anticipates that all service provider allowance and incentive claims will be fully resolved by June 4, 2019.

Rationale:

OTS's proposal related to service provider inventories is based on the expressed provisions of applicable contracts, which contemplate the termination of the relevant agreements for a variety of reasons including termination of the UTP program.

As noted during the consultation process, recognition of service provider inventories is, in the view of virtually all service providers, essential to ensuring that there is minimal disruption to used tire collection, processing and recycling in 2018.

As such OTS's proposal is consistent with Wind Up key criteria established by Ministerial Direction that "there is no disruption in the operation of the waste diversion program". The maintenance of OTS CAs and Incentives during the Wind Up process and recognition of year-end inventories should ensure that OTS service providers continue to sustain current performance levels throughout all of 2018.

While many service providers and some Stewards indicated during consultation that all used tires collected in 2018 should be eligible for the full range of OTS incentives, OTS's adherence to its current contractual provisions applicable on the termination of relevant agreements with service providers should enable a smooth transition to the RRCEA framework without any significant erosion of used tire collection, hauling, processing or manufacturing in 2018.

1.1.A4. TreadMarks

As indicated during consultation sessions with stakeholders, the OTS WUP proposes to make TreadMarks widely available to producers under the RRCEA framework.

Producers can then modify TreadMarks for use with their own service providers making the system widely available to tire recycling participants.

Potential transition of the TreadMarks system to users should help smooth transition to the RRCEA framework by enabling producers and their service providers to utilize a tire tracking system that service providers are very familiar with and which, in the view of most service providers, works very well. Modification of the existing TreadMarks system for producers should also represent creation of a high functioning tire tracking system at lower cost than creating new IT systems for such purposes. In the view of OTS, the proposal addresses Ministerial Direction by implementing an approach to dealing with the OTS TreadMarks IT system that represents fair and equitable access for all users.

The proposed transition of TreadMarks will not include any historic tire recycling data or company specific information associated with the UTP. Rather users will be receiving a clean version of TreadMarks system capable of tracking tire recycling in the future.

Details of the TreadMarks transition proposal can be found in Section 1.5.4 Capital Assets. Section 1.4: Financial Forecast and Budget includes both the write down costs associated with depreciation of the TreadMarks assets and well as OTS IT costs associated with maintaining TreadMarks during the Wind Up period and preparing TreadMarks for potential transition to users.

1.1.A5. Public Data Release

OTS's operational plan also includes a proposal to release more detailed used tire collection and recycling data. Provision of used tire recycling data, described in more detail in WUP Section 1.9: Data, will support a smoother transition to the RRCEA framework by providing RRCEA producers with more detailed information about historic used tire collection volume by geographic area.

1.1.A6. Other Operational Changes

While OTS is proposing to reduce spending on Education and Market Development Programs in 2018 (see 1.4 Education Programs and 1.5 Market Development below), it will be performing most of its core functions throughout 2018 and early into 2019. As such, OTS does not anticipate significant staff reductions and/or changes to most operational functions until December 31, 2018.

In 2019, OTS will retain staff resources necessary to fulfill various functions in a timeline consistent with Wind Up Plan targets and has developed a Human Resources strategy (see WUP Section 1.10 Human Resources) necessary to achieve that goal. As OTS core functions are completed in 2019, OTS will provide severance notices to related

staff. Staff layoff notices will likely begin in January 2019 and continue as appropriate until June 2019.

1.1.A7 Summary of Operational Timelines

Summary Key Timelines

Date	OTS Wind Up Action
December 31, 2017 (Prior to)	OTS Notifies Registered Processors and Recycled Product Manufacturers of Termination of Contracts for December 31, 2018 (Note only 90 days required for Collectors and Haulers)
March 31, 2018 (or earlier)	RPRA Approves OTS Wind Up Plan
April 1, 2018	OTS 2017 Annual Report Released
April 2018	OTS Service Provider and Steward Wind Up Communication Materials Issued
April 30, 2018	Public Tire Recycling Data Release
	Initial OTS Meeting/s with TreadMarks Users (Additional Meetings as Required)
TBD	OTS provides OTR Stewards with estimate of account balance owing at program termination
May 1, 2018	TreadMarks Available for Transfer to Users
October 15, 2018 or earlier	PLT TSF reduced to \$0.00
September 2018	OTS Service Provider Briefings re Termination/Transition
	OTS-RRCEA Brand Holder Transition Meetings
September 30, 2018	OTS Notifies Registered Collectors and Haulers of Termination of Contracts for December 31, 2018
October 2018	OTS-RRCEA Brand Holder Transition Meetings

Date	OTS Wind Up Action
November 2018	OTS-RRCEA Brand Holder Transition Meetings
December 31, 2018	UTP Program Termination
Jan 2 to Jan 8, 2019	OTS Processor Year-End Inventory Audit Site Visits
	OTS RPM Year-End Inventory Audit Site Visits
January 10, 2019	Processor Year-End Inventory Counts Affirmed
	RPM Year-End Inventory Counts Affirmed
January 25, 2019	Deadline for Collectors to have year-end used tire inventories transported off site
January 31, 2019	Deadline for Steward December 2018 supply reports and payments (if applicable).
	December 2018 Transportation Incentive Claims Due
	December 2018 Processing Incentive Claims Due
	December 2018 Manufacturing Incentive Claims Due
	Deadline for Haulers to have Year-End Inventories Transported to Processors
	4 th Quarter 2018 Collection Allowance Claims Due
January 2019	Initial OTS Staff Layoffs (On-going Jan to June 2019)
February 28, 2019	Deadline for any Steward wholesale reconciliations re 2018 supply reports to be provided to OTS (Final Steward Reports)
	January CA Year-End Inventory Claims Due (Final CA Claims Submission Date)
	January TI Year-End Inventory Claims Due (Final TI Claims Submission Date)
	January PI Year-End Inventory Claims Due
	January MI Year-End Inventory Claims Due

Date	OTS Wind Up Action
March 2019	Final calculation of OTR Steward Amounts Owing – Invoicing of OTR Stewards
March 31, 2019	February PI Year-End Inventory Claims Due
	February MI Year-End Inventory Claims Due
	Deadline for any Steward wholesale reconciliations (negative volume adjustments) re 2018 supply reports to be provided to OTS (Final Steward Reports)
April 1, 2019	OTS 2018 Annual Report Released
April 30, 2019	March PI Year-End Inventory Claims Due (Final PI Submission Date)
	March MI Year-End Inventory Claims Due (Final MI Submission Date)
	Due date for final OTR Steward payments to OTS
May 31, 2019	OTS Target Date for Resolution of All Service Provider Contractual Payments
June 2019	Data Transfer to RPRA
June 2019	OTS Data Destruction
TBD	Disposal of Remaining OTS Assets
TBD	Final OTS Financial Reconciliations
TBD	Final OTS Steward Reconciliation
TBD	Formal Wind-Up of OTS
TBD	Submission of OTS 2019 Annual Report
TBD	Submission of Final Wind Up Report to RPRA
TBD	Seeks RPRA Approval of Appointment of OTS Liquidator
TBD	Submission of Final OTS Tax Returns

Date	OTS Wind Up Action
TBD	Obtain Tax Clearance Certificates
TBD	Dissolution of OTS as a Corporation
Regular OTS Wind Up Meetings	
RPRA	TBD – Minimum of Monthly Meetings April 2018 until OTS Dissolution as Corporation in 2019
Producers and Users	Schedule to be determined
OTS Service Providers	Schedule to be determined

1.1 B OTS Reporting Obligations During Wind Up

Under the *Waste Diversion Transition Act*, OTS as an IFO is obligated to submit an annual report to RPRA and make that report public no later than April 1st each year. That report must include: audited financial statements; materials changes that were made to the program during the year; any steps taken to develop and implement a wind up plan; and a description of any consultations undertaken by the industry funding organization during the previous fiscal year under this Act and a summary of the results of the consultations.

In addition, under subsection 14 (20) of the *WTDA*, OTS once it has “implemented an approved plan to wind up a program in full” is required to prepare and submit “a final report to the Authority and the Minister setting out the steps that were taken to implement the plan and confirming that the plan has been implemented.”

Consistent with these statutory obligations, OTS will release the following reports:

- Annual Report for 2017 by April 1, 2018:
 - Will include a description of 2017 Wind Up activities including consultation conducted with stakeholders and submission of Wind Up Plan to RPRA;
- Annual Report for 2018 by April 1, 2019:
 - Will include a description of 2018 Wind Up activities including steps taken to implement changes including a description of any consultation undertaken with stakeholders related to OTS activities;
- Annual Report for 2019 by December 31, 2019:
 - Will include final audited financial statements;

- Final Wind Up Report Submission to RPRA by December 31, 2019.

1.1.2 Draft Steward Rules During Wind Up

Under section 33 (3) of the WTDA, OTS in making rules is required to consult with persons affected by the rules. OTS Steward Rules must also be included in its operating agreement with RPRA. If there is any conflict between a Rule made by OTS under section 33 (1) and a regulation passed in relation to that section under section 73 (3), the regulation will prevail (section 73 (5) of the WTDA).

OTS is proposing a number of amendments to its Steward Fee Rules to implement changes necessary to wind up the Used Tire Program which are described in *Schedule 1 Proposed Amendments to Steward Fee Rules for Wind Up*. It is OTS's anticipation that new Steward Fee Rules will be required for implementation by March 31, 2018.

Given the interplay between OTS Steward Fee Rules and existing regulations and the legal complexities associated with drafting new Steward Fee Rules in a manner that is consistent with WTDA legislative and regulatory framework, OTS proposes that it consult with both the RPRA and CC on the nature of required amendments to Steward Fee Rules (see *Schedule 1 Proposed Amendments to Steward Fee Rules for Wind Up*) prior to developing draft wording regarding amendments to Stewards Fee Rules for submission to the RPRA for approval and inclusion in the program operating agreement.

1.1.3 Targets and Performance

Currently the Used Tire Program has a diversion target of 90% for On-road tires and a diversion rate of 50% for Off-road tires. These diversion rates are calculated as percentages of used tires collected versus estimates of used tires available for collection.

2016 program performance is summarized in Table 1.3.1 below.

Table 1.3.1 OTS 2016 Diversion Rates					
	Tonnes	PLT	MT	OTR	Total
A	Supplied into Marketplace	116,230	45,448	18,225	179,903
B	Assumption re Availability for Collection	88%	98%	83%	
C	Estimate Available for Collection	102,282	44,539	15,127	161,948
D	Collected	90,036	34,155	18,412	142,603
E	Reused (1)	2,815	1,083	187	
F	Material for Recycling Processors (2)	88,220	33,088	15,440	136,748
G	Inventory at Processors	9,384	3,901	-1,305	11,980
H	Material losses & Disposal	9,906	3,676	1,715	15,297
I	Recycled (Rubber)	55,011	20,347	12,752	88,110
J	Recycled (Steel)	13,159	4,883	2,278	20,320
K	Recycled (Fibre)	760	281	0	1,041
L	Total Tonnes Recycled [(I+J+K)]	68,930	25,511	15,030	109,471
M	Estimate Material to still to be recycled (3)	9,994	4,175	590	14,760
N	Total Tonnes Diverted (E+L+M)	81,739	30,769	15,807	128,316
P	Collection Rate (D/C)	88%	77%	121.72%	88.05%
O	Diversion Rate (N/C)	80%	69%	104.50%	79.23%

(1) Re-used tires includes used tires culled for re-use by Processors or Haulers.

(2) Estimates of material available for recycling by Processors includes removal of reported culled tires from tire collected and inventory adjustments for both Haulers and Processors.

(3) Estimate of material to still be recycled includes an estimate of tonnage still to be recycled in inventory.

As can be seen from Table 1.3.1 the calculated OTS program performance is below original targets established for the program with respect to On-road tire diversion rates which are below 90% in both the PLT and MT categories. This negative variance to the targets is not a reflection of any underperformance by the UTP, but rather a combination of over-estimation of the quantities of PLT and MT tires “Available for Collection, and an underreporting of reuse activities (culling for resale and culling for retreading) that are prediminerntly geared towards export markets. These issues have been known to OTS and the WDO / RPRA for a number of years. Actual program performance in diverting

near 100% levels of available used tires to recycling is evidenced by the absence of tires ending up in landfill, being utilized for fuel (even in foreign jurisdictions) and illegal dumping.

The program assumptions identified in row B above related to the estimate of used tires available for collection over estimates the actual number of used tires available for collection. Reviews conducted by OTS indicate that virtually all used tires available for collection are picked by registered Haulers and that Collectors have no significant problems in getting tires picked up.

OTS has analyzed scrap tire generation rates as a function of new tire supply and has identified the growing rates of winter tire sales along with strong new vehicle sales as reducing the rate of scrap tire generation as compared to tire sales:

- Ontarians are purchasing winter tires at increasing rates, however these sales are often increasing the consumers “tire inventory”, both extending the life of their all-season tires and not creating any scrap tires at the time of purchase.
- Ontario’s vehicle fleet has been growing at a rate of approximately 6-7% per annum, as a result the purchase of a new vehicle does not automatically translate into the decommissioning of an old one, including removing of the tires from the vehicle. This coupled with the strong new vehicle sale since 2014 further restricts scrap tire volume generation.

The second factor affecting calculation of collection and diversion rates is a significant under reporting of tires culled for re-use or recycling. Culling of used tires for re-use or potentially for retreading occurs throughout the used tire supply chain. While OTS receives some information, primarily from Processors, about the volume of used tires culled from inventories, it estimates that current culling levels are significantly higher than those reported by service providers.

In OTS’s view, close to 100% of used tires available for recycling are currently being collected under the program. As such there no practical way for OTS to change program operations in a manner that would meet original program targets.

For the Wind Up period, OTS is proposing to maintain current collection and diversion efforts and target collection and diversion performance consistent with 2016 results. While this is technically inconsistent with the language of the Ministerial Direction to meet or exceed program targets during wind up, in OTS’s view the approach is consistent with the spirit of Ministerial Direction that there be no drop off in recycling performance during the Wind Up period.

Table 1.3.2 Proposed WUP Performance Targets				
	PLT	MT	OTR	TOTAL
Collection Rate (D/C)	88%	77%	100%	88%
Diversion Rate (N/C)	80%	69%	100%	79%

Note: Due to significant historic fluctuations in OTR tire supplies, collection and diversion rates, OTS cannot target an OTR collection or diversion target in excess of 100% (i.e. consistent with 2016 performance).

1.1.4 Educational Programs

OTS has developed several programs to support consumer education efforts related to tire recycling, including the environmental and economic benefits of tire recycling. P&E programs support tire diversion and market development goals as outlined in legislation.

RethinkTires Road Trip

Each year, through the OTS Rethink Tires Roadtrip, OTS visits between 40 and 70 communities across Ontario. Through our participation in community events large and small, historically, OTS has leveraged these opportunities to engage and educate Ontario consumers about proper tire maintenance, the process and benefits of tire recycling, and increasing awareness about products made from recycled tires. OTS will not be embarking on a Roadtrip in 2018.

OTS is proposing that this program be fully wound up at the end of 2017, with no activity in 2018. There are no contractual obligations related to the Rethink Tires RoadTrip beyond 2017.

Consumer & Trade Shows

In addition to community-based events, OTS has historically exhibited at various consumer and trade shows each year. Participation at these events has allowed OTS to reach and connect with consumers and targeted audiences in the landscape, architecture and trades. Exhibits at consumer shows have focused on proper tire maintenance, the process and benefits of tire recycling, and market development through increasing awareness about products made from recycled tires. Trade shows have focused on improving knowledge and awareness amongst trades and built-environment professionals of recycled rubber products in support of market development mandates. Traditionally, OTS exhibits at 6-8 consumer/tradeshows annually.

OTS is proposing not to participate in any consumer or trade show exhibits in 2018, with all obligations and commitments ending by December 31, 2017.

Design Challenge

OTS hosted its 3rd Ontario Tire Stewardship Student Design Challenge, in the fields of landscape architecture and industrial design, in 2016 at Artscape Youngplace. The goal of the challenge was to ignite creativity and innovative environmental landscape architecture and industrial design while showcasing the aesthetics, functionality and high performance of Ontario tire-derived products. The competition provided design students with a unique opportunity to develop conceptual proposals and influence real construction. The competition was open to all design, architecture and landscape students enrolled at a post-secondary institution in Ontario. The final phase of the 2016

competition (the build-out of the winning designs), has been completed and there are no existing/carry-forward obligations related to the 3rd Student Design Challenge.

OTS is proposing not to host a Design Competition in 2018, therefore this program will be fully wound up by December 31, 2017.

OARA Tire Take Back Community Collection Event

OTS partners with Ontario Auto Recyclers Association (OARA) and Ontario Federation of Agriculture Association (OFA) to coordinate annual community collection events as part of OARA Tire Take Back. Historically, OARA members who are Used Tire Program registered collection sites host tire collection events in their communities and the OARA members donate the proceeds from the Collection Allowance they receive to The Sunshine Foundation of Canada to help make dreams come true for children living with severe medical challenges.

OTS is proposing not to participate in OARA Tire Take Back in 2018 and has no obligations related to OARA Tire Take Back in 2018.

Rationale:

OTS proposals related to promotional and educational activity will reduce program spending in this area by 72% in 2018 in comparison to 2017. The proposal to eliminate a number of OTS educational programs in 2018 is consistent with Ministerial Direction to strictly control and limit program spending to necessary program expenditures as the UTP program is being wound up.

1.1.5 Market Development

A. Initiatives/Programs

Community Renewal Fund (CRF) and Demonstration Projects

Over the course of the Used Tires Program, OTS has placed emphasis on increasing awareness for recycled rubber products by supporting the use of these products in community projects. By providing financial support in the form of Community Renewal grants, OTS has helped improve the lives of Ontarians through the almost 100 projects OTS' Community Renewal Fund has supported. These projects, from playgrounds to community arenas, help educate local government and consumers alike about the possibilities of products made with old tires, demonstrating the durability and cost-effectiveness of products made from these recycled materials.

As a result of OTS' Wind-Up, OTS will not be running an application intake in 2018. In order to meet its contractual obligations, OTS has set aside a sum of \$200,000 to fund approved projects from the 2017 CRF program which were not completed due to

weather and supply availability. All projects will be completed by September 30th, 2018, and all funding related to the projects will be paid out prior to December 31, 2018.

Project Name	Location	Description	Completion Date
Adam Wallace Park	Caledon, ON	Pour-in-Place to create an accessible playground	No later than Sept. 30, 2018
Hunstville Public School	Hunstville, ON	Pour-in-Place to create accessible playground	No later than Sept. 30, 2018
Thomas D’Arcy McGee School	Ottawa, ON	Pour-in-place to create an accessible playground	No later than Sept. 30, 2017
Trafalgar Park	Oakville, ON	Pour-in-place to create an accessible playground	No later than Sept. 30, 2017

Consumer Retail Rebate Programs

Consumer rebate programs have supported growth and expansion of the market for recycled rubber products, helping achieve market development and diversion targets, while providing financial relief for Ontario consumers. Since the launch of OTS’s rebate programs in 2013, Ontario consumers have benefitted from over \$2.1 million in rebates, offered on over 165 recycled rubber items, at retailers such as The Home Depot, Lowe’s and Canadian Tire.

OTS is proposing to discontinue rebate programs in 2018. Financial obligations will be limited to a program launched in August 2017, in approximately 100 independent flooring retailers across the province, to encourage the purchase of carpet underlayment made from recycled tires. This mail-in rebate offer expires on June 30th, 2018, with all mail-in claims processed by August 31st, 2018.

All invoices related to 2017 Rebate Programs will be processed by February 28th, 2018.

Program	Wind-Up Date	2018 Funding
RethinkTires Road Trip	December 31, 2017	\$0
Consumer Shows	December 31, 2017	\$0
Trade Shows	December 31, 2017	\$0
Design Challenge	December 31, 2017	\$0
OARA Tire Take Back	December 31, 2017	\$0
Community Renewal Fund	December 31, 2018 <ul style="list-style-type: none"> • Projects completed by September 30, 2018 • Funding payments issued by December 31, 2018 	\$200,000
Consumer Retail Rebates	December 31, 2017 <ul style="list-style-type: none"> • Rebate Offers End: December 31, 2017 • Invoices Paid: February 28, 2018 	\$0

Mail-in Rebate	<p style="text-align: center;">September 30, 2018</p> <ul style="list-style-type: none"> • Rebate Offer Ends: June 30, 2018 • Rebate Claims processed until August 30, 2018 	\$10,000
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Rationale:

The OTS proposal to minimize spending in relation to market development spending in 2018 is consistent with Ministerial Direction to strictly control and limit program spending to necessary program expenditures as the UTP program is being wound up.

Research & Development Projects

OTS has piloted / operated a range of “Market Development” programs intended to stimulate the development and commercialization of new processes and products that expand the market for recycled rubber in Ontario. As part of the original program design OTS developed an approach to supporting Research & Development (R&D) into new processes for recycling scrap tires and developing new markets for the resources recovered through tire recycling operations.

The OTS R&D Program focused on supporting innovative applied R&D related to products, technologies, or processes that are near-commercial ready and are likely to facilitate the development of new high-value tire-derived products that use Ontario scrap tires, and help grow the market for products made from scrap tires.

- Funding could be requested to cover a range of direct and indirect project costs. Generally eligible costs were those that OTS considers necessary and directly related to the project. These costs must be incurred by the applicant after the date of application approval and are subject to verification by an independent audit. For a more detailed description of OTS Research and Development projects and criteria see *Schedule 2 OTS Research and Development Projects*.

In the early rounds of applications OTS structured the project funding as a grant, payable as the project successfully achieved pre-determined milestones, with the final payment only coming after project completion had been demonstrated and a comprehensive project summary report had been received and accepted by OTS.

As the UTP matured however so did OTS’s approach to receiving, assessing and funding R&D projects. Starting in 2015 OTS took a more progressive and ultimately successful approach, continuing to pay the grant funds according to the successful completion of project milestones, but now adding post-project completion commercialization benchmarks that a project proponent must meet, or risk having to repay a portion of the funds received. The potential repayment amount was set based on a sliding scale that went up the more significant the “miss” was.

Process improvement and cost reduction projects were funded based on the targeted cost reductions identified by the applicant in the project application. As part of the project a 3rd party audit firm was engaged to perform a cost of production audit pre-and post-project completion to validate changes in production costs. If the project did not achieve the targeted production cost reductions a portion of the funds received would be repayable.

At the time of writing this Plan OTS believes that all projects in this stream will be complete and project results, and any associated financial implications, will be resolved before December 31 2018. A Summary of OTS Research and Development Projects is provided in Table 1.5.3 below. OTS is proposing not to initiate any new research and development projects during Wind Up. As can be seen in Table x below, this will significantly reduce OTS R&D expenditures from \$1.5 million in 2017 to just \$980,000 in 2018.

Table 1.5.3: R&D Project Tracker		
Project Description	2017 Funding Estimate	2018 Funding Estimate
Manufacturing process improvement to develop automated crumb feeder and mat extraction system – cost reduction goal of \$0.015/lb	\$122,272	\$0
Devulcanize rubber particulate and product production project	\$400,000	\$100,000
Crumb rubber pellitization and injection mould development project	\$350,000	\$650,000
Combined heat and power cell project – Energy and production cost reduction target of \$0.018/lb	\$450,000	\$200,000
Mat production automation project	\$125,000	\$33,000
Total	\$1,447,272	\$983,000

Post-Project Monitoring After UTP Termination

In the case of Material substitution projects OTS designed the funding agreements to require the proponent to demonstrate growth in incremental crumb rubber consumption, and required that the crumb be sourced from Ontario Processors. These targets were typically spread over the 3 years following the project completion and were expected to be monitored and validated by OTS through the data collected from Ontario Processors and RPMs. Failure to meet these targets (or the cumulative 3-year target) would result in the proponent having to repay a portion of the funds received from OTS. In the case of one project a \$500,000 bonus was negotiated if the proponent exceeded the cumulative 3-year target by a set percentage.

At the time of writing this Plan OTS has 3 “open” projects of this type (1 completed and in the performance monitoring phase, and 2 on-going). All 3 of these projects will be in the performance monitoring phase as of December 31 2018. Given the legal difficulties

associated with monitoring each of these programs after the dissolution of the program, OTS is proposing as part of this Wind Up Plan that the Research and Development contracts be terminated in January 2019.

The financial consequences of these terminations will be two-fold. OTS or a post-OTS entity with assigned rights will be unable to collect any repayable amounts potentially owing on the projects if the project proponent fails to meet future performance targets. The maximum potential payback returnable to OTS under open projects is \$763,000. Given current project performance to date the likelihood of payables due to lack of future performance are, in OTS's estimation relatively small. The second financial consequence is that OTS will not be obligated to pay a \$500,000 bonus on one project in the event that the project exceeds future performance targets. This will relieve OTS or a trustee with assigned rights of the responsibility of holding \$500,000 in trust for potential payment to the project proponent until the end of 2020. OTS will also not have to determine how this money held in trust would be utilized at the end of 2020 in the event that the project proponent did not exceed current project performance and become eligible for the current contractual bonus.

OTS Wind-Up Planning – Rubber Modified Asphalt

OTS has long identified the Rubber-Modified asphalt (RMA) market as being a high potential one for development. The RMA market presents favorable economic opportunities to create a sustainable market for crumb rubber while improving product performance and environmental outcomes. Crumb sells for a significant discount compared to existing polymer asphalt modifiers and as compared to asphalt liquid and RMA is a more durable, longer lasting asphalt that can be paved thinner with no loss of performance.

During the course of the UTP OTS has undertaken a number of initiatives to support the development of this market in Ontario including:

- Development of a technical manual for the contracting industry;
- Supporting knowledge exchange between Ontario MTO staff, Regions and Municipalities and asphalt contractors and RMA experts from other jurisdictions;
- Partnering with the MTO on a series of RMA paving tests sections in 2011 including paying for the importation of blending equipment necessary to produce the RMA at the contractors' Hot-Mix Asphalt plants.

Through these initiatives OTS identified the main issue with developing the RMA market in Ontario as lack of demand from asphalt pavement specifiers, and an equal and related reluctance on the part of asphalt suppliers and paving contractors to develop an RMA product offerings in the absence of clear demand from the MTO or Regional and Municipal clients.

The production of RMA in an efficient and cost-effective basis in Ontario requires the provision of a dedicated blending unit to produce the product that contractors need to be able to bring forward a paving option for clients without having to make the initial

investment themselves. To address this gap OTS developed and issued an RFP for interested organizations to provide rubber / asphalt blending equipment and operate it to the benefit of the Ontario market. The RFP was issued to Processors, asphalt suppliers and road contractors.

In early 2017 OTS signed a contract for blending equipment provision and operation with CRM of Canada Processing ULC (“CRM”). Under the agreement CRM would source, deliver, maintain, market and operate the blending unit in Ontario and must meet certain RMA production targets. CRM will also provide training for MTO, Regional and Municipal staff and asphalt and road contractors. Under the agreement OTS provides a grant to be paid as CRM demonstrates completion of a series of milestones culminating in the delivery of training sessions into 2018.

Since signing of the agreement in March 2017 CRM has pushed ahead with sourcing and delivering the blending unit, with manufacturing being completed in October of 2017. It is expected that CRM will complete the required milestones by the end of Q2 2018.

During the negotiations of the agreement with CRM OTS considered other supports it could provide to bolster the blending equipment. OTS considered whether creating a “pull” incentive for MTO, Regional and Municipal customers as well as road contractors would be appropriate. However, at this time no contractual commitments exist between OTS and any party regarding the development and implementation of an RMA incentive for MTO, Regional and Municipal customers or road contractors, nor for OTS to support costs of these stakeholders attending CRM-hosted training. Given that the UTP is being wound up, OTS is not proposing to enter into any further contractual commitments with respect to the RMA project.

OTS proposes to monitor CRM’s performance of the RMA agreement requirements in accordance with the schedule included in the agreement until January 2019. As with R&D performance contracts, OTS is proposing that the RMA contract with CRM be terminated in January 2019. There are no financial implications associated with this approach

Rationale:

The OTS proposal to minimize spending in relation to research and development programs in 2018 including its proposal in relation to the RMA project is consistent with Ministerial Direction to strictly control and limit program spending to necessary program expenditures as the UTP program is being wound up.

B. Studies/Reports

In the course of operating the UTP OTS commissioned a number of reports to support the development or realization of initiatives implemented as part of the program. These reports are:

Report	Description
Used Off-The-Road Tire Weight Study	An analysis of the average estimated weights of used Off-The-Road (OTR) tires by type and the associated discount as compared to the same tire when new.
Transportation Incentive Whitepaper	A review of the transportation cost inputs used to calculate the Transportation Incentive rates paid by OTS.
Stockpile Clean-Up Report	Report on the completed clean-ups of used tire stockpile sites identified at the launch of the UTP
Rubber Modified Asphalt Technical Manual	A technical manual for asphalt blenders and contractors on the production and installation of Rubber Modified Asphalt (RMA).
Off-The-Road Tire Processing Tire-Derived Product Yield Rate Study	An analysis of the potential Tire-Derived Product (TDP) yield rates associated with the processing of the different used Off-The-Road (OTR) tire types under the UTP.
New & Used Passenger and Light Truck Weight Study	An analysis of the average estimated weights of new and Used Passenger and Light Truck (PLT) tires supplied and collected in Ontario.
Omnibus Consumer Research Reports (2011-2017)	Consumer research in order to assess the success of OTS' consumer efforts and measure consumer awareness of tire recycling in the province of Ontario.

In addition to Omnibus consumer research, consumer opinion surveys conducted during consumer and tradeshow exhibits and during the RethinkTires Road Trip will also be transferred. The results of these surveys will be made available in digital format to RPRA by December 31, 2018.

OTS will make all reports available for review and download on its website following the approval of the WUP. Additionally electronic copies of all reports will be provided to RPRA as part of the transfer of data and information in support on wind-up and transition to the RRCEA framework.

Industry research will be transferred to RPRA in digital format prior to December 31st, 2018.

WUP SECTION 1.2: IMPLEMENTATION PLAN AND TIMELINE

1.2.1 Implementation Plan and Timeline

A. *Detailed Implementation Plan*

See *Schedule 3 Draft OTS Implementation Plan and Timeline* attached which identifies key target dates for Wind Up program deliverables and tasks necessary for execution of those deliverables. The proposed Draft Implementation Timeline assumes regular meetings with the RPRA to review the status Wind Up steps and identify potential issues with program operations or Wind Up deliverables. It is assumed that these meetings will occur initially at a minimum on a monthly basis with more frequency later into 2018 and 2019 or as required based on the issues associated with program Wind Up.

Upon approval of this Wind Up Plan, the Administrator or his designate will work with OTS staff to confirm the details of necessary tasks, timing of execution and staff responsibilities related to major Wind Up Plan deliverables. The Administrator will work closely with OTS senior management to monitor the Wind Up process to ensure that tasks necessary for execution of Wind Up deliverables are executed in manner consistent with the WUP.

Performance metrics related to execution of the WUP will focus primarily on the completion of tasks in a manner consistent with WUP target dates for key deliverables and the execution of Wind Up activities in a manner consistent with financial forecasts. OTS will track monthly cash flows throughout the Wind Up process.

B. *Consistency with WTDA and the Corporations Act*

As indicated in Section 1: Wind Up Operating Plan OTS proposes to engage a liquidator following resolution of outstanding Steward and service provider financial obligations, to liquidate any remaining OTS assets and take necessary steps to dissolve OTS as a corporate entity under the applicable *Corporations Act* provisions.

As indicated earlier, OTS will manage all reserve funds and any excess revenue associated with the program at the end of the Wind Up process in a manner consistent with WTDA provisions related to IFO funding and operations and program Wind Up. This will include the disbursement of any excess funds associated with the UTP that exist following the resolution of all outstanding OTS financial obligations.

1.2.2 Key Wind Up Dates

November 30, 2017

- Date for submission of OTS Wind Up Plan to RPRA as specified by Ministerial direction provided to OTS.

December 31, 2018

- UTP Program termination date as specified by Ministerial direction provided to OTS via Minister's letter February 17, 2017.

July 31, 2019

- Target UTP Wind Up completion date.

December 31, 2019

- Target date for submission of Final Wind Up Report to Minister as required under Section 14 (20) of the WTDA.

TBD

- Target date for dissolution of OTS as a corporate entity TBD as part of the liquidation process.

1.2.3 Other Key Wind Up Dates

Key dates associated with:

1. the termination of service provider contracts and related claims and subsequent OTS payments; and
2. Steward reporting and payment deadlines;

are provided in WUP Sections 1.1 Wind Up Operating Plan, 1.2 Implementation Plan and Timeline and 1.7 Cut-off.

WUP SECTION 1.3: COMMUNICATION WITH STAKEHOLDERS

1.3.1 Consultation with Stakeholders

A detailed OTS Wind Up Consultation Report outlining how OTS has met the consultation requirements of ss. 14 (13) of the *Waste Diversion Act, 2016* during the development of this Wind Up Plan is attached as Appendix B.

As per Ministerial direction provided February 2017 the attached OTS Wind Up Consultation Report provides a list of all Stewards, municipalities, service providers and affected stakeholders that were consulted during the development of this plan, a summary of comments received by these stakeholders and an explanation of how stakeholder comments were considered by OTS in the development of this Wind Up Plan.

1.3.2 Communications with Stakeholders

A. Communications Plan

Communications Objectives:

Communications activities during windup will serve to meet the following objectives:

- Support the successful wind-up of OTS through effective and clear communications with affected stakeholders; and
- Support the transition to the RRCEA while continuing to achieve the current goals, objectives and mandates of the Used Tires Program, namely tire diversion without disruptions.

Communications Strategy:

Effectively, timely and relevant communications will be key to a smooth wind-up and successful transition. OTS's communications strategy approach is to:

- Ensure that communications materials and messaging are open, honest, professional, and timely;
- Ensure that communication tactics address the needs and concerns of all affected parties, and that the proper delivery / notification vehicles are utilized (email, phone, web, social, in-person, etc.);
- Develop materials in advance to ensure quick and smooth execution; and
- Closely monitor all audience reaction – plan to recalibrate or add weight to particular communications as required during the wind-up period.

Communications Scope:

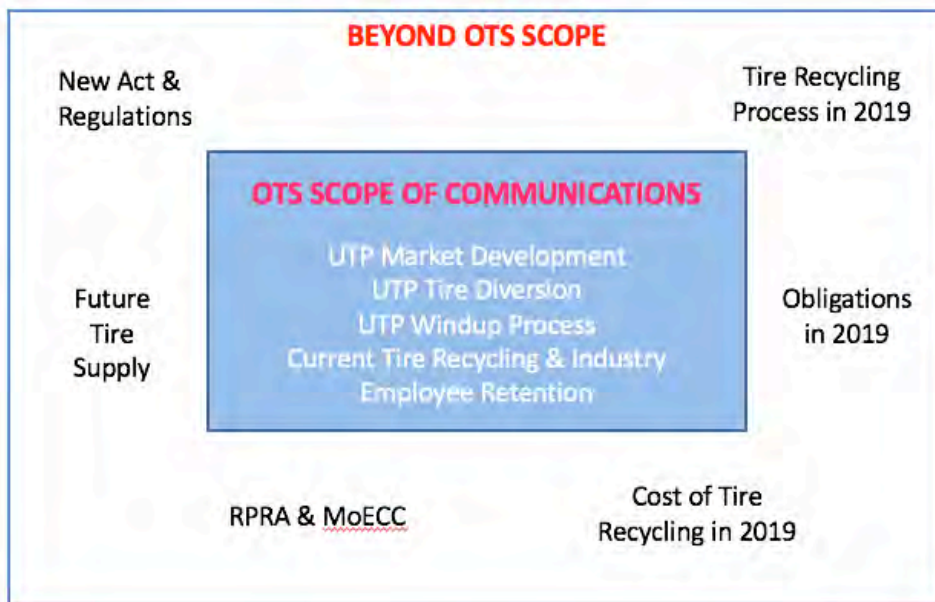
Communications during windup will balance the needs of the organization to continue to deliver the Used Tires Program to December 31, 2018 and support a smooth transition.

While the RRCEA will result in a variety of changes for affected stakeholders, the scope of OTS communications during windup will focus on:

- Normal operation of OTS activities (business as usual);
- Current program – tire diversion;
- Wind up process changes;
- Tire recycling (industry perspectives); and
- Employee education and retention.

Communications will emphasize OTS’s role to ensure the Wind Up of all Used Tire Program activities and ensure a smooth transition to the new RRCEA legislative framework. OTS communications WILL NOT address:

- RRCEA;
- Used tire regulation/s under the RRCEA;
- Future tire supply;
- How tires will be collected, transported and/or managed in 2019;
- RPRA or CC plans or structure;
- How program participants will be affected by the RRCEA or the used tire regulations under the RRCEA; and
- Tire collection, transportation and/or recycling processes or costs in 2019.



Stakeholder Categories:

OTS communications activities will be timely, relevant and transparent to meet the information needs of the following target audiences:

Table 1.3.1 Communication Stakeholder Categories	
Tier A (Frequent Communications)	Tier B (Limited and/or Specific Communications)
Stewards	Consumers / Ontarians
Collectors	Provincial Government
Haulers	Suppliers / Service Providers
Processors	Retailers - recycled tire products
Manufacturers	Retailers – tires
Municipalities	Industry Associations, including: <ul style="list-style-type: none"> ○ Tire / Automotive ○ Waste ○ Environment ○ Municipal gov't
Employees	
RPRA	

B. Method and Timing of Communication Activities

Communications Channels

The following communications channels are currently active or easily activated depending on the needs and desires of the audiences OTS will communicate with. In most cases, there is an established cadence of communications that will not change during Wind Up and will be enhanced with additional touch points as required.

Channel	Frequency
Social – Twitter & Facebook	Several times/day
Website	Always on
Newsletter – Stakeholder	Quarterly
Newsletter – Consumer	Quarterly
Participant Town Hall Meetings (in-person or webcast)	As required, upon Plan approval; minimum of two per stakeholder (Stewards, Collectors, Haulers, Processors, Product Manufacturers)
Employee Town Hall Meetings	Monthly
Technical Committee Meetings	Quarterly
Media / Influencers	As Required
Direct mail / Email – normal course of business	As Required
Direct mail / Email – windup and exceptional	As Required
Advertising / Advertorial	As Required
1:1 Meetings (In-Person or Phone)	As Required
Industry meetings (e.g.: OARA, CATRA, TRAC)	As Required

Communications Tactics

The following communications tactics will be utilized throughout the windup process, for both business-as-usual communications activity as well as communications related to windup.

Core Materials

Audience: All

Timing: Now; Ongoing

- Create core key messages and Q&A materials that can be referenced for all communications. These will be reviewed quarterly or as needed.

Stakeholder Newsletter

Audience: Program Participants; Other Interested Parties

Timing: Quarterly (March, June, Sept, Nov/Dec)

- This newsletter is produced quarterly and now includes a section on Wind Up materials and information

Website

Audience: All

Timing: Ongoing

- The website now includes a section on all wind-up materials and is updated as new information is available.
- Anticipated updates include:
 - Wind Up plan executive summary
 - New information on PLT fee elimination
 - New information on any date changes for submissions of claims
 - Any key contact changes

Social Media

Audience: Program Participants; All

Timing: Ongoing

- Information related to wind up will be shared via twitter (with links to the OTS website) as new information is available

Employee Town Halls

Audience: Employees

Timing: Monthly

- As per normal course of business, monthly employee town halls will continue and be a forum for communicating information on wind up and impact on daily operations of OTS.

One-On-One Meetings

Audience: Program Participants; Stakeholders; Government

Timing: As needed

- On occasion update meetings will be required to answer questions and ensure information is being communicated in an accurate fashion.

Special Email Communications

Audience: Program Participants

Timing: As needed

- When specific information on wind up activities is required an email blast will be produced to support this information being disclosed.

News Release

Audience: All

Timing: As needed

- At such time that final communications are required, including details on wind up and transition, a news release with this information may be developed to share with media and other key program participants.
- Anticipated communications include:
 - Announcement of Wind-up Plan approval
 - Final communication in late 2018

Wind Up Letter

Audience: Government; Associations; Organizations affiliated with OTS; Suppliers

Timing: Sept 2018 (in some cases earlier as contracts/needs arise)

- At appropriate times throughout 2018, a letter announcing the wind-up of operations and any associated information that may need to be shared will be developed
- We anticipate the majority of these letters will be sent out 90 days before the wind up of operations

Technical Committee Meetings

Audience: Program Participants

Timing: February, May, September 2018; additional meeting(s) may be scheduled, if required

- To communicate business-as-usual Operations information in addition to Wind-Up specific activities, dates and deadlines

Annual Report 2017

Audience: All

Timing: April 2018

- An annual report, similar in nature to previous years will be developed to highlight program accomplishments and shared via OTS website

Annual Report 2018

Audience: All

Timing: April 2019

- An annual report will be developed upon wind up of program in early 2019

Final Audited Financial Report

Audience: All

Timing: December 2019

- A final audited financial report will be produced at the end of the program.

Final OTS Wind Up Report (as required under Section 14 (20) WTDA

Audience: To be determined in consultation with RPRA and CC

Timing: December 2019.

See *Schedule 4 Communications Tactics and Stakeholder Communications Calendar* for a Table summarizing communications tactics.

Communications Timelines

OTS will continue to communicate on a regular basis with stakeholders and Program Participants on “business-as-usual” matters as part of the day-to-day operations of the Used Tires Program. Wind Up communications to affected stakeholders will provide clear and specific information as it pertains to them and how they will be affected and impacted. Communications will provide windup details affecting stakeholders, including deadlines and required actions.

Charts attached in *Schedule 4* include samples of stakeholder-specific activity as well as a sample overview of monthly activity. These samples serve to demonstrate the variety of communications outreach to be undertaken. A comprehensive, preliminary Stakeholder Communications Calendar can be found in *Schedule 4*. Note: the calendar will be finalized once the UTP Windup Plan is approved by RPRA.

C. Stakeholder Feedback

Program Participants, affected stakeholders and interested parties will have the ability to provide feedback and commentary, raise questions and share concerns with OTS through a variety of feedback mechanisms, as follows:

- Emails via info@rethinktires.ca
- Phone via Call Centre
- Letter via mail
- Online Feedback Form via rethinktires.ca
- In-Person via Town Halls, Technical Committee Meetings, 1:1 Meetings

Table 1.3.3 Feedback Mechanisms		
Affected Stakeholder	Feedback Options	OTS Response Timelines (as applicable)
Stewards	<ul style="list-style-type: none"> • Emails via info@rethinktires.ca • Phone via Call Centre • Letter via mail • Online Feedback Form via rethinktires.ca • In-Person (via Town Halls, Technical Meetings, 1:1 Meetings) 	<ul style="list-style-type: none"> • Email - 48 hours • Phone - Immediate • Letter - 14 business days • Online Form - 48 hours • In-Person - immediate
Collectors	<ul style="list-style-type: none"> • Emails via info@rethinktires.ca • Phone via Call Centre • Letter via mail • Online Feedback Form via rethinktires.ca • In-Person (via Town Halls, Technical Meetings, 1:1 Meetings) 	<ul style="list-style-type: none"> • Email - 48 hours • Phone - Immediate • Letter - 14 business days • Online Form - 48 hours • In-Person - immediate
Haulers	<ul style="list-style-type: none"> • Emails via info@rethinktires.ca • Phone via Call Centre • Letter via mail • Online Feedback Form via rethinktires.ca • In-Person (via Town Halls, Technical Meetings, 1:1 Meetings) 	<ul style="list-style-type: none"> • Email - 48 hours • Phone - Immediate • Letter - 14 business days • Online Form - 48 hours • In-Person - immediate
Processors	<ul style="list-style-type: none"> • Emails via info@rethinktires.ca • Phone via Call Centre • Letter via mail • Online Feedback Form via 	<ul style="list-style-type: none"> • Email - 48 hours • Phone - Immediate • Letter - 14 business days

	<p>rethinktires.ca</p> <ul style="list-style-type: none"> • In-Person (via Town Halls, Technical Meetings, 1:1 Meetings) 	<ul style="list-style-type: none"> • Online Form - 48 hours • In-Person - immediate
RPMs	<ul style="list-style-type: none"> • Emails via info@rethinktires.ca • Phone via Call Centre • Letter via mail • Online Feedback Form via rethinktires.ca • In-Person (via Town Halls, Technical Meetings, 1:1 Meetings) 	<ul style="list-style-type: none"> • Email - 48 hours • Phone - Immediate • Letter - 14 business days • Online Form - 48 hours • In-Person - immediate
Municipalities	<ul style="list-style-type: none"> • Emails via info@rethinktires.ca • Phone via Call Centre • Letter via mail • Online Feedback Form via rethinktires.ca • In-Person (via Town Halls, Technical Meetings, 1:1 Meetings) 	<ul style="list-style-type: none"> • Email - 48 hours • Phone - Immediate • Letter - 14 business days • Online Form - 48 hours • In-Person - immediate
Employees/Staff	<ul style="list-style-type: none"> • Emails • In-Person (via Town Halls, 1:1 Meetings) 	<ul style="list-style-type: none"> • Email - 48 hours • In-Person - immediate
Consumers and General Public	<ul style="list-style-type: none"> • Emails via info@rethinktires.ca • Phone via Call Centre • Letter via mail • Online Feedback Form via rethinktires.ca 	<ul style="list-style-type: none"> • Email - 48 hours • Phone - Immediate • Letter - 14 business days • Online Form - 48 hours

WUP SECTION 1.4: FINANCIAL FORECAST AND BUDGET

1.4.1 Financial Forecast and Budget

As of the submission of this Wind Up Plan, OTS Financial Forecasts for 2017, 2018 and 2019 are based on a number of data inputs and estimates described below. Monthly material cash inflow and outflow estimates expected to be incurred during the wind up period are provided in *Schedule 5 Financial Forecast and Budget (FF&B)* (attached) for the period from December 2017 to June 2019.

In 2016 99% of OTS revenue was generated from TSF revenues which fluctuate with Steward new tire supply volumes with remaining revenue generated from interest and TSF penalty revenue on OTS accounts.

In 2016 73% of OTS costs were associated with CA, TI, PI and MI payments which fluctuate with the volume and incentive rates for used tires collected, transported, processed into crumb rubber and manufactured into RPM products. Remaining OTS operating costs are associated with market development, research and development, promotional and education programs, HST expense, amortization expense and the general and administrative costs associated with administration of the UTP program.

With respect to program Wind Up, a number of proposals included in this Wind Up Plan have a significant impact on the OTS operating budget for 2018. Key operating decisions with significant financial implications are referenced below and described in OTS WUP Section 1: Wind Up Operating Plan. In addition OTS will incur specific one-time Wind Up costs associated with operations throughout the Wind Up period. Those one-time Wind Up activities with cost implications are also referenced below (and described in Section 1 Wind Up Operating Plan).

Key revenue and cost assumptions and factors affecting estimates for calendar years 2017, 2018 and 2019 are the following:

2017:

Forecasts for calendar year 2017 are based on year-to-date actual financials for 2017 from January to September 2017 (unaudited) plus OTS estimates for October to December 2017.

Key revenue assumptions associated with 2017 October to December estimates assume a year-over-year sales increase with respect to Steward tire volume reports of 2.0% for PLT tires; a 1.2% increase in MT tire volumes and a 8.6% increase in OTR tire volumes. These estimates yield an overall increase in Steward TSF related PTE volumes of 2.8 percent in 2017 versus 2016. (See *Schedule 5 FF&B* for 2017 and 2018 estimates (attached)).

OTS revenue forecasts for 2017 include a \$1.4 million revenue reduction related to 2016 PLT Reconciliation Credit provided to PLT Stewards as of June 2017.

Key cost assumptions (in particular October to December estimates) associated with 2017 forecasts include the following.

Estimates of CA, TI, PI and MI payments for 2017 are based on the following:

- CA payments:
 - Volumes based on September YTD Actuals and October to December estimates based on 2016 volumes (no rate changes);
 - Overall 7.7% increase in 2017 CA payments in relation to 2016, which is in most part due to a change in the administration of Municipality claims;

- TI payments:
 - Volumes based on September YTD Actuals with October to December estimates based on 2015 Actuals (as 2016 Fourth Quarter volumes were reduced due to the sale of a major OTS Processor);
 - TI rates factor in rate increases associated with an April 1, 2017 rate increase and a 2% fuel increase implemented July 1, 2017 and additional out-of-province TI associated with the Processor Capacity RFP;
 - Overall 17% increase in 2017 TI payments based on rate increases and approximately a 5% volume increase in relation to 2016;

- PI payments:
 - Volumes based on September YTD Actuals with October to December estimates based on 2016 volumes;
 - PI estimates factor in additional PI payments associated with Processor Capacity RFP;
 - Overall 1.7% increase in PI payments in relation to 2016;

- MI Payments:
 - Volumes based on September YTD Actuals with October to December estimates based on 2016 volumes;
 - MI estimates factor in a MI rate reduction implemented in July 2016;
 - Overall projected 25% reduction in MI payments in relation to 2016 based on mid-year 2016 rate reduction and year to date volume changes.

A summary of CA, TI, PI and MI payments for 2016 through to 2018 is provided in Table 1.4.3 below. See *Schedule 5 FF&B* for more details.

OTS cost estimates in 2017 related to Promotional and Educational Programs, Market Development Programs (included Rubber Modified Asphalt) and Research and Development Programs are based year-to-date results (January to September) with October to December estimates based on YTD trends and forecasts related to various program stages. (A summary for program spending in these areas for 2016 through to 2018 is provided in Table 1.4.4 below.)

OTS General and Administrative cost estimates are based on September YTD results with forecasts for October to December based on YTD spending trends. With respect to program Wind Up, 2017 OTS General and Administrative expenses include OTS fees paid to RPRRA under the WTDA and costs associated with stakeholder Wind Up consultation and IT, legal and consulting costs related to preparation for OTS Wind Up. (A summary of General and Administrative expenses is provided in Table 1.4.5. below.)

2018:

The key revenue assumption associated with 2018 OTS financial forecasts is the Steward TSF new tire supplies will increase by 1% in 2018 in relation to estimated 2017 Steward TSF tire supply volumes.

With respect to 2018 interest revenue OTS is forecasting a (\$94,219) reduction in relation to 2017 as OTS reserve funds are reduced due to operating deficits in both 2017 and 2018 (See *Schedule 5 FF&B* and Summary Financials below). OTS is also projecting a revenue increase of ~\$30,000 associated with Wind Up asset disbursement in 2018 (See *Schedule 5 FF&B* and subsection Notes to Financial Forecast & Budget Section 1.4 item Proceeds from the Disposal of Capital Assets).

Key 2018 cost assumptions and factors related to OTS CA, TI, PI and MI forecast estimates include the following by category:

- CA payments:
 - Volumes based on 2017 estimates;
 - 2018 forecast same as 2017 estimate;

- TI payments:
 - Volumes based on 2017 estimates;
 - TI rates assume a 2% fuel increase adjustment for implementation on July 1, 2018 and additional out-of-province TI associated with the Processor Capacity RFP;
 - Overall 2.7% increase in 2018 TI payments in relation to 2017;

- PI payments:
 - Volume forecast assumes an increase in OTR TDP tonnes to be sold.
 - PI estimates factor in additional PI payments associated with Processor Capacity RFP;
 - Overall 5.2% increase in 2018 PI payments in relation to 2017;

- MI Payments:
 - Based on forecasting with current RPMs, OTS anticipates an increase of approximately 8,200 tonnes in MI related volumes for 2018 in relation to 2017;
 - MI rates vary depending upon the product created. The highest possible MI rate, referred to as enhanced MI is approximately double the standard MI rate due the manufacturing costs associated with the production of higher value products. In addition to volume increases, 2018 RPM forecasts include a significant increase in the volume of product eligible for enhanced MI rates. This forecast increase in enhanced MI has been factored into the 2018 estimate;
 - Overall projected 73% increase in MI payments in 2018 relation to 2017 (30% increase in relation to 2016 MI) based on projected volume increases and an increased in enhanced MI expenditures.

A summary of CA, TI, PI and MI payments for 2016 through to 2018 is provided in Table 4.3 below. See *Schedule 5 FF&B* for more details.

OTS cost estimates in 2018 related to Promotional and Educational Programs, Market Development Programs (included Rubber Modified Asphalt) and Research and Development Programs include significant reductions in spending associated with program changes proposed in this Wind Up Plan that are described in more detail in OTS WUP Section 1.1: Wind Up Operating Plan. The year over year percentage reductions associated with OTS cost forecasts in these areas in 2018 are the following:

- Promotional and Education – 72% reduction in program spending;
- Market Development – 92% reduction in program spending;
- Research and Development – 32% reduction in program spending;
- Rubber Modified Asphalt – 80% reduction in program spending.

(A summary for program spending in these areas for 2016 through to 2018 is provided in Table 4.4 below. See *Schedule 5 FF&B* for more details.)

OTS General and Administrative cost estimates for 2018 include a number of Wind Up related costs including OTS fees paid to RPRA under the WTDA and IT, legal and consulting costs related to implementation of OTS Wind Up. Write off of the book value of the TreadMarks system in 2018 is forecast to have a significant cost impact. With respect to Salaries and Benefits OTS is forecasting a 2% increase in relation to 2017. Other General and Administrative Expenses

are in line with 2017. (A summary of General and Administrative expenses is provided in Table 4.5 below. See *Schedule 5 FF&B* for more details.)

2019:

With minimal assets values available, OTS is currently assuming zero revenues accruing to 2019 operations. Any proceeds from asset sales in 2019 will be used to offset costs with proposed liquidator.

With respect to 2019 costs, OTS forecasts assume a Wind Up process consistent with recommendations submitted in this Wind Up plan. Forecasts related to General and Administrative expenses assume continued operations from January to June 2019 with staff severance notices based on Wind Up Plan recommendations. Forecasts for CA, TI, PI and MI payments related to service provider contractual commitments following program termination are consistent with the recognition of inventories as described in Section 1.1 Wind Up Operating Plan. 2019 cost estimates include continuation of RPRA costs and general consulting, legal and IT costs associated with Wind Up. The 2019 cost forecast also includes a contingency fund designed to enable OTS to manage potential financial contingencies associated with 2018 and Wind Up operations without becoming insolvent (See Summary of 2019 expenses Table 1.4.6 below and *Schedule 5 FF&B* for more detail).

Summary Financial Tables

	2016 Actual	2017 Estimate	2018 Estimate
Total Revenue*	\$51,383	\$61,622	\$63,745
Operational Expense	\$57,571	\$65,441	\$62,901
General and Administration	\$6,481	\$7,997	\$9,477
Total Expense	\$64,052	\$73,438	\$72,378
Excess of Revenues Over Expenses	(\$12,669)	(\$11,816)	(\$8,633)

* Note: 2016 revenues include \$15.1 million revenue reduction associated with a \$13.5 million 2015 Steward PLT TSF reconciliation implemented June 2017 and a \$1.7 million 2014 Steward PLT TSF reconciliation implemented June 2016. 2017 revenues include \$1.4 million revenue reduction associated with 2016 Steward PLT TSF reconciliation implemented June 2017.

Tire Category	2016 Actual	2017 Estimate	2018 Estimate
PLT TSF	\$43,594.8	\$39,979.2	\$38,521.9
MT TSF	\$11,876.0	\$11,264.7	\$11,660.2
OTR TSF	\$10,436.5	\$11,069.9	\$13,119.2
Total TSF	\$65,907.3	\$62,313.8	\$63,301.3
PLT Reconciliations	(15,149.8)	(1,420.8)	0
Total TSF Revenue*	\$50,757.5	\$60,893.0	\$63,301.3

* Note: Difference between Total TSF Revenue Table 4.2 and Total Revenue Table 4.1 is accounted for by OTS interest and TSF penalty revenue and (capital asset Wind Up proceeds in 2018).

Incentive Category	2016 Actual	2017 Estimate	2018 Estimate
Collection Allowance	\$7,078	\$7,623	\$7,545
Transportation Incentive	\$19,174	\$22,500	\$23,100
Processing Incentive	\$15,137	\$15,400	\$16,200
Manufacturing Incentives	\$5,481	\$4,100	\$7,100
Total OTS Incentives	\$46,870	\$49,623	\$53,945

Program Category	2016 Actual	2017 Estimate	2018 Estimate
Promotional and Education	\$1,710	\$2,193	\$609
Market Development	\$1,297	\$2,849	\$220
Research and Development	\$943	\$1,447	\$983
Rubber Modified Asphalt	\$0	\$1,850	\$363
Program Totals	\$3,950	\$8,339	\$2,175

Note: A description of specific Programs eliminated or curtailed in 2018 as part of OTS Wind Up is provided in Section 1 OTS Operational Plan with details of various 2018 P&E, MD and R&D program cost reductions provided in *Schedule 5 FF&B* attached.

Table 1.4.5 Summary of Total OTS Expenses 2016 – 2018 (\$000s)			
Expense Category	2016 Actual	2017 Estimate	2018 Estimate
CA, TI, PI & MI Incentives	\$46,870	\$49,623	\$53,945
P&E, MD, R&D, Rubberized Asphalt	\$3,950	\$8,339	\$2,175
HST Expense	\$4,843	\$5,690	\$4,930
Amortization Expense TMm & TM 10.0	\$1,907	\$1,779	\$1,852
IT Application Maintenance	\$0	\$10	\$0
General and Administrative			
Salaries & Wages	\$2,882	\$2,929	\$2,987
RPRA Fees	\$1,199	\$1,950	\$2,712
Legal and Consulting Fees	\$401	\$840	\$570
IT Services	\$850	\$1,044	\$990
Amortization Expense Office&General	\$206	\$168	\$119
Other General and Admin	\$944	\$1,066	\$2,098
G&A Total	\$6,481	\$7,997	\$9,476
Total OTS Expenses	\$64,052	\$73,438	\$72,378

Note: Monthly forecasts of OTS expenses, with additional detail in some cost categories are provided in *Schedule 5 FF&B* Attached.

Table 1.4.6 Forecast of OTS 2019 (Wind Up) Expenses (\$000s)	
Account Description	\$ 000s
Employee Severance	\$2,100
General & Administration Expenses (January to June)	\$2,624
RPRA Costs	\$600
Contractual Commitments – Property Lease & Cisco phone	\$131
Incentive Contractual Obligations (Includes HST on CA & TI)	\$9,040
One-time Wind Up Expenses*	\$1,500
Contingency Fund <ul style="list-style-type: none"> • Steward Non-Compliance 2018 • TSF fee volume fluctuations 2018 • Incentive payment fluctuations 2018, 2019 	\$3,044
Total Wind Up Expenses	\$19,039

Note: One-time Wind Up expenses include items such as legal, consulting, liquidator, annual audited financial statements, data destruction, data retention, storage costs, etc.

Table 1.4.7 Impact of Revenue/Expense Forecast on OTS Reserves	
	Estimate (\$000s)
Net Assets as of December 31, 2016	\$49,155
2017 Operating Surplus/(Deficit)	(\$11,816)
2018 Operating Surplus/(Deficit)	(\$8,663)
Net Asset Estimate as of December 31, 2018	\$28,706
Estimate of 2019 Wind Up Expenses	(\$19,039)
Initial Estimate of Unrestricted Net Assets after Resolution of OTS Wind Up Obligations*	\$9,667

* Note: Initial estimate of unrestricted net assets at the conclusion of OTS Wind Up activities is contingent upon a number of financial variables associated with 2017, 2018 and 2019 financial forecasts and Wind Up proposals associated with those years. OTS will revise this initial forecast upon approval of the Wind Up plan. Initial forecast includes a \$12.6 million HST related tax accrual expense which OTS is seeking to clarify prior to program termination in addition to a \$1.5 million OTR end of year invoice.

Please see *Schedule 5 FF&B* subsection Notes to Financial Forecast and Budget Section 1.4 for more information on budget revenue, cash flow and cost items.

WUP SECTION 1.5 ASSETS

1.5.1 Cash

A. OTS Accounts

A list of OTS banks accounts with number, institutions, currency and type of accounts is provided in *Schedule 5 FF&B* Attached.

One of OTS's bank accounts includes \$795,863 as of November 29, 2017 related to Processor Bonds. Under OTS Processor Agreements, Processors are required to post bonds with OTS to ensure that OTS, as the Used Tires Program (UTP) operator is properly indemnified against financial impacts associated with (but not limited to) breaches of the Agreement by the Processor or costs associated with the failure of a Processor to meet their commercial obligations associated with the cessation of operation of a Processor.

Processor bonds, assuming no claim is made against a particular bond as per OTS Processor contracts, will be returned to processors following resolution of OTS UTP service provider obligations in 2019 (date to be determined).

B. Accounts and Liquidation

OTS does not have any cash or short-term investments in accounts which cannot be easily liquidated.

C. Monies Held in Trust

OTS holds Processor bonds in trust as per current contractual terms. As of November 2017 the total of these bonds was 795,863. These monies will be returned in Processors prior to program termination in accordance with OTS legal obligations. OTS also holds \$16,500 in Subcollector deposits (deposits from collection sites that are not eligible for CA payments but are eligible for free tire pickup) that will be returned to Subcollectors upon program termination. See *Schedule 5 FF&B* for more detail.

1.5.2 Accounts Receivable

A. Current and Expected Receivables

See *Schedule 5 FF&B*. Schedule includes list of Stewards and estimated payments for 2018 based on assumed 1% increase in new tire supply and historical Steward volumes. All receivables are uninsured.

B. Collectability Risks

Stewards have a legislated responsibility to report the types and number of tires supplied into the Ontario market and to remit corresponding Tire Stewardship Fees (TSF). OTS is proposing a Wind Up contingency fund for its operating budget in 2019. That fund is partially intended to cover any increase in bad debt associated with Steward TSF fees that occurs in 2018 relation to program termination.

C. Stewards and Contract Implications

The list of Stewards is provided in the *Schedule 5 FF&B*. Steward obligations related to failure to report new tire supplies or remit TSF fees are described in *Schedule 1 Proposed Amendment to Steward Fee Rules for Wind Up* attached. As with current Steward rules, the Proposed Steward rules for the Wind Up period will include Steward penalties for failure to remit required fees.

1.5.3 Prepaid Assets

A. List of Prepaid Assets

See *Schedule 5 FF&B*

B. Other Assets and Disposal

See *Schedule 5 FF&B*

1.5.4 Capital Assets

TreadMarks

The OTS TreadMarks system is a proprietary software and hardware computer system developed specifically to track tire and used tire flows in the Used Tire Program. It represents OTS's most valuable asset and the cost to develop similar programs or systems on the part of RRCEA producers would be significant.

TreadMarks is a highly robust, custom-developed Stewardship Resource Planning technology solution that supports Ontario Tire Stewardship in running Ontario's Used Tire Program. A fully-integrated recycling management system, TreadMarks enables Stewardship and recycling programs to perform in-depth management of the collection, transportation, processing and re-use of the recycled tires, using an incentive-based model with one comprehensive system.

TreadMarks is an integrated system of SQL databases, HTML5 web interfaces, API web services, a B2B mobile manifest (TreadMarks Mobile) and a consumer mobile application (Rethink Tires). The production server environment consists of 6 servers:

- TreadMarks Web UI
- TreadMarks SQL Database
- TreadMarks Central Repository (Mobile Sync) Web API Services
- TreadMarks Central Repository (Mobile Sync) SQL Database
- TreadMarks Retail Connection Web API Services
- Rethink Tires (Mobile Sync) AWS Server.

The continued custom-development of TreadMarks will require multiple server environments to segregate development and testing instances from the live Production environment. OTS currently has the following environments for TreadMarks development:

- Development (3 servers)
- QA (Technology Vendor Quality Assurance and Testing) (2 servers)
- UAT (OTS User Acceptance Testing) (3 Servers)
- Production (Live) (6 Servers)

OTS has undertaken several development initiatives in 2017 that readies TreadMarks for transition to Producer Responsible Organizations or individual Producers. Some examples of these developments include:

- De-branding TreadMarks allowing Administrators to change Business Information logos
- Allowing for the customization of system-generated emails
- Allowing for the change of Incentives and Fees

OTS proposes to make TreadMarks widely available. Potential transition of the TreadMarks system to users should help smooth transition to the RRCEA framework by enabling obligated parties to utilize a tire tracking system that service providers are very familiar with and which, in the view of most service providers, works very well.

The proposed transition of TreadMarks will not include any historic tire recycling data or company specific information associated with the UTP. Rather RRCEA brand holders will be receiving a clean version of TreadMarks system capable of tracking tire recycling in the future.

In April 2018, OTS will conduct an initial TreadMarks briefing session/webinar for users of TreadMarks to review system capabilities and identify the hardware and software components necessary for OTS transition of the system.

OTS will make a version of TreadMarks available users as of June 2018. TreadMarks will remain available from OTS until March 2019, after which OTS will transition TreadMarks source code and installation script to the RPRA. This transfer will effectively make the RPRA the trustee of the TreadMarks source code (as it exists on the date of transfer from OTS) and enable the RPRA to continue to make instances of TreadMarks available to users after the corporate wind-up of OTS.

In conjunction with TreadMarks transition, OTS service providers currently utilizing OTS iPads for TreadMarks purposes will have the option of purchasing those iPads from OTS at program termination at a fair market price determined by OTS. OTS anticipates the cost of iPads will be approximate \$50 per device.

OTS's TreadMarks proposal includes two significant cost components. OTS will write down \$0.97 million in capital losses associated with TreadMarks in 2018. In addition, OTS will incur an additional \$0.6 million in IT costs and other costs in preparing versions of TreadMarks for transition to users.

Other Capital Assets

A. Capital Assets

See *Schedule 5 FF&B*. Financial forecasts assume a nominal value for most OTS assets. Financial forecasts assume that disposal of iPads and the OTS trade show booth in 2018 will generate approximately \$30,000 in revenue. Remaining capital assets will be disposed of in 2019 (see B.C.D.E. below).

B.C.D.E. Capital Asset Valuation and Disposal

In operating the UTP OTS has acquired a range of capital assets to support various program delivery elements. While most capital assets will be fully depreciated by December 31, 2018 many may still have remaining markets and/or require special handling as part of disposal value and therefore require a disposal plan that will address these issues.

OTS capital assets may be broadly categorized as follows:

1. **Office furniture & Chattels** - Desks, chairs, filing cabinets, tables, fans, heaters, kitchen appliances, serving ware;
2. **IT equipment** - Laptops, monitors, keyboards, mice, printers, scanner, fax machines, LED projectors, networking devices, WYSE terminals;
3. **Mobile devices** - iPhones, iPads, iPad Minis ;

4. **Promotion & Education Assets** - OTS show booth, promotional materials, OTS-branded apparel, Communication / educational wall displays, prototype and sample recycled rubber products;

5. **Systems** - TreadMarks, TreadMarks Mobile, Rethink Tire App.

The book value of all capital assets is collectively reflected on the OTS balance sheet. OTS has evaluated the various asset disposal opportunities and has identified the options that are the most consistent with the Act and Minister's direction. Funds collected through the disposition process will be set aside to cover the proposed Liquidator's fees.

The disposition approach for each (group of) capital assets are summarized below.

Table 1.5.1 Capital Assets Wind Up Disposition		
Capital Asset	Disposal Approach	Value Estimate
Office furniture	OTS will solicit proposals from used and refurbished office furniture suppliers to purchase, disassemble and remove the office furniture following the appointment of a liquidator (expected Q2 2019).	\$6,000
Kitchen Appliances, Heaters and Fans	OTS will sell these appliances through an on-line market.	Nominal - TBD
Laptops / Workstations	Following a comprehensive data scrubbing process, OTS laptops and workstation components (monitor keyboard, mouse and dock) will be given to staff as part of their severance compensation.	\$0
Monitors	OTS monitors will be made available for purchase by staff at market price, any remaining monitors will be sold to an electronics refurbisher (should any monitors be declined by the refurbisher OTS will recycle these units through an approved electronics recycling firm).	Nominal - TBD
Printers and other peripherals	OTS printers and peripherals will be made available for purchase by staff at market price, any remaining devices will be sold to an electronics refurbisher (should any devices be declined by the refurbisher OTS will recycle these units through an approved electronics recycling firm).	Nominal - TBD
OTS iPhones	Following a comprehensive data scrubbing process OTS iPhones will be made available for purchase by staff at market price, any remaining iPhones will be sold to an electronics refurbisher (should any monitors be declined by the refurbisher OTS will recycle these units through an approved electronics recycling firm).	Nominal - TBD

Table 1.5.1 Capital Assets Wind Up Disposition		
Capital Asset	Disposal Approach	Value Estimate
OTS iPads	Following a comprehensive data scrubbing process, OTS iPads will be made available for purchase by staff at market price, any remaining iPads will be sold to an electronics refurbisher (should any monitors be declined by the refurbisher OTS will recycle these units through an approved electronics recycling firm).	Nominal - TBD
OTS iPad Minis	<p>OTS-issued iPad Minis are primarily used by registered Haulers and Processors to record and report the movement of Ontario used tires and TDPs to OTS. OTS will make these devices available to purchase by the Hauler/Processor for market cost (estimated at \$50 / device at the end of 2018).</p> <p>OTS retains a number of “spare” devices to replace units lost or damaged by participants, and for system testing purposes. These iPads, following a comprehensive data scrubbing process, will be made available for purchase by staff at market price, any remaining iPad Minis will be sold to an electronics refurbisher (should any devices be declined by the refurbisher OTS will recycle these units through an approved electronics recycling firm).</p>	\$27,550
OTS Show Booth	The OTS de-branded show booth will be offered for sale to any interested parties.	\$5,000
OTS Marketing Materials	Branded OTS marketing materials will be offered to staff and the RPRA. Any remaining items will be destroyed.	\$0
OTS-branded apparel	OTS-branded apparel will be offered for sale to staff. Any apparel not sold in this manner will be destroyed.	Nominal - TBD
Wall displays / art	OTS wall displays or artwork will be offered to the RPRA. Any displays/artwork not accepted by the RPRA will be offered to staff or destroyed.	\$0
Sample and Prototype Recycled Rubber products	<p>OTS sample and prototype recycled rubber products will be offered to the RPRA. Any samples not accepted by the RPRA will be offered to any PRO or Producer and any remaining items will be recycled or destroyed.</p> <p>The Shaw Bench, a prototype piece of outdoor furniture designed and developed through the 2016 OTS Landscape and Industrial design competition will be provided to the school of Industrial Design at Sheridan College for display</p>	\$0

Table 1.5.1 Capital Assets Wind Up Disposition		
Capital Asset	Disposal Approach	Value Estimate
	and use (the bench design was submitted by students from this school).	
TreadMarks Systems/Rethink Tires App	TreadMarks and the Rethink Tires App will be made available to any Producer or PRO and a copy will be provided to the RPRA. Refer to section on TreadMarks disposition.	\$0

Booths

OTS intends to liquidate/sell all non-branded booth components, hardware and related booth assets, as-is and still in saleable condition, via a bidding process. Items not in saleable condition will be destroyed by an independent third party, with an accompanying Affidavit of Destruction. Only assets beyond repair will be destroyed. Items in saleable condition, but not sold via the bidding process, will be included in any activities related to the liquidation of other OTS assets, and resulting proceeds managed as part of the liquidation of assets.

Recycled Rubber Products

OTS has acquired a variety of recycled rubber products from OTS RPMs used as elements in the OTS booth (planters, mulch, flooring), or as part of vignettes or in situ displays at events and consumer/trade shows. The products are worn after many years of use. Products incorporated into vignettes will be sold as part of the vignettes. Quantities of products not in vignettes are not significant enough to warrant selling/liquidation. OTS proposes making these materials available to RPRA. Items RPRA is not interested in will be made available to PROs and Producers. Any remaining items will be donated to past OTS community project partners or grant recipients. Items left after this process is complete will be recycled or destroyed.

Table 1.5.2 Capital Assets - P&E			
Item	Description	Disposition Approach	Timeline
RethinkTires Road Trip/Community Event Booth	10 x 10 footprint (includes, tent, "flags", product information boards)	Booth to be sold, as is, via bidding process; items not sold via bidding process to be included in liquidation of assets; items in unsaleable condition will be destroyed by third party (with Affidavit of	After Plan approval and before August 31, 2018

		Destruction)	
Consumer/Trade Show Booth	Booth: 10x20 footprint that can be re-configured to 10x10 footprint (includes hardware, display monitor w/ stand, frame, backwall, storage cabinet, etc.) Vignettes: Sold, as is, including recycled rubber materials incorporated into vignette	Booth to be sold, as is, via bidding process; items not sold via bidding process to be included in liquidation of assets; items in unsaleable condition will be destroyed by third party (with Affidavit of Destruction)	Bidding Process: After Plan approval and before August 31, 2018
Recycled Rubber Products	Variety of OTS RPM rubber products, including planters, flooring, mulch, boulders used in booth and displays	Offered to RPRA; Producers; Remainder donated, then recycled/destroyed	Bidding Process: After Plan approval and before August 31, 2018

1.5.5 Leased Assets

A. Lease Assets and Liabilities

OTS leased assets include the following:

Table 1.5.3 OTS Lease Liabilities					
Counterparty	Length	Description	Prescribed Fee	Date Entered Into	Termination Fee/Penalties
1. Whiterock 300, 302 & 304 The East Mall Toronto Inc.	1 year ending 8/31/2019	Rent	\$224,688.70 (annual amount including HST)	8/21/2017	Balance of rent owing
2. Cisco Capital	60 months ending 9/13/2021	Office Phones	\$2,443.27 plus HST monthly	9/13/2016	Balance of lease owing
3. Pitney Bowes	24 months ending 2/28/2019	Postage Machine	\$253.38 plus HST monthly	2/15/2017	Balance of lease owing
4. Canada Coffee	18 months ending 4/19/2019	Water Cooler	\$34.95 plus HST monthly	10/19/2017	N/A – removal of equipment from premises

B.C. Lease Asset Termination and Costs

With respect to leased assets 3 & 4 listed above, current leases will expire prior to closure of OTS operations. OTS will let these contracts expire rather than renewing leases for a short period of time.

OTS rental lease related to current operations expires at the end of August 2019. OTS anticipates requiring a physical location until at least June 2019 after which Wind Up activities related to the UTP program will be completed and OTS assets (furniture etc.) will be disposed of. OTS will simply pay the remaining two months on the lease and provide the landlord with its intent not to renew as per current contract terms.

OTS phone contract (leased asset #2) requires payment in full upon contract termination. As such OTS will be obligated to pay approximately \$65,000 related to 27 months remaining on the balance of the lease assuming that phones are returned to Cisco Capital as of June 2019. This amount will be factored in as a Wind Up cost in 2019.

1.5.6 Intellectual Property

A. Intellectual Property

OTS's TreadMarks system and associated trademarks is the only OTS asset which includes an intellectual property component with potential value. See Section 1: Operational Plan for a description of the proposed approach to dispose of the TreadMarks IT system during program Wind Up.

Other Intellectual Property held by OTS include the following:

The Shaw Bench

OTS holds IP rights to the winning Industrial Design from the 2016 Design Challenge for the project dubbed "The Shaw Bench". OTS secured Fig 40, an industrial design firm, to develop the student concepts into a workable design from which a prototype could be developed and manufactured, with the ultimate goal of commercialization through mass production. The industrial designs have been developed, and a prototype has been manufactured.

OTS proposes donating the Shaw Bench prototype to Sheridan College Trafalgar Campus. The Bench represents a significant accomplishment for the College - the winning design team, from Sheridan College, represent the first cohort/graduating class from the College's Industrial Design degree program.

B. Transfer to RPRA

OTS's Wind Up Plan includes a proposal to transfer TreadMarks (See WUP Section 1: Operational Wind Up plan) and other OTS materials with intellectual property rights along with any studies and reports in its possession (See WUP Section 9 Data), to the RPRA prior to dissolution of the OTS corporation.

A summary of OTS proposals for the disposition of intellectual property assets is provided below.

Table 1.5.4 Disposition of Intellectual Property Assets				
Asset	Disposition Plan	New Owner	Disposition Deadline	Notes
Website: rethinktires.ca	Transfer	RPRA	June 30, 2019	OTS to secure domain for two years; transfer ownership to RPRA
RethinkTires App	Available to interested PROs/Producers; Transfer	RPRA	Dec 31, 2018	Will be made available to users and copy provided to RPRA, similar to TreadMarks disposition plan
Shaw Bench IP	Transfer	Fig40	Dec 31, 2018	
Shaw Bench Prototype	Donate	Sheridan College - Trafalgar Campus	Dec 31, 2018	
OTS-Branded Marketing & Point of Sale Materials	Available for Digital Download	Digital: RPRA Hard Copies: Staff & RPRA; Then Destroy	Dec 31, 2018	Files available for download by interested parties by July 1, 2018; artwork files transferred to RPRA for availability after wind-up
Videos	Transfer	RPRA	Dec 31, 2018	
OTS-Branded Promotional Apparel	Liquidate and/or Dispose		Dec 31, 2018	Branded apparel auctioned to staff & proceeds added to pool of funds generated through
Communications Materials (e.g. Annual Reports,	Transfer	RPRA	Dec 31, 2018	

News Releases)				
Owned Images & Photography	Transfer	RPRA	Dec 31, 2018	
Recycled Rubber Product Samples	Transfer Donate	RPRA Producer	Dec 31, 2018	Offer to RPRA, Producers, then destroy
Consumer & Tradeshow Booths & Vignettes	Liquidate		Dec 31, 2018	
RethinkTires Road Trip Booth	Liquidate		Dec 31, 2018	
Social Media Accounts: Twitter, Facebook, LinkedIn, YouTube	Transfer	RPRA	Dec 31, 2018	Provide login credentials
MailChimp Account	Transfer	RPRA	June 30, 2019	OTS to pay account fees until June 2019; account closes unless RPRA assumes account costs
Consumer Opt-In List	Dispose		January 31, 2019	Per CASL; contact details securely destroyed
Wufoo Account	Dispose		Dec 31, 2018	
Google Ad Words Account	Dispose		Dec 31, 2018	
Google Analytics Account	Dispose		Dec 31, 2018	
Omnibus Research	Transfer	RPRA	De 31, 2018	
Consumer Surveys	Transfer	RPRA	Dec 31, 2018	
TreadMarks	Transfer	Brand Holders, RPRA	June 2018 to TBD 2019	See WUP Plan Section 5.4 TreadMarks (p. 74) for description of TreadMarks disposition

1.5.7 Investments

A.B.C. Schedule of Investments

Not applicable to OTS operations or financial forecast. OTS has a Premium Investment bank account identified *Schedule 5 FF&B*. This investment is cash held in a high interest account and is therefore liquid (level 1 liquidity).

1.5.8 Internally Restricted Assets

A.B.C. Restricted Funds and Trusts

Not applicable to OTS operations or financial forecast.

WUP SECTION 1.6: LIABILITIES

1.6.1 Accounts Payable and Accrued Liabilities

A. Current Accounts Payable and Liabilities

See Schedule 5 FF&B

B. Forecasted Payables and Accrued Liabilities

Annual Incentive Accrual Process

Collection Allowance Accrual Calculation:

Fourth Quarter 2017: Using the Hauler Collector Comparison Report from TreadMarks, the amount of tires picked up on TCRs by Haulers for months applicable are summed. The sums of each tire type are multiplied by the rate payable to Collectors for that tire type (\$0.88 - \$3.05). The sum of this represents the total amount of CA payable for all Collectors, if they all filed. This amount is multiplied by the average percent of dollars actually filed for each claim period. This is calculated by taking each Quarter's claimed CA in the Collector Cumulative Claims Report (in TreadMarks) and dividing it by that Quarters' total pickups CA calculated from the Hauler Collector Comparison Report. This gives a percentage of CA actually filed. The average of the past four quarters is used. This percentage is multiplied by the amount calculated from the Oct-Dec Hauler Collector Comparison Report. This provides the total CA estimate. This amount is multiplied by 13% for HST and included in the accrual for the incentive HST expense.

Previous Quarters: Since there may be outstanding amounts payable for the previous period, the total eligible claimed amount for that period from the TreadMarks Claims report (or Collector Cumulative Claims Report, if relevant) is used, net of the amount paid for that period in Great Plains (GP).

The sum of these, equal the accrual.

Transportation Incentive

TI-PI Accrual Calculation:

All Periods: Using the Processor TIPI Report in TreadMarks, the accrual is the sum of the total TI-PI claimed, net of the TI-PI paid in GP.

TI Premium Accrual Calculation:

All Periods: Using the TreadMarks Claims report, the accrual is the sum the total TI Premium claimed, net of the TI Premium paid in GP.

The sum of the TI-PI and TI Premium accruals, equal the total accrual.

TI-PI HST Accrual Calculation:

All Periods: The total TI-PI claimed multiplied by 13% HST. See the 2018 & 2019 FF&B for detailed calculation.

Processing Incentive Accrual Calculation:

All Periods: Using the Processor TIPI Report in TreadMarks, the accrual is the sum of the total PI claimed, net of the PI paid in GP. If a Processor has not submitted their claim, their previous period's claim amount is used as their current period PI, if relevant.

The sum of the claim amounts outstanding, equal the total accrual.

Manufacturing Incentive Accrual Calculation:

All Periods: Using the TreadMarks Claims report, the accrual is the sum of the total MI claimed, net of the MI paid in GP. If a Manufacturer has not submitted their claim, their previous period's claim amount is used as their current period MI, if relevant.

The sum of the claim amounts outstanding, equal the total accrual.

Data reflected in 2018 and 2019 financial estimates use the most current historical data available.

Payroll Accruals

Vacation, RSP, bonus accruals are calculated on per employee basis using the relevant year's salary and applicable vacation entitlement.

C. List of Key Suppliers

The five key suppliers include The Capris Group, Centrilogic Inc., Gardiner Roberts LLP, Environics Communications and Whiterock 300, 302 & 304 The East Mall Toronto Inc. The major key suppliers are not committed past December 31, 2018 with the exception of Whiterock 300, 302 & 304 The East Mall Toronto Inc. (rent). This contract in addition to Cisco Capital (office phones)

are identified in 5.5 Leased Assets. Any termination fees are included in the *Schedule 5 FF&B*.

1.6.2 Debt

A.B.C. Long Terms Debt and Agreements

Not applicable to OTS Operations.

D. Need for Additional Funding

At this point OTS is not forecasting any need for additional funding in relation to the Wind Up process.

As noted in Wind Up Plan Section 1, if OTS determines due to unforeseen contingencies with significant financial implications, that it is in danger of becoming insolvent during the Wind Up process (i.e. prior to fulfilling all of its financial and contractual obligations) it will adjust Steward fees to ensure that it has adequate revenues to cover all operating expenses.

WUP SECTION 1.7: CUT-OFF

1.7.1 Cut-Off

A. End Date Key Wind Up Steps

End dates for key Wind Up Steps can be found in Section 1.1: Wind Up Operating Plan and Section 1.2: Implementation Plan and Timeline.

Table 1.7.1 Key Wind Up Cut-Off Dates	
Cut-Off Date	Wind Up Step Description
December 31, 2018	Program termination date: <ul style="list-style-type: none"> - Stewards not responsible for reporting tire supplies or paying TSFs in relation to new tires supplied to Ontario market after this date; - No OTS Collection Allowances (or other incentive payments) available for used tires collected after this date.
January 10, 2019	Cut-off date for completion of Processor and Manufacturer Year-End Inventory Counts
January 25, 2019	Cut-off date for collection of 2018 used tires from Collectors by Haulers
February 28, 2019	Cut-off date for Stewards to submit wholesale reconciliations (negative volume adjustment claims) re 2018 supply reports.
	Cut-off date for submission of CA claims to OTS re: year end inventory or 2018 claims adjustments.
	Cut-off date for submission of TI Claims re: year end inventory or 2018 claims adjustments.
April 4, 2019	Cut-off date for OTS payment of outstanding CA and TI claims.
April 30, 2019	Cut-off date for submission of PI Claims re: year end inventory or 2018 claims adjustments.
	Cut-off date for submission of MI Claims re: year end inventory or 2018 claims adjustments.

June 4, 2019	Cut-off date for OTS payment of outstanding PI and MI claims.
June 2019	Final OTS Financial Reconciliations
June 30, 2019	Cut-off date for disbursement of any excess revenues to Stewards or notification of collection of outstanding OTS fees from Stewards
July 31, 2019	Cut-off for Steward payment of outstanding fees to OTS (if applicable).

B. Details of Management of Waste Inventories

With respect to service providers OTS is forecasting approximately \$9 Million in CA, TI, PI and MI payments in 2019. Assumptions related to forecast can be found in Section 4.1 Financial Forecasts and Budget and related Schedules.

Policies and procedures related to the management of Cut-off dates can be found in Section 1: Wind Up Operating Plan.

Production personnel requirements to complete tasks prior to cut-off dates are referenced in Section 2: Implementation Plan and Timelines.

Potential risks and claims that may arise as a result of Cut-off dates are discussed in the following Plan sections: Section 1.1: Wind Up Operating Plan; Section 1.11: Legal Considerations and Section 1.13: Management of Other Risks.

Information on communication of cut-off dates to stakeholders is provided in Section 1.3: Communication with Stakeholders.

1.7.2 Revenue

A. Cut-off Dates for Fee Payments and Collection

See key cut-off dates above. Revenue will be fully earned prior to the end of the OTS wind up process.

SECTION 1.8: RESERVES

1.8.1 Reserves

A. Reserve Balances

As of December 31, 2016 had net assets of \$49.155 million held in three reserve funds. As noted in Section 1.1 Wind Up Operational Plan and Section 1.4 Financial Forecast and Budget the presentation of the 2017 balance sheet net assets will be updated. Only an internally restricted 2019 Wind Up Fund will be presented and the remaining unrestricted net assets will be drawn down based on the estimated operating deficits. A summary of reserve fund estimates is provided in Table 8.1.1. below.

Reserves in \$ In Thousands	Estimate
Reserve Funds as of December 31, 2016	\$49,155
Deficit Estimate for 2017	(11,816)
Estimate of 2019 Wind Up Expenses Internally Restricted Wind Up Fund	(19,039)
Unrestricted Reserves as of December 31, 2017	18,300
Deficit Estimate for 2018	(8,633)
Unrestricted Reserves as of December 31, 2018	\$9,667

* Estimates and assumptions associated with OTS operating deficits for 2017 and 2018 are included in Section 1.4 Financial Forecast and Budget.

B. Reserve Funds Management Plan

As noted in Section 1.1: Wind Up Operating Plan unrestricted reserves and revenues from the OTR TSF Deficit Repayment Premiums will be utilized to cover program operating deficits forecast for 2017 and 2018. OTS's internally restricted Wind Up Fund will be used to finance OTS expenses forecast for 2019.

All OTS stakeholders will be affected by unrestricted reserve fund draw downs. PLT Stewards will benefit by paying TSF fees that are less than program costs throughout 2017 and 2018 and OTS service providers will benefit by not being subject to CA, TI, PI and MI rate reductions during the wind up period even though OTS is operating in a deficit situation. The public and stakeholders will benefit by the continued operation of the UTP consistent with current program targets and objectives. Details of fund draw downs and timing and nature of related payments are provided in Section 1.4: Financial Forecast and Budget.

C. *Targeting a Reserve Fund Nil Balance*

The OTS Wind Up plan includes a proposal to eliminate PLT Steward fees for a period of time prior to program termination (Current target date October 5, 2018), as described in Section 1.1: Wind Up Operating Plan. As noted in Section 1.1, the timing of the PLT fee elimination is contingent upon approval of a number of proposals in this Wind Up Plan and other financial contingencies. Eliminating PLT Steward fees for a period of time will bring the OTS reserve fund balance closer to zero prior to the completion of program wind up.

OTS's Wind Up Plan proposals ensure that On-road and Off-road tire accounts will be balanced prior to program termination. This approach requires different measures in relation to various tire classification accounts. See Section 1.1: Wind Up Operating Plan for a more detailed discussion related to management of the OTR account balance.

After OTS has finalized all financial and contractual obligations associated with Wind Up of the UTP it will conduct a final financial reconciliation. Any deficit associated with the OTS Wind Up fund at that time will be recovered from Stewards. Any excess funds associated with the OTS wind up fund at that time will be redistributed to PLT Stewards in proportion to their contributions to the program. Proposals included in the Wind Up Plan ensure that any reserves remaining after the final reconciliation will be minimized as much as is reasonably possible in light of various financial contingencies associated with the Wind Up process.

D. *Reserve Fund Risks*

OTS proposal for the management of reserve funds is fully consistent the parameters established for funds held in trust by an IFO under *WTDA* which indicate that reserve funds "shall only be used for the following purposes:"

1. *To pay the costs of operating the program.*
2. *To pay the costs of developing and implementing changes to the program.*
3. *To pay the costs of developing and implementing a plan to wind up all or part of the program.*
4. *To pay the costs incurred by the organization or the Authority to wind up all or part of the program.*
5. *To pay the costs incurred by the organization or the Authority to wind up the organization.*
6. *To pay the costs incurred by the Authority in exercising its powers and carrying out its duties as they relate to the industry funding organization.*
7. *To pay the costs incurred by the Crown in administering this Act and the regulations, as the costs relate to the industry funding organization and the Authority's oversight of it, including costs associated with appeals to the Tribunal of the Authority's orders.*

The disbursement of any excess funds to Stewards following program Wind Up is also consistent with WTDA provisions (and RPRA guidelines) that indicate that any fees paid by Stewards should fairly reflect the proportion of costs attributable to the Steward under the program.

The principle reserve fund management risk is that OTS will run out of revenue prior to completing all of its financial obligations associated with program Wind Up. OTS's Wind Up plan includes a contingency fund in its 2019 budget forecast to enable it to deal with contingencies that have associated financial implications. See Section 1.1: Wind Up Operating Plan and Section 1.4 Financial Forecasts and Budget.

E. HST Accrual Expense

OTS financial forecasts are complicated by a large HST expense accrual liability estimated to be \$12.6 million at program termination related to TI paid to Processors. OTS is currently not paying HST on these payments but may be required to do so. OTS is taking steps to clarify this particular HST tax obligation prior to program termination (See WUP Section 1.12 Tax). If this potential tax obligation can be clarified, OTS's net asset position at program termination may increase by this amount.

1.8.2 Funds

A. Current Funds

As noted earlier, OTS currently has three Reserve Funds, earmarked by the Board for specific purposes: an Operational Reserve Fund; a Market Development Fund and a Stabilization Reserve Fund. As part of the 2017 year end process, the presentation of the 2017 balance sheet net assets will be updated. Only an internally restricted 2019 Wind Up Fund will be presented and the remaining unrestricted net assets will be drawn based on the estimated operating deficits. The \$19.04 million restricted Wind Up Fund balance estimates are included in WUP Section 1.4: Financial Forecasts and Budget and *Schedule 5 FF&B*.

B. Fund Disbursement

See Section 8.1 above. All OTS funds will be utilized for their intended purposes in a manner consistent with the WTDA, Ministerial directions and RPRA IFO Wind Up Guiding Principles.

WUP SECTION 1.9 DATA

1.9.1 Security/Privacy

Through its operation of the UTP OTS has accumulated significant quantities of data regarding Stewards and operational stakeholders' business operations. This includes information on:

- Sales;
- Customers;
- Suppliers;
- Product / service pricing;
- Banking details;
- Tax filings;
- New business development activities;
- R&D activities.

While OTS's collection of personal information is generally limited to initiatives under its P&E programs (the exception being where a Steward or operational stakeholder operates from a personal residence and/or has combined back accounts) the information gathered by OTS is sensitive and commercially confidential. OTS will exercise due care in the management of this information through and at program wind-up.

OTS's employee Code of Conduct requires that employees act in a manner which protects commercially confidential information. OTS will review privacy and confidential information concerns through updated Code of Conduct and Conflict of Interest training sessions with staff at the start of the Wind Up process to ensure staff are briefed on how to manage the unique data privacy and confidentiality concerns that may arise during the Wind Up period.

OTS stores data in six separate media / locations:

1. A data storage appliance at the hosting provider's main hosting facility in Mississauga, Ontario;
2. A back-up data storage appliance at a second facility maintained by the hosting provider in Mississauga, Ontario;
3. A data storage appliance at a 3rd facility maintained by the hosting provider that provides Disaster Recovery capabilities for OTS in Vancouver, BC;
4. In a cloud-based service (DropBox);
5. Locally on OTS devices (laptops & mobile devices);
6. Locally in hardcopy format in a storage room at the OTS office location.

1.9.2 Data Destruction

Following the transfer of all data to the RPRA, and once data that is required to be retained for legal or regulatory reasons has been identified and placed into storage, OTS will ensure the secure destruction of all copies of Steward and operational stakeholder data in its possession. OTS is working with the electronic data hosting and storage providers to develop an auditable approach to initiating, executing and validating data destruction by storage location / medium. The ultimate output of these processes would be a certification from the data hosting / data destruction confirming the completion and validation of the destruction of the data.

In regards to the physical files held by OTS a similar process would be followed. Following the transfer of data to RPRA, and once data that is required to be retained for legal or regulatory reasons has been identified and placed into storage, OTS will ensure the secure destruction of all copies of Steward and operational stakeholder data in its possession. OTS has an existing contract with a record management and destruction firm (Iron Mountain) and would engage this same provider to provide on-site document destruction services that could be supported and validated by OTS staff.

1.9.3 Data Retention and Sharing

A. Corporate Data Retention Requirements

OTS will identify all data required to be stored in relation to statutory and regulatory requirements and make necessary arrangements for retention of that data in a secure manner for so long as those legal obligations exist. After which this data will be destroyed. Required corporate records will be retained by the Administrator or liquidator as appropriate.

B. IT Data Processes and Systems

OTS IT contracts currently include security provisions and OTS conducts an annual data security audit utilizing a third party IT firm.

C. Public Data Release

Consistent with feedback received during consultation, OTS will publish a report on used tire recycling for the years 2015, 2016 and 2017 by April 30, 2018. This tire recycling data will support smooth transition to the RRCEA framework by giving producers and service providers better information with respect to historic tire recycling in Ontario so that they can plan operations to meet obligations under the RRCEA framework.

This public data set will not release any company specific information. Data will be aggregated as required to ensure that commercially confidential and company specific data is not released.

This public data tire recycling data release will include:

- 1.1 Aggregate new tire supplies into the Ontario market by tire classification: PLT, MT and OTR with quarterly data splits for each category.
- 1.2 Used Tire collection data by postal code by tire classification: PLT, MT and OTR with quarterly collection splits. Some postal code subsets may be grouped together where there are limited registered Haulers operating so that individual company information cannot be inferred from the data set.
- 1.3 Aggregate used tire processing tonnage inputs and tonnage outputs with quarterly data splits. Data will be split into processing category inputs and processing category outputs (i.e. crumb rubber vs tire shred, steel, etc.)
- 1.4 Aggregate used tire manufacturing tonnage inputs and tonnage outputs with quarterly data splits. Data will be split into RPM manufacturing category inputs and manufacturing category outputs.

D. Confidential Information

All confidential information included in Appendices and Schedules to this Wind Up Plan will be clearly identified in the submission and transfer process to the RPRA. As per Section 9.2 all confidential information retained by OTS following the transfer of necessary data to RPRA will be destroyed prior to program Wind Up subject to security protocols and data destruction verification processes consistent with current OTS IT confidentiality policies.

1.9.4 Data Transfer to RPRA

Through its consumer outreach efforts, OTS has amassed an opt-in list of approximately 5,200 consumer contacts. Per Canada's Anti-Spam Legislation (CASL) and OTS' Privacy Policy, all contact details related to these opt-in lists will be securely destroyed prior to December 31st, 2018. No consumer contact details will be shared with the Authority or other third parties.

All reports, POS and Marketing collateral and communications resources will be made available to the Authority in digital format.

Commercially confidential business information held by OTS will be transferred to RPRA as required under the provisions of the WTDA. OTS will provide prior notice to stakeholders regarding any company specific information that OTS is required to transfer to RPRA under the authority of the WTDA. OTS will ensure that the data transfer process is made in a secure manner.

As noted above, OTS will, prior to corporate dissolution, destroy all data in its possession in a secure manner. OTS Code of Conduct and data access

protocols will ensure that no copies of data are replicated, shared or sold during the Wind Up process.

SECTION 1.10 HUMAN RESOURCES

1.10.1 Employees

To ensure the smooth and efficient delivery of the UTP OTS has built a professional team of 34 staff organized around 5 key functional areas:

1. Systems and Infrastructure;
2. Finance (includes Field Audit)
3. Operations
4. Promotions & Education
5. Internal Audit

Each area is led by a senior employee with direct reporting to the Executive Director. See *Schedule 6 OTS Organizational Chart (Confidential)* identifies OTS employees, positions and management structure. *Schedule 7 OTS Severance and Retention (Confidential)* attached provides salary, length of service, notice periods and other information for all staff positions.

OTS's current assumptions are that all staff will be retained until at least December 31, 2018, with the expectation that certain roles will be needed until June 30, 2019 (which roles and the exact termination date will be determined upon final approval of the Wind-Up Plan. Factors affecting the decisions around staffing include the approved approach to winding-down incentive programs, how in-progress Steward audits are to be transitioned or completed, the end-of-program reporting requirements for OTS and the process and timing for appointing a liquidator.

Despite the uncertainty regarding the final process to wind-up the corporation, OTS has already undertaken an approach to communicating with staff regarding the introduction of the WFOA, the Minister's direction letters regarding the wind-up of the UTP and the steps OTS is taking regarding wind-up planning.

As part of its standard employee engagement initiatives OTS provides updates to all staff on program developments, system releases, regulatory updates and wind-up issues through monthly "All Team" meetings hosted at the OTS offices. These are held on the second Wednesday of each month and are an important communication and engagement tool between OTS Management and staff.

Additionally OTS leverages a variety of other communication vehicles for engaging and updating staff on important issues that impact them and their employment at OTS. E-mails from the Executive Director or designated Senior staff member provide immediate and responsive updates on key issues, impromptu "huddles" in OTS work areas are also leveraged as needed to address urgent or time-sensitive issues in a more personal and interactive way.

While OTS strives to keep the use of these type of “ad hoc” communication tools to a minimum they can be highly useful when conditions warrant.

In developing a communication approach to staff OTS is mindful of a number of key dates:

1. November 30th, 2017 – OTS submission of its Wind-up Plan to RPRA;
2. Date TBD – RPRA posting of and consultations on the Wind-up Plan;
3. December 2017 – OTS issues notice of termination to Processors and RPMs with effective date of December 31st 2018;
4. First Quarter 2018 – OTS issues notice of termination to Collectors and Haulers with effective date of December 31st 2018;
5. March 31st 2018 – RPRA approval of the Wind-up Plan;
6. Date TBD – Producers to register with RPRA and pay registration fees;
7. Date TBD – Elimination / Reduction of PLT TSFs following Minister’s direction;
8. Date TBD – Notices of termination issued to staff
9. December 31st 2018 – UTP Wind-up;
10. January 1st 2019 – Producers obligated under RRCEA assume responsibility for collecting and managing used tires;
11. Date TBD – OTS staff layoff notices given.

As OTS continues to work towards developing and submitting a compliant Wind-up Plan, and as the RPRA undertakes its own assessment of and consultation on the Plan OTS will review its assumptions regarding staffing needs and timelines and will develop a more detailed communication plan to employees.

Retention of OTS staff is a priority in developing and delivering a smooth wind-up of the UTP. The employees at OTS have acquired industry-specific knowledge about the program, the tire recycling market and the individual stakeholder operational models that would be, as a practical matter, impossible to recreate in the time between the present and December 31, 2018 should staff attrition become an issue.

OTS is not contemplating giving staff “working notice” as this would be contrary to the objective of retaining staff up to the final date on which their expertise is required.

OTS will provide “job seeker support” to all employees to assist in their search for new employment after leaving OTS.

OTS is aware that the expansion of the RPRA and producers seeking to meet obligations imposed on them under the RRCEA framework will create a need for knowledge and expertise in the management of used tire activities. These organizations may seek to hire OTS staff to meet this need, creating an

enhanced risk that OTS will see its operational capacity reduced through staff attrition.

To address this risk, OTS will liaise directly with the RPRA, as well as interested producer responsibility organizations (PROs) and producers, to assess their interest in acquiring OTS staff and seek to negotiate transition processes that meet OTS wind-up needs while also supporting staff skill and knowledge transfers that support a smooth transition to the RRCEA framework. A managed staff transition (where possible) will allow OTS to reduce the risk of unexpected staff losses detrimental to OTS's operational capacity and manage any related conflict of interest issues in an open and transparent manner.

These transition discussions would be open to all interested producers and the RPRA. The finalization of any contract between an OTS employee and any outside party would be at the ultimate discretion of the employee and the outside party.

1.10.2 Sub-Contractors

Not applicable to OTS operations.

1.10.3 Pension and RRSPs

Not applicable to OTS operations.

1.10.4 Communication with Personnel

See Section 10.1 above.

WUP SECTION 1.11 LEGAL CONSIDERATIONS

1.11.1 Litigation

A. On-going litigation and Claims.

As schedule of on-going litigation and claims dispute processes is attached as *Schedule 8 OTS Litigation and Claims (Confidential)*.

B. Legal Risks with Wind Up

Compliance by OTS with its legal obligations under all applicable contracts should minimize any legal risks directly related to the wind up.

C. Policies and Procedures to Respond to Legal Claims

OTS has engaged legal counsel and the Administrator has extensive experience managing litigation in the context of corporate wind-up scenarios including related litigation and will work with legal counsel to manage any legal claims that arise.

1.11.2 Contracts

A. Miscellaneous Contracts

B. Method of Termination

OTS is undertaking a comprehensive analysis of all of its contracts. Where possible, contracts will be terminated in accordance with their terms.

1.11.3 Legal Contingencies

TO BE ADDED

1.11.4 Environment Issues

Not applicable to OTS operations.

1.11.5 Key Contracts

OTS currently contracts services with the following organizations to deliver P&E programs: Environics Communications Inc., Free For All Marketing and The Mars Agency. The Free For All Marketing and The Mars Agency contracts will be terminated at a date to be determined in 2018. The Environics Communications Inc. contract will be terminated, effective at 11:59PM on December 31st, 2018. Under the terms of each agreement, 60 days written notice of termination will be provided by OTS to each respective firm as required. No scope of work will take place beyond December 31, 2018, with the exception of the creation of a year-

end report by Environics Communications Inc., submitted to OTS January 31, 2019.

WUP SECTION 1.12 TAX

1.12.1 Harmonized Sales Tax

A. Sources of HST and Remittances

1. The CRA ruled on October 28, 2013 that Stewards' Fees paid to OTS are not consideration for a supply and as such OTS does not collect HST from Stewards.
2. Historical collections and balances owing are provided in the *Schedule 5 FF&B*.
3. The Vice President of Finance will be working in conjunction with the Administrator and tax counsel during the wind up in managing communications with the CRA. The proposed liquidator will be responsible for managing communications with the CRA after wind up.
4. See Section 12.4 HST Rulings below.

1.12.2 Employee Source Reductions

All employee source deductions are included in employee salaries and benefits found in *Schedule 5 FF&B*. Estimates of monthly payments are provided for 2018 and 2019. Employee payments will be largely completed by June 30, 2019.

There are no employee source deductions owing. Payments have been made as they fall due by OTS for amounts owed for the benefits of employees. This includes employee payments and deductions related to salary, wages and remuneration to employees such as income taxes, UIC and CPP payments.

1.12.3 Other Tax Considerations

A. Final Tax Return

The final OTS tax return will be filed by the proposed liquidator of OTS.

B. Record Keeping

CRA related records are required to be kept for a period of seven years. OTS will contract a third party to manage and retain all required tax paperwork. After the seven-year retention period, documentation will be destroyed.

1.12.4 HST Rulings

HST Accrual

OTS sought a ruling from Canada Revenue Agency (**CRA**) to determine the HST treatment of the incentive payments it made to each of the OTS-registered

Collectors, Haulers and Processors. On April 27, 2012, CRA issued its ruling (**OTS Incentives Payments Ruling**) concerning OTS's then current program of incentive payments CRA ruled as follows:

“The incentive payments made by OTS to tire processors are subsidies and are not consideration for a supply. As such, the incentives are not subject to GST/HST.”

“The incentive payments made by OTS to tire haulers are consideration for a taxable supply and are subject to GST/HST.”

“The incentive payments made by OTS to tire collectors are consideration for a taxable supply and are subject to GST/HST.”

Following the issuance of the OTS Incentives Payments Ruling, OTS amended its arrangements with Processors, revised its Processor Agreement and commenced paying the Transportation Incentive to the Processors. OTS believes that this approach results in no HST being payable by OTS save and except where OTS contracts for services directly with a Hauler. This is consistent with the approach taken by similar programs in other provinces and CRA has issued rulings in connection with those programs to the effect that HST is not payable on TI paid to Processors.

OTS has conducted a summary review and it appears that Haulers are collecting HST from Processors based on the provisions of services to the Processors. In light, however, of the OTS Incentives Payments Ruling, OTS has maintained an accrual (**HST Accrual**) equal to the HST that would be payable on the TI paid to Processors since October 1, 2014. The HST Accrual is currently \$7.6 million as of September 30, 2017.

As part of the Winding Up, OTS will seek to obtain clarity from CRA as to whether, under the current structure, OTS must pay HST on the Transportation Incentive that it pays to Processors². OTS is anticipating applying to CRA for a ruling on this matter in December of 2017. In the document *GST/HST Memorandum 1.4, Excise and GST/HST Rulings and Interpretations Service*, CRA outlines its approach to rulings and states that its goal is to respond to written requests for rulings within forty-five days of receipt of the request and all relevant facts and documents. On this basis, OTS expects to have a ruling from CRA by March of 2018.

To the extent that the CRA determines that HST is not payable on the TI paid to Processors, the HST Accrual will be “released” and the funds will be available to

² OTS considered the possibility of seeking a clearance certificate from CRA to clarify that it complied with its obligations with respect to HST on the Transportation Incentives, but a clearance certificate is not possible given the outstanding issues with respect to the HST on the fees paid by Stewards(see below).

extend the “fee elimination” described WUP Section 1.1.2 Steward Fees (p). To the extent that it is determined that HST is payable on the Transportation Incentive paid to Processors, the entire amount of the HST Accrual will be paid to CRA and there will be no negative impact on OTS’s operations.

HST on Steward Fees

In a ruling dated October 28, 2013, (**Ontario IFOs Stewards Fees and ITCs Ruling**), CRA ruled, with respect to OTS, that:

Stewards’ Fees paid to OTS are not consideration for a supply; and OTS cannot claim input tax credits (ITCs) in respect of GST/HST paid or payable on the purchase of property or services in respect of the stewardship programs

Based on the Ontario IFOs Stewards Fees and ITCs Ruling, OTS stopped collecting HST from Stewards.

The Ontario IFOs Stewards Fees and ITCs Ruling dealt with fees collected by OTS and two other Ontario IFOs, Stewardship Ontario (**SO**) and Ontario Electronic Stewardship (**OES**). SO and OES commenced proceedings before the Tax Court of Canada (**TCC**) challenging the Ontario IFOs Stewards Fees and ITCs Ruling (**TCC Proceedings**). SO’s ITCs appeal was heard by the TCC in mid-November 2017³, but the TCC is not expected to release its decision before mid-2018. It is unclear whether there will be an appeal of any ruling by the TCC.

Since the issuance of the Ontario IFOs Stewards Fees and ITCs Ruling, OTS has not collected HST from Stewards. In order, however, to keep its options open in the event that SO and OES were successful before the TCC, OTS continued to claim ITCs. However, CRA denied OTS’s claims for ITCs based on the Ontario IFOs Stewards Fees and ITCs Ruling. OTS filed objections with CRA, but those objections have been held in abeyance pending the outcome of the TCC Proceedings. It was the intention of OTS to re-consider its position once the TCC Proceedings were determined.

In the event that SO and OES are successful in the TCC Proceedings, OTS will likely have an obligation to collect \$36.3 million in HST from Stewards as of September 30, 2017⁴. OTS will, however, also be able to claim approximately \$26.2 million in ITC credits as of September 30, 2017 if the TCC Proceedings are determined in favour of SO and OES. The primary risk to OTS is that it will be unable to collect HST from the Stewards prior to having to pay the HST to CRA,

³ The other three SO and OES tax appeals have been held in abeyance pending the TCC’s decision in SO’s ITCs tax appeal.

⁴ There is a possibility that CRA will not require that OTS collect HST from Stewards prior the determination of the TCC proceedings.

or at all⁵. OTS does not have the financial resources to pay the \$36.3 million in HST without collecting it from the Stewards.

It is unclear whether the TCC Proceedings will be concluded before the Wind Up is completed. A decision from the TCC is expected in mid-2018, but the TCC's decision could be appealed.

Clearance Certificates

As part of the Winding Up, the proposed liquidator of OTS will be required to file all required tax returns and obtain Clearance Certificates from CRA before distributing any cash. The issue with respect to the HST on the fees charged to Stewards and OTS's objections to CRA's denial of OTS's ITC claims will have to be resolved in connection with seeking Clearance Certificates.

⁵ Given that OTS has operated in accordance with the Ontario IFOs Stewards Fees and ITCs Ruling, OTS believes that it is likely that CRA will not assess OTS penalties and interest for having not collected HST from Stewards subsequent to the release of the Ontario IFOs Stewards Fees and ITCs Ruling. In the event that CRA assesses OTS for interest and penalties, it will seek a waiver from CRA. If CRA assesses and will not waive penalties and interest, OTS does not have the financial ability to pay interest and penalties.

WUP SECTION 1.13 MANAGEMENT OF OTHER RISKS

1.13.1 - Public Perception

General Issues & Risk Mitigation Strategy

OTS's approach to issues management is guided by the principles and values of the organization. During an issues scenario, our team believes it is critical to:

- Confront issues head on
- Make decisions for the right reason
- Be seen as in control
- Always tell the truth

To help our organization triage issues and understand the severity our team uses the following criteria:

- Anything that may impact the day-to-day operations of OTS
- Anything that may compromise OTS's brand or employee retention
- Anything that may have an environmental impact in the province of Ontario
- Anything that impacts financial controls of the operations

OTS's general approach will be to monitor for situations, evaluate risk and respond appropriately. Where necessary, OTS will work closely with RPRA to ensure alignment and transparency. Once an issue is identified, we will undertake the following five steps:

1) **Assess Issue**

We have developed a robust set of scenarios that may occur during the wind-up of operations.

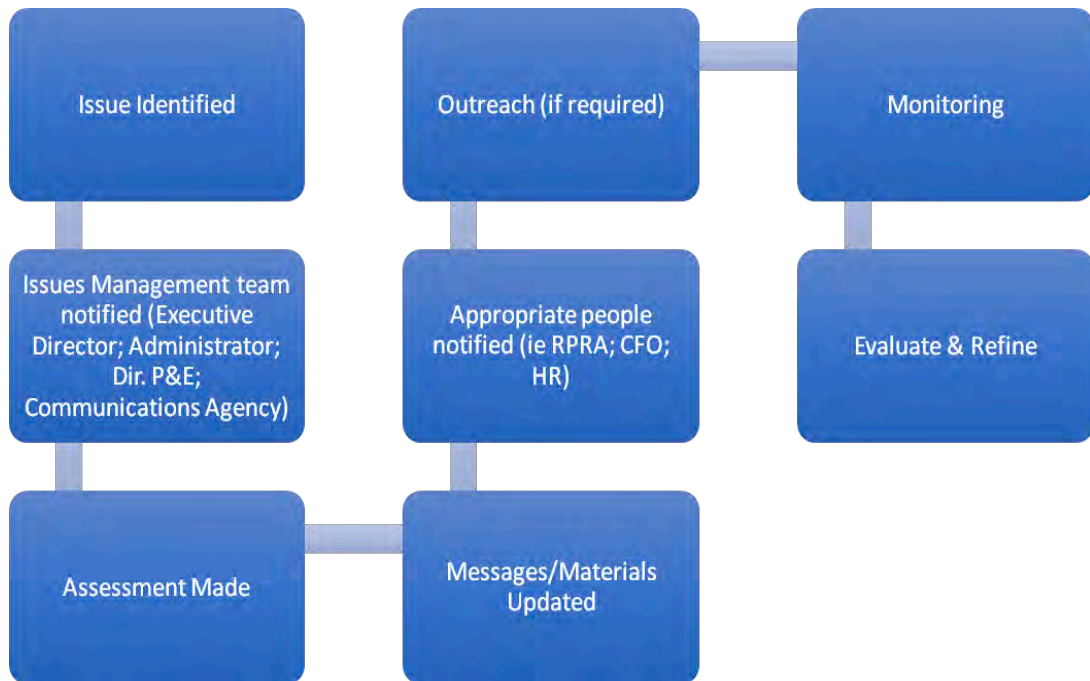
Potential issues identified:

- Concerns on effectiveness of recycling
- PLT TSF elimination
- Stockpiles start to form
- Where to take tires/market confusion (consumer)
- Other IFO windup could create confusion
- Illegal dumping
- Increase of tires into waste stream
- RPMs potentially moving/shutting down (blaming inconsistent crumb supply)
- Tire pick up challenges especially in the North
- Any loss of jobs related to program participant decisions (blaming market conditions)

- Accusation of fraud
- Surplus
 - o Where did it go
 - o Who gets the money leftover after wind-up
- Community Renewal Fund wind-up
- Market development/R&D fund
- Tire fire/environmental issues related to tires & stockpiles
- OTS job losses
- Changes in incentive payments

OTS will monitor traditional and social media to identify any misinformation that may need to be corrected.

A robust triage system is in place to ensure that when issues are identified, they are addressed quickly and the appropriate parties are notified.



2) Prepare

A robust set of key messages and Q&A will be developed to assist in quickly responding to issues. Key spokespeople will undergo media refreshers on effectively managing questions for wind-up.

3) **Activate**

All communications channels are available should an issue arise and would be activated according to the severity of the issue and the audiences that may be impacted.

4) **Monitor**

An issues management evaluation approach can be activated, which includes media monitoring, social media monitoring, polling, employee communications, government meetings.

5) **Evaluate and Refine**

Throughout the duration of an issue, OTS will assess the situation and identify if additional activities are required or if messaging needs have changed.

Key Wind Up Risks

1. Disruption to Used Tire Recycling

In the view of OTS, the primary public perception risk associated with Wind Up of the Used Tire Program is disruption to the program that is significant enough to reduce tire recycling such that service providers are no longer collecting, hauling and/or processing used tires.

This type of disruption could manifest itself in a number of ways. Collectors may have trouble getting used tires picked up or in a worse-case scenario, a disruption of used tire flows through the UTP could result in re-emergence of illegal used tire dumping sites in Ontario. Either of these scenarios, but particularly the second, would likely be publicly perceived as a negative outcome associated with program wind up.

OTS has addressed this potential negative public policy outcome by submitting WUP proposals which should significantly minimize the risk of a reduction in tire collection and/or processing during the wind up period. In particular, as discussed earlier, the recognition of service providers' inventories as of December 31, 2018 should minimize the likelihood that service providers will alter used tire management patterns during the final months of the UTP.

OTS will also monitor tire flows closely in the fall of 2018 to ensure that any emerging problems with used tire collection or processing are identified as early as possible. In the event that there are significant disruptions to tire recycling in late 2018, OTS may consider implementation of new measures to address those disruptions in the context of its fiscal and administrative priorities and remaining resources.

2. *Transitional Problem re Collection*

One potential transitional problem associated with not recognizing a full range of OTS incentives on all tires collected in 2018 is that there may be some ambiguity in the application of service terms related OTS collector contracts in 2019. Under Collector contracts OTS commits to facilitate the retrieval of used tires from Collectors “at no charge”. Related Hauler contracts prohibit Haulers from charging Collectors for used tire pickups.

OTS will monitor the situation in early 2019 to determine whether it should consider measures to ensure that year-end inventories are managed in a manner consistent with Wind Up and UTP program objectives.

3. *Continuation of Tire Recycling Consumer Fees After the PLT Steward Fee Elimination*

A secondary risk associated with wind up of the UTP relates to the potential elimination of the PLT Steward Fee. OTS, assuming its financial resources enable it to do so, will eliminate the PLT steward fee at some point prior to program termination on December 31, 2018 with the final decision and date of the fee elimination contingent on resolution in early 2018 of certain financial issues.

With respect to the PLT fee elimination, there is a possibility that tire retailers will continue to collect tire recycling fees from consumers after the OTS fee has been eliminated. This might occur for a period of time, as retailers sell out inventory for which they have paid wholesalers or stewards for the OTS TSF. Some tire retailers may continue to apply a tire recycling fee until financial arrangements related to tire recycling under the RRCEA framework are clarified.

Given that the exact nature of current tire recycling fees may not be fully understood by consumers or the public, such a situation may lead to criticism of OTS and/or the government that tire retailers are collecting a mandated recycling fee which no longer exists. Some consumers and/or media may lobby OTS or the government to stop the practice.

Given that OTS does not currently require or regulate tire retailer recycling fees and that it does not have any legal or regulatory authority to prevent tire retailers from applying such a tire recycling fee, OTS’s ability to address this potential situation to the satisfaction of complaining consumers is limited.

To address this situation, OTS will create Wind Up education materials for consumers and the public that explain the exact nature of the fee change that will take place in relation to the PLT TSF fee elimination and clarify OTS’s legal mandate and regulatory scope with respect to Steward fees.

OTS will also encourage consumers to engage with tire retailers directly with respect to the continued collection of tire recycling fees.

4. *Tire Dealer Protests Related to Inventory Devaluation*

An additional risk associated with a PLT TSF fee elimination, is the potential for tire wholesalers and retailers to engage in some form of public protest related to the lack of compensation related to tire wholesaler and retailer inventories when the OTS PLT tire Steward fee is eliminated.

Tire wholesalers and retailers have complained that previous OTS TSF fee reductions have had negative financial impacts on their businesses as they have paid a higher TSF on existing inventories but can no longer collect that fee from their customers (and end up covering the cost of the differential on existing inventories). In their view, the proposed elimination of the PLT TSF will create a bigger financial impact on their businesses than previous OTS fee reductions as the magnitude of the fee reduction will be greater than previous OTS TSF fee reductions.

This situation might prompt some form of tire distributor/retailer protest criticizing OTS and the government for mismanaging wind up resulting in costs for small and medium sized businesses.

OTS will address this potential risk by preparing communication materials that clarify its legal authority with respect to Steward fees and related transactions and explain that OTS has no legal authority or legislative mandate to compensate third parties in relation to their transactions with Stewards.

5. *General Risks*

Other key public perception risks associated with UTP Wind Up are risks that are associated with OTS operations, or any similar agency, generally. These include such things as employees personally benefitting from their actions as OTS representatives or other more serious problems such as individuals misappropriating funds, etc. These types of situations can discredit an organization and if, they take place in the context of program Wind Up, the Wind Up process as well.

Given that these general program risks all involve some type of conflict of interest breach OTS will review measures to address these risks as described under Conflict of Interest below.

1.13.2 Conflict of Interest

Conflict of Interest Issues Associated with OTS Wind-up

The real, apparent and perceived conflict of interest situations that may arise with respect to employees and OTS representatives as the result of the UTP Wind Up

are similar to general conflict of interests associated with the organization's operations generally. Potential conflict of interest issues include such things as:

- Materially benefitting, directly or indirectly, in an inappropriate manner as a result of employment position or activities;
- Acceptance of gifts (with more than a nominal value);
- Disclosure of confidential or commercial information;
- Provision of preferential treatment to stewards or stakeholders.

With respect to potential conflict of interest situations, OTS has an employee Code of Conduct which all employees agree to as a condition of employment with the organization. The OTS employee Code includes guidelines and requirements related to conflict of interest situations that are similar to those associated with public sector employees. OTS Code of Conduct conflict of interest requirements include the following:

- Employees are not permitted to work or participate in any other business that could result in a conflict of interest with OTS (unless explicitly authorized by OTS) with violations being grounds for immediate dismissal with cause;
- Employees are required to disclose potential conflict of interest situations to OTS to determine whether a conflict exists or could exist and whether corrective action is required;
- Employees are prohibited from receiving gifts other than those which are consumable and less than a nominal value;
- Employees will not use, copy destroy or disclose any confidential information (including commercially sensitive information) except as authorized by OTS;
- Employees will take reasonable steps to prevent the disclosure of confidential information to other OTS employees or anyone outside of OTS;
- Employees with control over OTS assets and transactions are responsible for maintaining internal controls to prevent and/or detect unauthorized, unrecorded and/or inaccurately recorded transactions;
- OTS assets cannot be used for personal gain;
- Employees are obligated to report activity which violates the Code of Conduct.

While the principles associated with the OTS Employee Code of Conduct cover the types of conflict of interest issues that might arise during wind up, program Wind Up may increase the likelihood of certain types of conflict of interest issues

arising. For example, an OTS employee might receive a job offer from a third party in conjunction with a request for OTS information that would be considered commercially confidential. An OTS stakeholder might seek information from OTS employees in advance of other parties related to OTS Wind Up activities.

OTS will address this situation by conducting conflict of interest training for all staff. Staff will be reminded of their obligations under the OTS Employee Code of Conduct and receive training with specific examples as to the types of situations which give rise to conflict of interest issues. Training will include review of the following types of issues:

- Type of employee conduct that might be perceived as the provision of preferential treatment for stewards and supply chain stakeholders;
- Proper measures to be followed to ensure confidential or commercially sensitive information is not released;
- Employee obligations with respect to disclosure of employment offers from third parties and whether terms might be perceived as creating a conflict of interest situation.

OTS will propose to implement employee conflict of interest training upon approval of the UTP Wind Up plan and will engage a third party consultant to conduct a number of half day staff training sessions over a two-week period.

OTS Board of Directors, Officers and Administrator

Under OTS Corporate Bylaws, OTS Board members, officers and directors are required to review and adhere to Code of Conduct provisions included in those bylaws. OTS's Code of Conduct Bylaws defines conflict of interest situations, requires Board members to disclose potential conflict of interests and prohibits them from participating in Corporate decisions where they have a conflict of interest. Board members also have a fiduciary responsibility to act in the best interests of the corporation

In September 2017, the OTS Board of Directors resigned. Under the *WTDA*, RPRA can appoint an Administrator if there is no longer quorum on the OTS Board to transact business. The RPRA can assign the administrator the ability to exercise all the powers and perform all the duties of the members of the directors and/or officers of the industry funding organization.

RPRA appointed E. Patrick Shea, LSM, a lawyer, as OTS Administrator to undertake the function of the directors September 26, 2017. Mr. Shea is a partner at Gowling WLG (Canada) LLP (Gowling).

Unlike former OTS Board members, Mr. Shea does not have a formal connection to businesses engaged in either tire selling or used tire recycling. Neither Mr. Shea or Gowlings are (or will be) involved in the creation of any new entities that

will manage used tire recycling post OTS Wind Up. As such many of the perceived sector specific Conflict of Interest concerns associated with an OTS Board composed of industry representatives and Wind Up are far less pronounced now that an Administrator has been appointed.

OTS is not proposing to engage third party expertise, aside from OTS's legal advisors, to advise the Administrator during program Wind Up. The Administrator and Gowling WLG (in addition to OTS's Executive Director) will be subject to the OTS Code of Conduct contained in existing corporate bylaws (described briefly above).

OTS does not intend to enter into any related-party transactions as part of the Wind Up process.

In 2016, OTS identified a number of fraudulent transactions entered into by OTS employees for their personal benefit. OTS has recovered the funds diverted and the employees involved are no longer employed with OTS. OTS is not aware of any other prior material transactions with related parties that were outside of the ordinary course of business. An external review is, however, being conducted by PricewaterhouseCoopers Inc. at the request of the RPRA.

Board of Director information required by RPRA IFO Wind-up Guide is attached as Appendix C and includes:

- OTS Bylaws;
- List of OTS Board Members in position from February 17, 2017 to September 26, 2017 including name, employment affiliation, organization appointing the Board member and other boards or directors with which each member is affiliated;
- Approved OTS Board and Board Committee Minutes between February 17, 2017 and September 26, 2017.

Ministry of the Environment
and Climate Change

Ministère de l'Environnement
et de l'Action en matière de
changement climatique



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February 17, 2017

Mr. Glenn Maidment
Chair
Ontario Tire Stewardship
300 The East Mall, Suite 100
Toronto ON M9B 6B7

Dear Mr. Maidment:

Pursuant to section 14 of the *Waste Diversion Transition Act, 2016*, I am directing Ontario Tire Stewardship (OTS) to wind up the waste diversion program for Used Tires in full. OTS must develop a plan to wind up the waste diversion program for Used Tires and submit it to the Resource Productivity and Recovery Authority (the Authority) no later than October 31, 2017.

As part of the plan, I am also directing OTS to wind itself up once the waste diversion program for Used Tires has ceased operation. To that end, I am also considering prescribing provisions of the *Corporations Act*, including Part VI (Winding Up), that will apply to OTS.

The development of the plan for winding up the waste diversion program for Used Tires and for OTS must be done in accordance with this direction and in accordance with the provisions of the *Waste Diversion Transition Act, 2016* and its regulations.

It is in the public interest that the plan is consistent with the following principles:

- The public, the Authority and affected stakeholders, including stewards, municipalities and service providers (e.g., collectors, haulers, processors, recycled product manufacturers), receive transparent and clear communications from OTS on a regular basis during development and implementation of the wind up plan.
- The plan shall not adversely affect Ontario's marketplace for used tires, by resulting in unfair or preferential treatment of the public or affected stakeholders, or by resulting in activities that would pose barriers to competition.
- The sharing of data and information to parties other than the Authority must be done in a fair, open and transparent manner that does not result in preferential treatment of one person over another.
- The assets, liabilities, rights and obligations of OTS are dealt with in a fair, open and transparent process in accordance with applicable law, and assets are disposed of for fair market value.

- Data and information that is in OTS' custody or control shall not be for sale.
- The monies held in trust by OTS are treated appropriately in accordance with the *Waste Diversion Transition Act, 2016* and its regulations.
- There is no disruption in the operation of the waste diversion program for Used Tires, including collection, transportation, processing and recycled product manufacturing, while the program is operating.
- Current program targets or performance, whichever is higher, must be maintained or exceeded until the program ceases operation.
- Affected stakeholders should be consulted and have opportunities for meaningful engagement during the development and implementation of the wind up plan.

OTS is directed to develop a plan to wind up the waste diversion program for Used Tires and for winding itself up that includes the following:

- A description of the designated waste that will no longer be included in the program.
- A description of how the program will be operated while the plan is being implemented and until the program has ceased operation.
- A proposed timeline according to which key aspects of the plan will be implemented.
- A description of and a proposal for dealing with the assets, liabilities, rights and obligations of OTS, which includes, in relation to the waste diversion program for Used Tires:
 - Any program surpluses and deficits;
 - All monies held in trust by OTS pursuant to s.35 of the *Waste Diversion Transition Act, 2016*;
 - Any other assets of OTS, including, and without limitation, any intellectual property, physical assets, real property;
 - Any liabilities incurred by OTS during the development and implementation of the waste diversion program; and,
 - A detailed account of anticipated costs to operate and wind up both the waste diversion program for Used Tires and OTS, and a detailed account of how OTS will finance these costs.
- A description of all data and information that is within OTS' custody or control and that relates to the operation of the waste diversion program for Used Tires since the Minister's program request letter (August 14, 2008), and a proposal for transferring that data and information to the Authority, including:
 - The process for transferring the data and information to the Authority;

- The data and information that is to be transferred to the Authority shall include, but is not limited to:
 - A list of all registered stewards, including their business address and business contact information; the nature of the steward's designation under the *Waste Diversion Transition Act, 2016* (e.g., whether designated because the steward is an original equipment manufacturer, a brand holder, a first importer, or other person with a commercial connection to tires, or used tires); the classes of tires for which the steward is designated; the number of tires in each class supplied by the steward into the Ontario marketplace;
 - Data and information relating to the collection and management of used tires, including a list of used tire collectors, haulers, processors and recycled product manufacturers, their business address, business contact information and past program performance data and information; and
 - Other data and information requested by the Authority.
- A proposal for identifying confidential or personal data and information and indicating how such data and information will be supplied in confidence when transferring it to the Authority, which will assist the Authority in determining its treatment of such data and information based on applicable law and policies.
- A description of changes to the program that are anticipated to be necessary to implement the wind up plan.

I am further directing that the plan wind up the waste diversion program for Used Tires and OTS include the following:

- A detailed report of OTS' communications with affected stakeholders and the public during the development of the wind up plan.
- A detailed proposal for a communications plan for all affected stakeholders and the public during the implementation of the wind up plan, if approved. The proposed communications plan must set out the process by which OTS will provide information to affected stakeholders and the public on a regular basis. The plan must include a description of the key steps that will be taken by OTS to wind up the waste diversion program and OTS, and how affected stakeholders and the public will be affected by the wind up.
- A detailed report outlining how OTS has met the consultation requirements of ss.14(13) of the *Waste Diversion Transition Act, 2016* during the development of the wind up plan and including:
 - A list of the stewards, municipalities, service providers and other affected stakeholders that were consulted during the development of the plan;
 - A summary of the comments received by OTS from affected stakeholders; and,
 - A report of how the comments were considered by OTS in the development of the wind up plan.

The implementation of the wind up plan shall begin on the date by which the Authority approves the wind up plan, which I anticipate will be no later than March 31, 2018. It is expected that OTS will have early and ongoing engagement with the Authority to facilitate the development, assessment and approval of the plan to wind up the waste diversion program for used tires and OTS.

The waste diversion program for Used Tires will cease operation on December 31, 2018.

If it is in the public interest to do so, I will provide further direction at a later date related to the matters set out in this direction, or to provide clarification related to the wind up of the waste diversion program for Used Tires or OTS.

Sincerely,

A handwritten signature in black ink, appearing to read 'Glen Murray', with a long horizontal flourish extending to the right.

Glen Murray
Minister

- c: Ms. Glenda Gies, Chair
Resource Productivity and Recovery Authority
- Mr. Paul Evans, Deputy Minister
Ministry of the Environment and Climate Change

Ministry of the Environment
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JUN 30 2017

ENV1283MC-2017-1773

Acting Chair
Ontario Tire Stewardship
300 The East Mall, Suite 100
Toronto ON M9B 6B7

Dear Acting Chair:

Pursuant to section 14 of the *Waste Diversion Transition Act, 2016* (WDTA) and in addition to the direction that I issued to Ontario Tire Stewardship (OTS) on February 17, 2017, it is in the public interest that I provide further direction to OTS regarding specific elements that must be included in the plan to wind up the waste diversion program for used tires, and OTS itself.

To build on the February 17, 2017 direction, it is also in the public interest that the plan is consistent with the following principles:

- The interests of current and future tire consumers should be considered when developing options to deal with program surpluses and deficits in the wind up plan.
- While maintaining or exceeding program performance, spending should be limited to necessary program expenditures and should be strictly controlled during the wind up period because the program and OTS are being wound up.

I am further directing that the plan to wind up the waste diversion program for used tires and for winding up OTS itself shall include:

- Rules governing fees for the program during the wind up period in accordance with the principles set out in section 33 of the WDTA, which are required where provisions governing fees in Ontario Regulation 390/16 (Used Tires), as amended from time to time, no longer apply.
- Where possible, the rules would eliminate fees for passenger and light truck tires (and any other tire classes, if applicable) in order to minimize the remaining surplus funds, including any restricted or unrestricted reserves, when the program ceases operations on December 31, 2018. It is my expectation that OTS will implement the fee elimination from May 1, 2018, or as soon as feasible, subject to the approval of the Resource Productivity and Recovery Authority (the Authority).

Acting Chair

Page 2.

- Any fee elimination provided for in the proposed rules will be determined in a manner that would provide for sufficient funds for the costs set out in section 33 of the WDTA, including costs of operating the program, as well as costs incurred to wind up the waste diversion program for used tires and OTS.
- An approach to manage the deficit from off-the-road tire classes (and any other tire classes, if applicable), including proposed rules to continue debt repayment which ensures there are sufficient funds to pay for costs incurred, and limiting spending to necessary program expenditures related to off-the-road tires (and any other tire classes, if applicable).
- An approach to deal with OTS' Treadmarks IT system that ensures fair and equitable access to all users, as an alternative to disposing of assets for fair market value as outlined in the February 17, 2017 direction.

OTS' wind up plan that provides for the contents of this direction, and the direction issued on February 17, 2017, is due to the Authority by October 31, 2017.

It is expected that OTS will engage with the Authority, and consult with representatives of municipalities, stewards and other affected persons when developing its wind up plan in accordance with both directions, the WDTA and its regulations. It is also expected that OTS will work cooperatively with the Authority in implementing any policy direction issued to the Authority pursuant to section 29 of the *Resource Recovery and Circular Economy Act, 2016*.

Lastly, OTS shall make publicly available on the OTS website my wind up direction letters.

Sincerely,



Glen Murray
Minister

c: Mr. Paul Evans, Deputy Minister
Ministry of the Environment and Climate Change

Ms. Glenda Gies, Chair
Resource Productivity and Recovery Authority

Board Members
Ontario Tire Stewardship

Mr. Andrew Horsman, Executive Director
Ontario Tire Stewardship

Waste Diversion Transition Act Wind Up Provisions
From Ontario government elaws website
<https://www.ontario.ca/laws/statute/16w12#BK16>

Waste Diversion Transition Act, 2016, S.O. 2016, c. 12, Sched. 2

14 (1) An industry funding organization that receives a written direction from the Minister under this section to wind up a waste diversion program in full or in respect of a designated waste shall develop a plan in accordance with this section and shall submit it to the Authority for approval.

Direction re winding up industry funding organization

(2) A direction under this section to wind up a waste diversion program in full may also require the industry funding organization to develop a plan for winding itself up in accordance with any provisions of the *Corporations Act* that are prescribed to apply to it.

Note: On the day subsection 4 (1) of the *Not-for-Profit Corporations Act, 2010* comes into force, subsection 14 (2) of this Act is amended by striking out “*Corporations Act*” and substituting “*Not-for-Profit Corporations Act, 2010*”. (See: 2016, c. 12, Sched. 2, s. 77 (1))

Note: On the day subsection 4 (1) of the *Not-for-Profit Corporations Act, 2010* comes into force, subsection 14 (2) of the Act, as amended by subsection 77 (1) of that Act, is amended by striking out “the *Not-for-Profit Corporations Act, 2010*” and substituting “the *Corporations Act or the Not-for-Profit Corporations Act, 2010*”. (See: 2017, c. 20, Sched. 8, s. 143 (1))

Discretionary direction

(3) The Minister may, at any time, direct an industry funding organization to wind up a waste diversion program in full or in respect of a designated waste, subject to subsection (4).

Mandatory direction

(4) The Minister shall direct an industry funding organization to wind up a waste diversion program in full if,

(a) material prescribed as a designated waste to which the program applies is also prescribed under the *Resource Recovery and Circular Economy Act, 2016* as material in a designated class within the meaning of that Act; and

(b) a regulation under the *Resource Recovery and Circular Economy Act, 2016* imposes one or more of the responsibilities mentioned in Part IV of that Act in respect of the material.

Same, timing

(5) A direction under subsection (4) shall be made within 90 days after a regulation described in clause (4) (b) is filed with the Registrar of Regulations in accordance with Part III (Regulations) of the *Legislation Act, 2006*.

Same

(6) Subsection (5) applies regardless of whether any provision of the regulation described in clause (4) (b) that imposes a responsibility in respect of the material is in force.

Application of subs. (4)

(7) Subsection (4) applies with respect to,

- (a) the waste diversion program for municipal hazardous or special waste;
- (b) the waste diversion program for used tires; and
- (c) the waste diversion program for waste electrical and electronic equipment.

Non-application of subs. (4), ss. 12 and 13

(8) On and after the day the Minister makes a direction to wind up a program in full, subsection (4) and sections 12 and 13 do not apply to the program.

Same

(9) On and after the day the Minister makes a direction to wind up the program in respect of a designated waste, sections 12 and 13 do not apply in respect of the program's application to that designated waste.

Timeline

(10) In a direction the Minister may specify a date by which the plan must be submitted to the Authority and may specify a timeline for the implementation of the plan, including a timeline for the program, or a part of it, to cease operation.

Same

(11) The Minister may, in writing, extend the timelines referred to in subsection (10).

Contents of plan

(12) The plan shall include the following:

1. A description of the designated waste that will no longer be included in the program.
2. A description of how the program will be operated while the plan is being implemented.
3. A proposed timeline according to which key aspects of the plan will be implemented.
4. A proposal for dealing with the affected assets, liabilities, rights and obligations of any affected industry funding organization.
5. A proposal for transferring or sharing data that is within the industry funding organization's custody or control and that relates to the waste that will no longer be included in the program.
6. A description of changes to the program that are anticipated to be necessary to implement the plan.
7. Any other information the Minister specifies.

Consultation

(13) In developing the plan, the industry funding organization shall consult with,

- (a) representatives of municipalities;
- (b) representatives of persons who are designated as stewards under the rules made by an industry funding organization under section 33 or a regulation made under subsection 73 (3) in respect of the designated waste to which the waste diversion program applies; and
- (c) any other persons the industry funding organization considers to be affected by the winding up.

Consultation

(14) In assessing the plan, the Authority shall consult with,

- (a) representatives of municipalities;
- (b) representatives of persons who are designated as stewards under the rules made by an industry funding organization under section 33 or a regulation made under subsection 73 (3) in respect of the designated waste to which the waste diversion program applies; and
- (c) any other persons the Authority considers to be affected by the winding up.

Approval

(15) After reviewing the industry funding organization's submission, the Authority may approve the plan, but the plan shall not be approved unless it is consistent with the Minister's direction.

Same

(16) An approval under subsection (15) shall be in writing and may include the conditions the Authority determines are appropriate.

Amendments

(17) The Minister may, in writing, direct the industry funding organization to develop amendments to a plan approved under subsection (15), and subsections (10) to (16) apply with necessary modifications in respect of the amendment.

Implementation of plan

(18) On receiving the Authority's approval of the wind up plan or the amended wind up plan, the industry funding organization shall implement it in accordance with,

- (a) the timeline specified by the Minister, if any; and
- (b) any conditions specified by the Authority in the approval.

Deemed changes to program

(19) On the day the Authority approves the wind up plan or the amended wind up plan, the waste diversion program is deemed to be changed as necessary to implement the plan.

Final report, full wind up plan

(20) An industry funding organization that has implemented an approved plan to wind up a program in full shall prepare a final report to the Authority and the Minister setting out the steps that were taken to implement the plan and confirming that the plan has been implemented.

Notice of termination, plan to wind up in full

(21) When a plan to wind up a program in full has been implemented and the Minister has received the final report described in subsection (20), the Minister shall issue a notice terminating the program as of the date set out in the notice.

Same, plan to wind up in part

(22) When a plan to wind up a program in respect of a designated waste has been implemented, the Minister shall issue a notice terminating the part of the program affected by the plan as of the date set out in the notice.

Publication

(23) The Minister shall publish each notice issued under subsections (21) and (22) on the registry under the *Environmental Bill of Rights, 1993*.

Publication

(24) The Authority shall publish on the Registry each approval given under subsection (15) and each notice issued under subsections (21) and (22).

OTS Wind Up Consultation Report – November 2017

Contents

- I. Overview of Consultation Process**
- II. Summary of Stakeholder Feedback on Key Wind Up Issues**

Operational Plan

- 1. Termination of Incentive Payments**
- 2. Transition of TreadMarks**
- 3. Public Data Release**
- 4. Stakeholder Communications Plan**
- 5. Wind Up Coordination with RCEAA Brand Holders**

OTS Financial Issues

- 6. OTS Contingency Fund Estimates**
- 7. 2017 Used Tire Volume Processing Issue**
- 8. Management of Potential HST Obligations**
- 9. OTS OTR Account Balance Options**
- 10. Disposition of OTS Residual Funds**
- 11. Other Stakeholder Issues**

Appendix A: Phase I OTS Consultation Presentation

Appendix B: Summary of Stakeholder Feedback received during Phase I Consultation (including list of stakeholders consulted).

Appendix C: OTS Phase II Consultation Presentation

Appendix D: Summary of Phase II Consultation Sessions:

- Summary of Sept 25, 26 stakeholder sessions; (Steward, Municipal, All Service Providers, Collectors, Haulers, Processors and Manufacturers).**
- List of Stakeholders participating Phase II Consultation Sessions;**

1. Overview of Consultation Process

In developing wind up plans, industry funding organizations (IFOs) are obligated to consult with municipalities, stewards and any other persons the IFO considers to be affected by the plan as per subsection 14 (13) of the *Waste Diversion Transition Act, 2016*

The Ministerial Wind Up direction letter initiating the wind up process for the Used Tire Program (UTP) (February 17, 2017) also indicated that affected stakeholders should be consulted and have opportunities for meaningful engagement during the development of the plan.

The Minister's direction letter included a requirement that OTS produce a detailed report outlining how OTS met the consultation requirements of subsection 14 (13) of the *Waste Diversion Transition Act, 2016* including:

- A list of all stewards, municipalities, service providers and other stakeholders that were consulted during the development of the plan;
- A summary of comments received by stakeholders; and
- A report of how the comments OTS received were considered in the development of the plan.

In order to meet this consultation obligation OTS conducted a two-stage consultation process. In May and June 2017, OTS met with a number of trade associations and organizations representing both stewards and service providers to discuss key wind up issues. OTS also met with municipalities and individual service providers as part of this initial consultation stage. OTS Phase I consultation involved organizations that represent a broad range of OTS stewards and service providers.

To facilitate stakeholder feedback at these sessions OTS prepared a presentation which briefly outlined OTS operations and finances and identified preliminary options related to key wind up decisions. This presentation is attached as Appendix A to this report.

A list of stakeholders consulted during Phase I consultation and a summary of their initial feedback is attached to this report as Appendix II.

Following the first Phase of OTS consultations on wind up, the Honourable Glenn Murray, the then Minister of Environment and Climate Change, issued a second direction letter regarding the wind up of the used tire program. In addition, the Resource Recovery and Productivity Authority (RPRA) also published an *Interim Guide to Assist the Resource Productivity and Recovery Authority in Evaluating an Industry Funding Organization Wind-Up Plan* (August 2017).

Both the Minister's second wind up direction letter and the RPRA IFO Wind-Up Guide clarified certain issues related to Ministerial and Authority expectations related to the development of the wind up plan for the Used Tire Program.

Taking into account the RPRA guide, Ministerial directions and the feedback of stakeholders during the first phase of consultation, OTS prepared a second presentation on UTP wind-up issues to review with stakeholders (Attached as Appendix C).

OTS held two days of stakeholder consultation sessions at the Crown Plaza Airport Hotel on September 25th and 26th. All OTS stewards, service providers and municipalities were given notice of the following sessions which were open to all participants. In order to maximize stakeholder participation OTS webcast the session or allowed stakeholders to dial in via conference call:

- September 25 9:00 to 12:00 – Steward session and Webinar;
- September 25 1:00 to 3:00 – Municipal session and Webinar;
- September 26 9:00 to 12:00 – Service provider session and Webinar;
- September 26 1:00 – 3:00 – Hauler session and Webinar;
- September 26 1:00 – 3:00 – Processor session and conference call;
- September 26 3:30 – 5:30 – Collector session and Webinar;
- September 26 3:30 – 5:30 – Manufacturer session and conference call;

A list of stakeholders who participated in the above sessions is attached Appendix D. Summaries of stakeholder comments and questions at each session are also provided in that Appendix.

In addition, OTS reviewed the Phase II consultation with a few stakeholders prior to the September 25, 26 consultations (based on stakeholder requests for meetings). Finally, OTS received some written comments from stakeholders in writing in the first week of October. (Additional stakeholder meetings held by OTS are referenced in Appendix D under Other Meetings/Stakeholders).

The following represents a summary of stakeholder views on key wind up issues throughout the consultation process which ran from May to October 2017.

II. Summary of Stakeholder Feedback on Key Wind Up Issues

Operational Plan

1. Termination of Incentive Payments

OTS reviewed three general options related to how current OTS allowances and incentives should be phased out at program termination in relation to service provider inventories.

Option 1 : Zero Inventory Recognition

Under this scenario, in 2019 OTS would only pay service providers incentives for activities completed prior to December 31, 2018. Generally OTS pays incentives and claims for eligible activities when those activities are completed. For example, a collector applies for a Collection Allowance when tires are transported from its facility. A Processor or Manufacturer applies for an incentive after material has been sold.

Used tires which had been collected in 2018 but which had not been picked up from a collector would not be eligible for an OTS allowance. Similarly used tires which had been processed into crumb rubber but which had not been sold by the Processor would not be eligible for an OTS processing incentive. OTS would only pay out claims for allowances and incentives based on activities which had been finalized in 2018.

Option 2: On-hand Inventory Recognition

Under this scenario, in 2019 OTS would pay service providers incentives for used tires they had in inventory as of December 31, 2018. A collector would be eligible for an OTS allowance on tires which had been collected in 2018 even if those tires were not transported off the property until January 2019. Similarly, a Processor would be eligible for OTS processing incentives on all used tires and crumb rubber held in inventory as of December 31, 2018 even if that material had not yet been sold.

Option 3: Full Program Inventory Recognition

Under this scenario, in 2019 OTS would pay a full range of program incentives for every tire collected in 2018. Processors and Manufacturers would be eligible for incentives on on-hand inventory and additional used tires and materials collected in 2018 that the Processor and/or Manufacturer would receive in 2019.

As with other options, OTS would develop a schedule for various service providers indicating when final claims needed to be processed. Under all three options OTS indicated it would also review audit procedures and implement

necessary procedures to ensure the integrity of the claims process during the final stages of the program.

In Phase II consultation, OTS generated preliminary estimates of the cost differentials associated with the above options.

For OTS service providers (collectors, Haulers, Processors and Manufacturers) how inventories were managed in relation to program termination was their most significant issue. Service providers collectively were strongly supportive of some form of inventory recognition at program termination indicating a strong preference for Option 3 (full inventory recognition) and very strong resistance or objections to Option 1 (zero inventory recognition).

In the view of several Haulers, Processors and Manufacturers, Option 1, zero inventory recognition, would result in significant disruption to tire flows and recycling in 2018. Several Processors and Manufacturers indicated they would likely stop processing Ontario used tires some time in the fall to eliminate existing inventories prior to program termination. Haulers also expressed concerns that Option 1 would result in significant backups in tire flows in 2018.

Several Haulers expressed concerns about not receiving OTS incentives for work completed at the end of 2018 as they are paid indirectly through Processors and there is often a delay between the completion of the hauling activity and the application for an OTS Transportation Incentive on the part of Processors.

While some service providers indicated that they could live with Option 2, others indicated that they felt it still risked disruption to tire flows late into 2018.

Service providers were fairly consistent in indicating that Option 3, full inventory recognition, was the best option to help smooth transition to the new *Resource Recovery and Circular Economy Act (RRCEA)* regulatory framework by eliminating service provider motivations to change purchasing or operational practices in relation to the final months of the used tire program.

A number of service providers also indicated throughout the consultation sessions that December 31 was the worst time of the year to transition to a new program as inventories are high and the capacity of service providers to implement additional measures to manage changes is limited.

In the Phase II consultation sessions, Processors suggested that moving the used tire program termination date back two to three months would significantly help service providers manage transition issues and used tire and crumb rubber inventories. In their view Processors and Manufacturers, due to lower inventory volumes, could clean out inventories in far less time with a later termination date resulting in lower OTS incentive payment costs after the termination date. This

proposal was supported by Haulers and Manufacturers at the September consultation sessions.

Some stewards also indicated a preference for Option 3, full inventory recognition, as they felt it created the cleanest legal distinction between OTS program waste and waste materials under the RRCEA framework. In their view, brand holders under the RRCEA framework should not be responsible for processing or recycling used tires collected in 2018.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

Stakeholder views were given careful consideration in the development of OTS Wind Plan proposals in this area. The OTS Wind Up plan proposes to treat service provider December 31, 2018 inventories in a manner consistent with current OTS service provider contracts. This approach to inventory recognition is most similar to Option 2 described above. It addresses stakeholder concerns about creating disruptions in 2018 by not recognizing service provider inventories and allows OTS to manage the Wind Up process without revising existing service provider contracts.

In OTS's view recognition of on-hand inventories as part of the Wind Up process will support a smooth transition to the RRCEA framework and allow service providers to manage that transition in a manner that minimizes potential disruptions to used tire collection and processing in 2018.

2. Transition of TreadMarks

The OTS TreadMarks system is a proprietary software hardware computer system developed specifically to track tire and used tire flows in the used tire program. The TreadMark system represents OTS's most valuable capital asset and, as a relatively new system, has potential value for RCEAA brand holders and related producer responsibility organizations (PROs) as a materials tracking system.

In the first round of consultation, stakeholders unanimously agreed with the OTS proposal to make TreadMarks widely available to all RRCEA brand holders and their producer organizations at nominal or minimal cost. A number of recycling participants indicated that it would be a shame to lose the functionality of the TreadMarks system under the new RRCEA framework.

This broad stakeholder support for making TreadMarks widely available during wind up was confirmed during the second round of OTS consultations. Several stakeholders also indicated that OTS should work with the RPRA to ensure that TreadMarks would remain available to potential new brand holders under the RRCEA framework for a period of time.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

OTS Wind Up Plan proposal with respect to TreadMarks transition reflects broad stakeholder support.

3. Public Data Release

In order to assist future RRCEA brand holders in understanding and planning how to meet RRCEA obligations with respect to used tire recycling, OTS proposed in Phase I consultation that it would release more detail on how used tires are currently collected and processed in Ontario with the caveat the commercially confidential company information would not be publicly released.

During the first round of consultation OTS canvassed service providers for their views on this issue and received feedback that indicated general agreement with the concept subject to more discussion on the detailed elements of the proposal.

During Phase II consultation OTS proposed the following outline of used tire information for release:

- Release of used tire collection by five geographic areas by existing OTS tire classifications: passenger and light truck (PLT); medium truck (MT); and off road tires (OTR); and
- Release of Processor and Manufacturer aggregate input and output tonnages by company.

Phase II consultation clarified that Processors and Manufacturers were not supportive of the release of company specific information related to volumes processed. The general consensus was that release of this information could have negative commercial implications for various companies.

Service providers did indicate that more detailed geographic specification with respect to used tire collection data would be helpful. Several service providers suggested that OTS should release collection data by postal code. A few Haulers, while generally supportive of more geographic collection data, felt that if certain postal codes were only serviced by a single Hauler that the release of that data would not be fair to that particular Hauler.

Some service providers and stewards during consultation also indicated an interest in receiving OTS historic data specific to their company or having OTS release that data with their authorization to a third party.

Some stakeholders also asked questions about what will happen to their data when OTS is shut down.

Finally some stakeholders raised questions about commercially confidential information that might be transferred from OTS to the RPRA.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

OTS Wind Up Plan proposal regarding public data release has been adjusted to address stakeholders concerns raised during consultation. It is also proposing security measures related to final OTS data destruction that will protect against the inadvertent release of any commercially confidential information from OTS databanks.

With respect to OTS's anticipated data transfer to RPRA, OTS is also recommending a notification process that will inform stakeholders of any company specific data to be released by OTS to the RPRA as part of the Wind Up process.

4. Stakeholder Communications Plan

During Phase II Consultation, OTS outlined communication activities it planned to undertake to keep stakeholders informed of key wind up dates and developments. These included stakeholder specific communications to all stewards, collectors, Haulers, Processors, municipalities, RPMs and other affected stakeholders during various stages of the wind up process that would begin with the approval of the wind up plan (by March 31, 2018 or earlier). OTS also indicated it would provide public notice of key wind up plan steps on its website and create a web interface that allowed stakeholders to get information on wind up issues and ask questions of clarification related to the wind up process.

Throughout the consultation process stakeholders were generally supportive of clear communications by OTS on the wind up process and related steps.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

OTS Wind Up Plan proposal with respect to stakeholder communication reflects broad stakeholder support.

5. Wind Up Coordination with RCEAA Brand Holders

During Phase II consultation, OTS indicated that following approval of the used tire program wind up plan, it would host a series of meetings/webinars open to RRCEA brand holders and related PROs to create a forum to manage transitional issues and facilitate the exchange of technical information with the goal of minimizing disruption to used tire recycling as the new RRCEA framework comes into force. OTS indicated that these types of meetings/briefings may become more frequent toward the end of 2018. Consistent with Ministerial direction, OTS coordinating activities would be open to all potential RRCEA brand holders.

Stakeholders were generally supportive of close coordination of OTS wind up activities with RRCEA brand holders.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

OTS Wind Up plan with respect to coordination with RRCEA brand holders reflects broad stakeholder support.

OTS Financial Issues

As part of the consultation process, OTS briefed stakeholders in both Phase I and Phase II on projections with respect to OTS financing including initial estimates of reserve fund estimates as of December 31, 2018 based on current steward fees, incentive payments and fiscal trends.

During Phase II Consultation OTS identified a number of issues for stakeholders that have implications for OTS financial forecasting and related reserve fund levels.

6. OTS Contingency Fund Estimates

A key issue with respect to OTS financial planning is what represents an appropriate reserve fund to manage contingencies with respect to the wind up budget forecasting process.

In Phase II consultation, OTS identified a potential contingency fund of approximately \$3 million dollars based on two key variables, a 10% fluctuation in 2019 incentive payments (associated with Option 3 re termination of incentive payments) and a potential increase in steward non-compliance payments equaling 10% of fall steward fee payments.

During consultation stakeholder strongly supported the concept of an adequate OTS contingency fund. A number of stakeholders during consultation indicated that OTS needed to ensure it does not run out of money during wind up.

With respect to the level of the potential contingency fund, many stakeholders indicated that matter was more properly resolved by OTS. Some stakeholders indicated that the OTS steward non-compliance estimate was likely too high. Other stakeholders were concerned about the financial implications with other potential Wind Up risks that had not been estimated and which in their view might be quite high. These stakeholders were concerned that \$3 million might not be sufficient to manage wind up contingencies, particularly if there are disruptions to tire flows during transition.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

OTS has continued to re-assess potential financial forecasts and required Wind Up contingency fund levels. Its Wind Up Plan proposal includes a contingency amount of \$3 million which is similar to the amount reviewed with stakeholders during consultation but which is based on a slightly different set of assumptions.. OTS believes the proposed level should be sufficient to manage various financial contingencies and address the primary stakeholder concern raised during consultation that OTS not run out of reserve funds before program termination.

7. 2017 Used Tire Volume Processing Issue

During the summer of 2017, OTS was made aware of growing backlogs in used tire collection and processing. It held technical committee meetings in September with service providers and during Phase II consultation on wind up sought stakeholder feedback on a range of options and a recommendation designed to address the used tire collection and processing backlogs. While technically not a wind up issue per se, the issue has implications for OTS financing throughout the wind up process.

OTS reviewed three options for addressing the processing capacity issue: using out-of-province Processors to address; increasing the existing processing incentive rate and finally issuing an RFP to Processors for additional processing volumes. At the time of consultation OTS indicated that its preferred option to address the collection and processing backlog was to increase the existing processing incentive for PLT and MT tires by \$20 per tonne and for OTR tires by \$40 per tonne. It indicated that the annual cost of this increase, in addition to increasing the OTS trailer storage subsidy (which had already been implemented), would be approximately \$2.5 million dollars. In order to offset this cost increase OTS proposed reductions to the PLT and MT Collection Allowances (\$0.88 to \$0.50 per PLT and \$3.05 to \$2.00 per MT) to be implemented April 1, 2018.

Service providers were strongly supportive of the proposed increase to the PI with Processors indicating it would enable them to bring on new machinery and capacity to deal with existing backlogs. Some Haulers indicated that the new PI would help in addressing backlog. A few collectors were concerned about the proposed reduction to the Collection Allowance. Other service providers did not think the reduction would have a negative impact on tire flows.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

Following a further review of the issue and consultation with RPRA, OTS determined that the best approach to addressing the processing capacity issue was through issuing an RFP for additional processing volume open to both in

province and out of province Processors. The RFP was awarded in November 2017 with five Ontario Processors and one out of province Processor entering into agreement with OTS to process additional used tire volumes between November of 2017 and April 2018.

OTS approach provides Processors with additional funding to address the collection and processing backlog in a fiscally responsible manner.

8. Management of Potential HST Obligations

Currently OTS balance sheets include a liability of just under \$13 million dollars related to potential HST that might have to be paid by OTS in relation to transportation incentives paid to Processors between 2013 and the present.

At issue for OTS is that a number of Processors in recent Canada Revenue Agency (CRA) audits have been questioned as to why they are not paying HST amounts on these payments. While the CRA has not required any individual Processor to make HST payments on the related transportation incentives to date, the CRA has also not clarified definitively that these payments will not be required.

During consultation, based on advice from tax counsel, OTS proposed holding this money in trust at the end of program termination until such time as the potential liability associated with these amounts was definitively resolved. If Processors are eventually required to pay HST, the OTS reserve would be disbursed to Processors in proportion to their obligations. If Processors are not required to pay HST on these incentives, then the reserve would be distributed to OTS stewards in proportion to their contributions to OTS during the period of the accrual of the liability.

Some Processors indicated that they felt the risk of payment was relatively small whereas others indicated that they were in the middle of audits where the issue was still under consideration. Some stakeholders indicated that OTS should request a ruling on the matter from CRA to try to clarify the obligation prior to program termination.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

OTS has continued to review the issue of its HST obligations and as part of its Wind Up Plan is proposing that it attempt to clarify the nature of this obligation through communication with the CRA prior to program termination. This approach is consistent with a number of comments made by stakeholders during consultation that OTS should resolve this issue prior to program termination.

9. OTS OTR Account Balance Options

Under *Waste Diversion Act* and *WDTA* regulations OTS is required to set fees and manage related program costs by tire classification. During the first few years of OTS operations it was determined that OTR fees were not covering OTR used tire recycling costs.

The OTR deficit associated with this fee/cost imbalance was estimated to be approximately \$26 million in 2012 when fees were adjusted to address the deficit. In 2013 OTR implemented new OTR steward fees which included an amount that would pay down this historic deficit over a period of ten years. While OTS OTR tire sales are running ahead of historic estimates and therefore paying down the OTR deficit faster than originally forecast, OTS estimates at the time of consultation on this issue that there will continue to be a remaining \$2 million deficit in the OTR account as of December 31, 2018.

During Phase I Consultation OTS did not propose to take any action to reconcile the anticipated remaining OTR Account deficit as of December 31, 2018. This proposal received strong support from OTR stewards with some dissenting opinions on the matter provided by select PLT stewards.

The Minister's second direction letter and discussions with the RPRA indicated that OTS must reconcile this account deficit prior to program wind up in order to comply with statutory and regulatory funding provisions.

As such OTS reviewed a number of options with stakeholders during Phase II consultation for reconciling the account which included: reducing OTR costs by cancellation of the OTR Collection Allowance; increasing OTR steward fees from April 1 to December 31, 2018; invoicing OTR stewards for estimated account deficits at the end of 2018 (with as much advance notice as possible) and balancing the account through a combination of a OTR fee increase and final steward invoice.

Given that OTR cost saving initiatives would be less than \$500,000 in total, options to fully reconcile the OTR account involve either a steward fee increase or final invoice or a combination of the two.

During Phase II consultation several stewards voiced strong objections to being invoiced for the remaining account balance. Other stakeholder indicated that an increase to the OTS OTR steward fee, particularly with respect to agricultural tires would create a backlash from farmers.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

Although OTS during consultation sessions indicated that it estimated that the OTR Account would continue to have a deficit of approximately \$2.2 million as of December 31, 2018, this estimate did not take into account the full amount of the DRP generated by OTR TSF fees in 2018, as historically these amounts were credited to the PLT account in the year following their generation.

In order to fully recognize DRP amounts in the Wind Up period OTS is proposing to credit the full DRP generated in 2018 to the PLT account in 2018. This will result in the remaining deficit to be recovered from Stewards being reduced as compared to the amounts shared in the consultation. At the time of writing this WUP OTS is forecasting that the remaining deficit on program wind-up will be approximately \$1.5 million.

OTS's Wind Up Plan proposal is to invoice OTR Stewards for any remaining account deficit following program termination with Stewards provided with forecasts of anticipated amounts owing in 2018 and final invoices for account deficits amounts sent out to OTR Stewards in 2019.

Although several Stewards have indicated their opposition to reconciliation of the historic account deficit, other Stewards have indicated that it would be unfair not to fully repay the amount of the deficit. The proposal is consistent with Ministerial direction to fully reconcile the on and off-road tire account balances prior to program termination.

10. Disposition of OTS Residual Funds

During Phase I of consultation OTS reviewed three general options for the disposition of OTS residual funds assuming that OTS has surplus revenues remaining after all of its financial obligations have been addressed. These included: 1) cutting steward fees for a period of time in 2018 followed by a final reconciliation of steward fees in 2019 (once all of OTS financial obligations had been addressed); 2) reconciling steward fees with any surplus revenues in 2019 without a prior fee cut; or 3) using any surplus funds to create a trust fund to support tire recycling activities and initiatives in 2019 and beyond.

Following Phase I consultation, the RPRA guide clarified that any excess funds at program termination “must be allocated to the steward who paid the original fee”. Secondly, the Minister’s second wind up direction letter indicated that “where possible, the rules would eliminate fees for passenger and light truck tires in order to minimize the remaining surplus funds ...when the program ceases operations.” Finally, the Minister indicated that it was his “expectation that OTS will implement the fee elimination from May 1, 2018, or as soon as feasible”.

During Phase II consultation OTS indicated that its anticipated end of program surplus associated with the preferred stakeholders option related to termination of incentive payments was approximately \$2.5 million [Note: preliminary estimate also included a number of other assumptions regarding financial options.] It

indicated that this amount was significantly less than the estimated \$27 million it would cost OTS to finance an eight-month PLT fee reduction.

A number of service providers expressed strong objections to the concept of fee holiday particularly if it comes at the cost of other measures designed to minimize disruption to used tire recycling during wind up. In the view of most service providers, the consumer benefits associated with a fee holiday were relatively minimal in comparison to the risk associated with reducing OTS reserves during the wind up process.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

OTS has continued to re-assess financial forecasts and operational spending decisions and its current Wind Up Plan financial forecast estimates that its net asset position at the end of the Wind Up process will be approximately \$8.2 million (not \$2.5 million referenced above).

OTS proposes that it will target implementation of a PLT fee cut for October 15, 2018 with the exact date and length of the fee holiday to be determined in consultation with the RPRA upon approval of the OTS Wind Up Plan and a re-assessment of OTS's financial position in March 2018. It is OTS's intention to give Stewards and other stakeholders a minimum of 60 days notice in relation to any fee changes implemented in 2018 as part of the Wind Up process.

While OTS stakeholders are generally not strongly supportive of a TSF fee holiday, the Wind Up proposal addresses Ministerial Direction with respect to Wind Up and should generate some benefits for consumers in the form of reduced service fees on new tire purchases in late 2018.

11. Other Stakeholder Issues

Tire Dealer Inventories

The most significant other issue raised by stakeholders during consultation was the request from tire wholesalers and dealers for compensation on tire inventories when OTS steward fees are eventually eliminated.

Tire dealers indicated that past OTS steward fee reductions have created negative financial impacts on tire wholesalers as they have paid a higher recycling fee on their inventories but cannot collect that fee from retailers after the OTS steward fee has been reduced. One association estimated the fiscal impact of a full OTS fee reduction on tire wholesalers and retailers to be \$15 to \$20 million dollars.

Tire dealers feel this inventory issue is quantifiable and that OTS should establish a direct compensation mechanism for existing tire wholesalers and

retailers related to the elimination of the OTS steward fees. Some tire collectors also expressed concerns about a fee reduction eliminating revenues that could be utilized to compensate tire wholesalers and retailers when the OTS steward fee is eliminated.

Some stakeholders challenged the tire dealer position indicating that they felt this was a non-issue as tire dealers were free to charge whatever price they wished to retailers and they could ensure that they were compensated on existing inventories.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

While OTS gave careful consideration to the tire dealers request it is not recommending that a special tire inventory devaluation compensation fund be implemented during wind up.

While OTS collects steward fees it does not regulate how those fees or charges are recouped by stewards, tire wholesalers and tire retailers. While stewards, wholesalers and retailers have treated the OTS steward fee as a separate item on their invoices, this is not required or mandated by OTS.

OTS's legal authority with respect to fees is restricted to what it charges stewards to generate revenues to fund tire recycling activities and cover program costs. As such the tire dealer request lies beyond OTS's historic practice and statutory authority with respect to fee setting and reconciliation activities. In the absence of a significant change to the fee setting process, rules and related regulations, in the view of OTS, it is highly unlikely that the provision of compensation related to new tire inventories and fee adjustments would be considered a legitimate Used Tire Program expense.

2018 Reductions in OTS Promotional and Educational and Market Development Programs

During consultation with stakeholders, OTS indicated that there would be some reduction in OTS spending on Promotional & Educational and Market Development programs in 2018 as part of the Wind Up process.

However, OTS did indicate during consultation sessions that it would propose that a number of Promotional and Educational and Market Development programs would continue in some form in 2018. These included such initiatives such as Consumer Rebate programs, special tire collection events and continued OTS attendance at Consumer and Trade shows.

OTS current Wind Up Plan proposes to cut OTS spending in 2018 in relation to Promotional and Education and Market Development much more significantly than what was indicated during consultation sessions. As such a number of

programs which OTS had previously indicated would continue in 2018 are now proposed to be terminated as of the end of 2017. These include ending Consumer Rebate programs, OTS attendance at Consumer and Trade shows and the elimination of special tire collection events.

Consideration of Stakeholder Comments in OTS Wind Up Plan Proposal

As noted in the discussion above, OTS did not consult with stakeholders on current proposals included in this Wind Up proposal in relation to the elimination of certain Promotional and Educational and Market Development programs. As such, although OTS anticipates that some stakeholders may object to the 2018 elimination of these programs, they have not had an opportunity to comment on these particular changes.



Rethink your relationship with tires

Development of OTS Wind Up Plan:
Seeking Stakeholder Input
May/June 2017

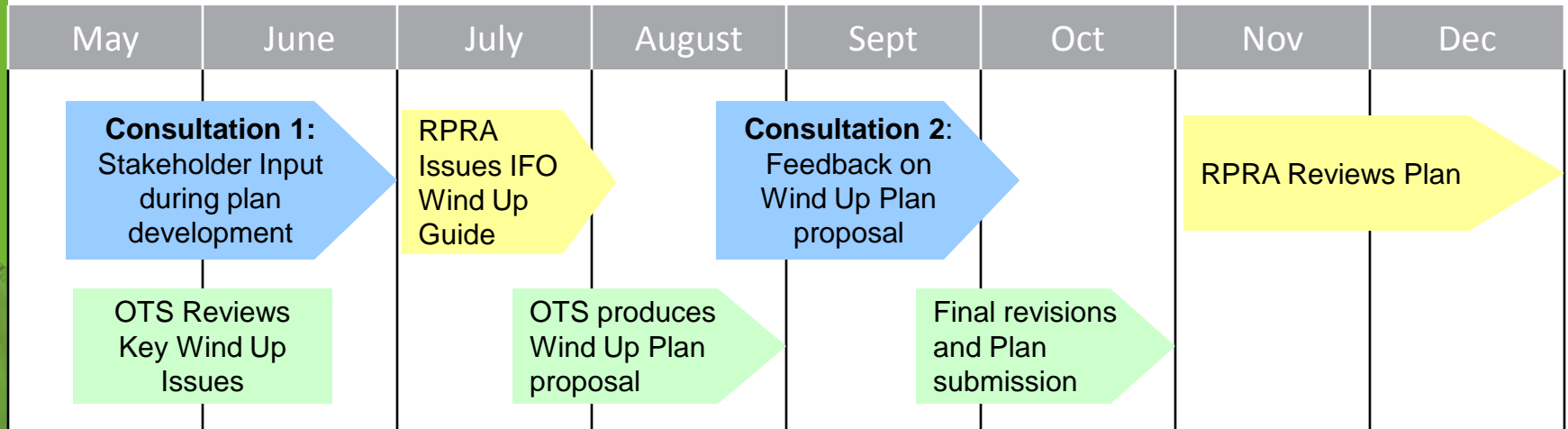
Purpose of Consultation Session

- Minister (Ministry of the Environment and Climate Change (MoECC) has directed OTS to Wind Up Used Tire program by December 31, 2018:
 - OTS to submit Wind Up Plan to Resource Productivity and Recovery Authority (RPRA) by October 31, 2017.
- Under *Waste Diversion Transition Act, 2016* (Subsection 14 (13) (see Appendix for details)) OTS is to consult with municipalities, stewards and any other persons it considers to be affected in developing its Wind Up plan:
 - RPRA obligated to consult same stakeholders in reviewing OTS wind up plan.
- OTS is seeking stakeholder input and feedback on the development of its Wind Up Plan (WUP) for the Used Tire program in order to identify and assess key issues related to termination of the program.

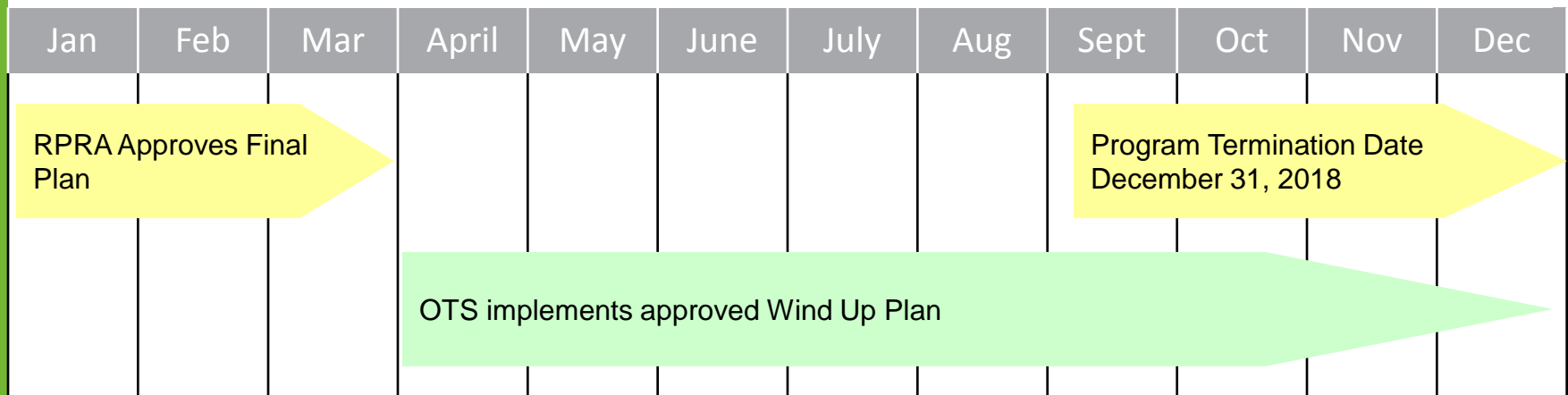
Note: OTS is creating brief summaries of all consultation sessions and a summary consultation record for inclusion in WUP submission to the RPRA.

Overview OTS Wind Up Process

Consultation and Wind Up Plan Development 2017



Wind Up Plan Approval and Implementation 2018



RRCEA Regulation Development and Obligations

- Parallel processes to OTS Wind Up Plan development
- MoECC developing *Resource Recovery and Circular Economy Act* (RRCEA) regulations:
 - New Act and regulations targeted to apply to tire brand holders Jan 1, 2019;
- RPRA developing Industry Funding Organization (IFO) Wind Up Plan guidelines, preparing for implementation of RRCEA.

OTS Program Overview (See Appendix for More Detail)

OTS Stakeholders	Stakeholder Obligations	Stakeholder Incentives	Transaction Process
<ul style="list-style-type: none"> • 670 Stewards (Tire manufacturers and imports) • 7,100 Collectors (Accept and store tires) • 120 Haulers (Transport tires) • 12 Processing Sites (Convert used tires into recycled rubber) • 17 Recycled Product Manufacturers (RPMs) (Create new products from recycled rubber) 	<ul style="list-style-type: none"> • Register with OTS; • Track and report tire sales, collection, movements, processing, etc.; • Meet OTS service standards where applicable; • Subject to OTS performance audits; • Stewards pay fees which fund program 	<ul style="list-style-type: none"> • OTS pays out incentives in support of tire recycling and the creation of a circular economy with respect to tire products (2016): • Collection Incentives: – (\$9 Million); • Transportation Incentives: – (\$22 Million); • Processing Incentives: – (\$15 Million); • Manufacturing Incentives: – (\$5.5 Million) 	<ul style="list-style-type: none"> • Processes vary by transaction type; • Generally partners submit monthly claims within 60-90 days at the end of each month; • OTS processes completed partner claims (i.e. claims where no additional information is required) within 35 calendar days of receiving the claim.
<p>• OTS also funds Promotion and Educational (P&E) activity and Research and Development (R&D) projects in support of diversion, responsible recycling, market innovation and the development of future markets for tire-derived products: – \$3 Million in P&E spending and \$943,000 in R&D projects in 2016</p>			

OTS Program Performance 2009 - 2016

- Over 100 Million tires recycled:
 - Clean up of historic tire stockpiles and elimination of illegal dumping;
- Annual tire recycling rates of 80 to 90 percent:
 - Virtually all tires available for recycling collected (see Appendix for 2016 recycling rates);
- Successful development of an innovative tire processing and manufacturing sector:
 - 200% increase in tire recycling capacity and manufacturing using Ontario crumb rubber;
- Reduced diversion costs and improved service efficiencies:
 - 40% reduction in PLT fees since inception.

OTS Wind Up Plan: General Approach and Objectives

- Minister's Wind Up Direction letter identified principles for OTS Wind Up including:
 - No disruption in the operation of the waste diversion program ...while the program is operation;
 - Current program targets and performance must be maintained or exceeded until program termination.

- OTS intends to fulfill core mandate functions during transition:
 - a) Maintain existing tire collection and recycling rates;
 - b) Continuation of Partner Incentives;
 - c) Continuation of Education and Awareness Programs;
 - d) Continuation of Research and Development projects

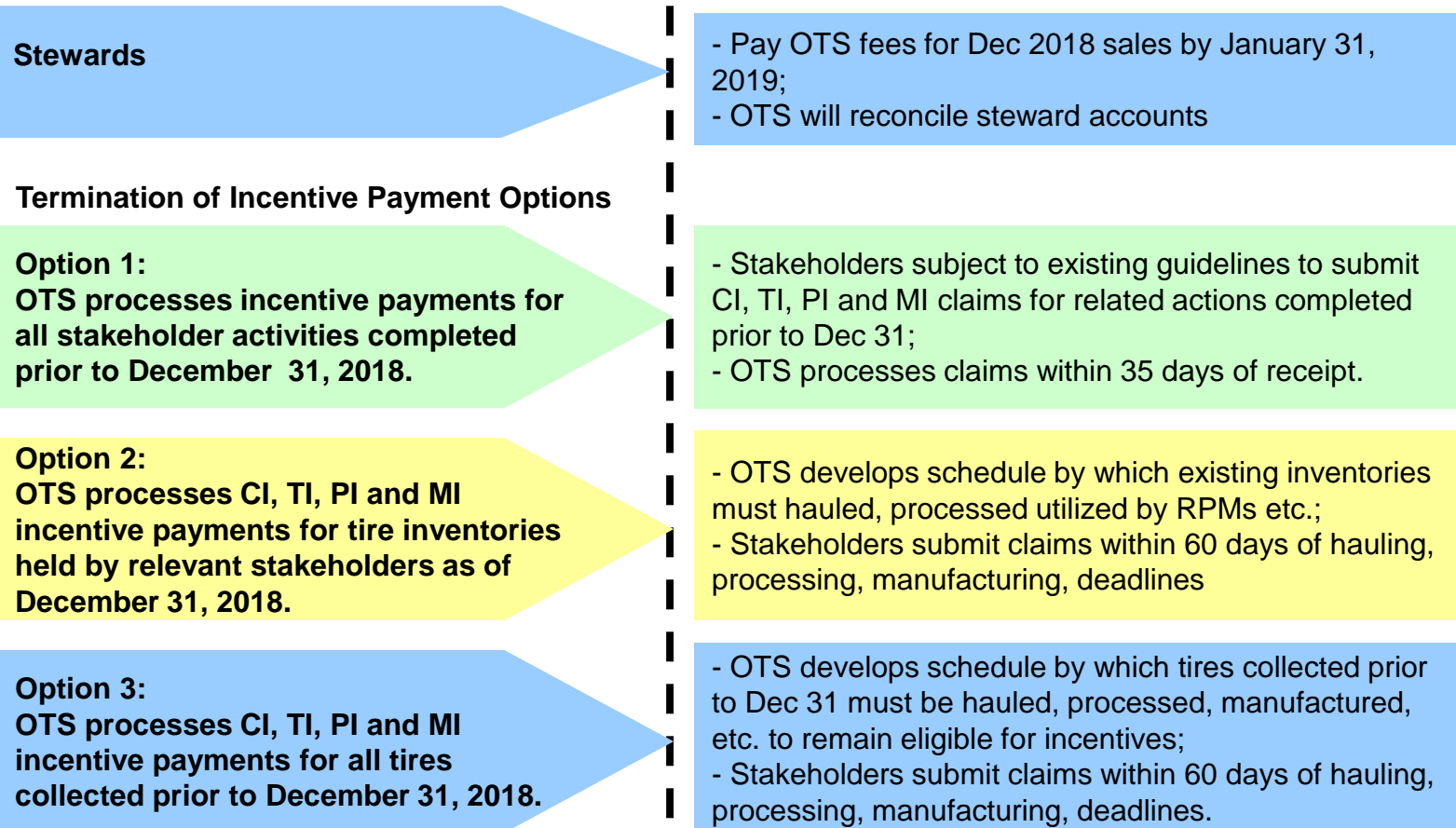
- In addition OTS supports objective of "orderly transition":
 - a) Minimize disruption for program participants during transition;
 - b) Minimize the negative consequences of wind up decisions/process for future (post-OTS) tire recyclers.

Key Used Tire Wind Up Plan Issues

1. Options for Termination of Stakeholder Incentive Payments
2. OTS Financial Issues:
 - Resolution of Account Balances;
 - Disposition of Potential OTS Residual Funds
3. Transition of OTS Assets: TreadMarks (Software)
4. Tire Recycling Data: Management and Transition
5. Coordination of Transition with Post-OTS Brand Owners:
 - Including Management of Potential Employee Disruption

1. Options for Termination of Stakeholder Incentive Payments

December
31, 2018



2. OTS Financial Issues: 2016 Financial Summary (Estimate)

OTS Summary Financials	2015 (Millions)	2016E (Millions)
Revenues	\$77.3	\$51.4
Expenses		
Program Costs	\$57.9	\$54.6
Administration	\$6.7	\$9.4
Total	\$64.6	\$64.1
Surplus/(Deficit)	\$12.7	(\$12.7)
Net Assets December 31	\$61.8	\$49.2

2. OTS Financial Issues:

Estimating Level of Potential Residual Fund

OTS Assets December 31, 2016	\$49.2 M
Factors Affecting Potential OTS Residual Funds at Termination	
Operating Deficit 2017	Budget (\$16 M) Actual likely less
Operating Deficit 2018	Budget (\$16 M?)
Termination of Incentive Payment Options	(\$5 to \$35 M?)
Other Wind Up Plan Decisions	???

- Level of potential OTS residual funds at termination could vary significantly:
 - Will likely be significantly less than current assets and potentially even negligible, but will be difficult to estimate until certain wind up decisions are finalized;
 - Approach to wind down of incentive payments, in particular, has significant financial implications.

2. OTS Financial Issues:

Options for Disposition of OTS Residual Funds

1. **Reduce or Eliminate Steward Fees prior to December 31, 2018:**
 - Following completion of related operational Wind Up decisions, OTS estimates amount of residual surplus and eliminates or reduces stewards fees for related period of time;
 - Note final financial reconciliation would be required but potential surplus amounts would be minimized.
2. **Issue Rebate to Stewards After December 31, 2018:**
 - Following resolution of all OTS financial obligations, OTS distributes any remaining residue funds back to stewards.
3. **Use OTS Residual Funds to support future tire recycling:**
 - Create fund to support tire recycling initiatives after program termination - community programs, research and development re tire-derived products, etc.

2. Resolution of Historic OTR Account Balance

Tire Category	Current Fee	Account Balance
PLT (Passenger and Light Truck)	\$3.30	Balanced
MT (Medium Truck)	\$12.95	Balanced
OTR (Off Road)	\$5.55/pte	Operating Surplus Historical Deficit

- Historic OTR tire category deficit calculated as \$26 million 2013:
 - \$2 to \$3 million being removed from OTR deficit annually.
- Negative OTR account balance may remain at time of OTS termination (forecast to be less than \$5 million in two years).

OTS Proposed Approach:

- *Continue with OTR debt repayment during transition, but do not reconcile any amounts which may remain in the OTR account balance at termination.*

3. Transition of OTS Assets: TreadMarks

- Minister's Wind Up Direction letter indicates that:
 - OTS assets should be dealt with "in a fair, open and transparent process" and "disposed of for fair market value";
 - the Plan shall not adversely affect used tire marketplace, pose barriers to competition or result in unfair or preferential treatment.
- OTS TreadMarks IT system is a unique and key OTS asset:
 - Will be of significant value to post-OTS tire brand owners and tire recycling participants;
 - Need to balance potential sales value of TreadMarks with other Wind Up objectives.
- In OTS's view, making TreadMarks available to all post-OTS brand holders will support:
 - Seamless transition, open competition and fair treatment for all stakeholders;
 - The ability of all post-OTS brand holders to achieve RRCEA recycling objectives.

OTS Proposed Approach:

- Make TreadMarks available for use by any post-OTS PRO/brand holder responsible for used tire diversion in Ontario at nominal cost:
 - Transfer to post-OTS used tire PROs/brand holders ensures use of TreadMarks consistent with intended purpose.

4. Tire Recycling Data: Management and Transition

- Minster's Wind Up Direction letter indicates that sharing of OTS data and information must be done in a fair, open and transparent manner "that does not result in preferential treatment of one person over another"
- OTS databanks will be of interest and use to many stakeholders and post-OTS brand holders and help facilitate future positive recycling outcomes:
 - This includes information on tire sales, used tire collection, hauling and processing, RPM manufacturing, etc.
 - However, some OTS recycling data information is commercially sensitive;
- Consequently OTS data, will need to be aggregated beyond the company level prior to release or risk generating significant confidentiality and stakeholder concerns.

OTS Proposed Approach:

Aggregate OTS tire sale and recycling data for release to post-OTS brand holders and recycling participants in electronic form at nominal cost.

5. Coordination of Transition with Post-OTS Brand Holders

- While OTS is only responsible for winding up the existing used tire program, many of the functions performed by OTS will continue to be performed by RRCEA brand holders or related organizations:
 - Part of orderly wind up of the existing Used Tire Program involves creating a smooth process to transition to RRCEA recycling.
- In the view of OTS, smoothest approach to wind-up and transition would be for OTS to coordinate wind up with RRCEA brand holder start-up organizations so OTS functions are effectively replaced by new entities:
 - Ideally OTS would be able to negotiate transition terms with RRCEA startups potentially transferring liabilities, obligations and assets (where such arrangements were consistent with RRCEA objectives);
 - Where possible and appropriate OTS could also coordinate employee transitions in a manner that minimizing disruption to the OTS program.
- Key issue with respect to facilitating smooth transition and wind up of existing used tire program is the level of coordination that can take place between OTS and RRCEA brand holder start-ups.

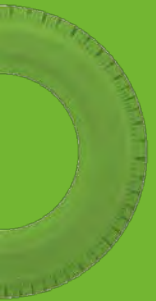
OTS Wind Up Consultation: Stakeholder Questions

1. What are your views on the potential options for the termination of OTS stakeholder incentive payments?
2. If OTS has any residual funds remaining following program termination what do you think are appropriate parameters for disposition of those funds?
 - a) What are your views on the proposed OTS approach related to final reconciliation of category account balances?
3. What are your views on the proposed OTS approach to transition of the OTS Treadmarks data tracking and management system?
4. What are your views on the proposed OTS approach to the release of aggregated tire sale and recycling data and information?
5. What are your views on the level of potential coordination re transition between OTS and post-OTS RRCEA brand holders?
 - a) Should OTS be permitted to negotiate transition terms and transfer of obligations/assets etc. with post-RRCEA brand holders to ensure smooth transition?
6. Are there any other issues/concerns you would like to identify related to the wind up of the used tire program?

OTS Wind Up Consultation: Next Steps

- Following end of Stage 1 Consultation and the release of RPRA IFO Wind Up Plan guidelines: OTS will develop Wind Up Plan (WUP) proposal for discussion with stakeholders prior to submission to RPRA (likely late August - September)
- OTS will produce a brief summary of this session (circulated to your organization for comment) for inclusion in its WUP consultation record:
 - Any written submissions received from stakeholders will also be included in its WUP consultation record.
- Any questions or inquiries regarding OTS consultation and Wind Up Plan development can be directed to Doug Mander (dougmander@rogers.com) or Andrew Horsman (ahorsman@rethinktires.ca)

Appendix



Background: OTS Consultation Requirements

Subsection 14 (13) of the *Waste Diversion Transition Act, 2016*

Consultation

(13) In developing the plan, the industry funding organization shall consult with,

(a) representatives of municipalities;

(b) representatives of persons who are designated as stewards under the rules made by an industry funding organization under section 33 or a regulation made under subsection 73 (3) in respect of the designated waste to which the waste diversion program applies; and

(c) any other persons the industry funding organization considers to be affected by the winding up.

Ministers OTS Wind Up Direction Letter:

- “Affected stakeholders should be consulted and have opportunities for meaningful engagement during the development and implementation of the wind up plan.”
- Directs OTS that its wind up plan will include:
 - A detailed report outlining how OTS has met the consultation requirements of ss 14 (13) of the *Waste Diversion Transition Act, 2016* during the development of the wind up plan and including:
 - A list of the stewards, municipalities, service providers and other affected stakeholders that were consulted during the development of the plan;
 - A summary of the comments received by OTS from affected stakeholders, and;
 - A report of how the comments were considered by OTS in the development of the wind up plan.
- Indicates that an OTS wind up plan must be submitted to the RPRA no later than October 31, 2017.

Current OTS Program Overview

- Used tire recycling program began in 2009:
 - OTS Not-for-profit corporation (Industry Funding Organization) established under the *Waste Diversion Act*;
 - Stewards fund program;
 - OTS provides incentives to support the collection and recycling of used tires:
 - Collectors, Haulers, Processors and Recycled Product Manufacturers (RPMs) must register with OTS, track tires and submit documentation to receive related incentives:
 - Processing and manufacturing incentives intended to drive the higher value-added use of tire derive products (TDPs);
 - OTS also funds promotional and education (P&E) and tire recycling research and development;
 - Audits program participants and administers program

OTS Operational Overview: Stewards

OTS Partners	Partner Obligations	Transaction Process
<p>~ 670 Stewards:</p> <ul style="list-style-type: none"> - Original Equipment Manufacturers; - Brand Owners; and - First Importers. 	<ul style="list-style-type: none"> - Report the number and types of tires supplied into the Ontario market; - Remit stewardship fees to OTS: - Current Schedule: <ul style="list-style-type: none"> – \$3.30 - Passenger and Light Truck (PLT); – \$12.95 - Medium Truck (MT); – \$5.55 Off the Road (OTR) 	<ul style="list-style-type: none"> - Submit remittances to OTS monthly based on previous month's sales; - E.g. Remittances for January 2017 due Feb 28 2017;

Note: Some program participants have more than one function in the used tire program (i.e. some stewards may also be tire collectors).

OTS Operational Overview: Collectors

OTS Partners	Partner Obligations & Incentives	Transaction Process
<p>~ 7,100 Collectors (Including):</p> <ul style="list-style-type: none"> - Tire dealers, retailers or wholesalers - Car, Truck or Trailer dealers - Mass merchants - Auto Service Center/Garages - Auto Dismantlers/Recyclers - Ontario Municipalities that collect used tires - Private waste management companies 	<ul style="list-style-type: none"> • Free consumer drop off; • Track and report tires collected; • Use of registered haulers; • • Eligible for incentives of: <ul style="list-style-type: none"> - \$0.88 per PLT tire; - \$3.05 per MT tire - \$0.88 per OTR tire < PLT tire; - \$3.05 per OTR tire > PLT tire <p>~ \$8 Million in Collection Allowances paid in 2016</p>	<ul style="list-style-type: none"> - Collectors have from 90 days after the end of each quarter to submit claims for that quarter; - OTS processes completed collector claims (i.e. claims where no additional information is required) within 35 calendar days of receiving the claim.

Note: Some program participants have more than one function in the used tire program (e.g. some stewards may also be tire collectors).

OTS Operational Overview: Haulers

OTS Partners	Partner Obligations	OTS Incentives	Transaction Process
<p>Haulers: Transport tires to Processors</p>	<ul style="list-style-type: none"> • Free collection from registered collectors • Delivery to registered processors (no tipping fees) • Track and report on tires delivered 	<p>- Transportation Incentives (TI) based on zones, processor location and tire types:</p> <ul style="list-style-type: none"> - (range from \$1.32 to \$2.24 per tire); <p>- Premium incentives for Northern and Dedicated Off the Road Tire (DOT) deliveries paid directly to haulers by OTS:</p> <ul style="list-style-type: none"> - (range of \$0.19 to \$2.35 per tire). <p>- ~\$22 Million in 2016</p>	<p>- OTS pays TI to processors:</p> <ul style="list-style-type: none"> - Haulers negotiate rate and timing of transportation incentives payments with processors; <p>- OTS pays Northern and DOT TI premiums directly to haulers:</p> <ul style="list-style-type: none"> - Haulers submit monthly claims based on previous month's deliveries within 60 days of the end of the month; <p>- OTS processes completed collector claims (i.e. claims where no additional information is required) within 35 calendar days of receiving the claim.</p>



OTS Operational Overview: Processors

OTS Partners	Partner Obligations	OTS Incentives	Transaction Process
<p>Processors:</p> <p>Convert used tires into recycled rubber</p>	<ul style="list-style-type: none"> • Ontario based • Comply with OTS processor standards • Accept tires from registered haulers at no charge 	<ul style="list-style-type: none"> • Range of Processing Incentives (PI) for production of TDPs such as crumb rubber; shred & fabricated products: <ul style="list-style-type: none"> – PI range of \$42 to \$207 per metric tonne dependent on TDP type; • ~\$15 Million in 2016 	<ul style="list-style-type: none"> - Processors submit monthly claims for both TI and PI incentives within 60 days of the end of each month; - OTS processes completed processor claims (i.e. claims where no additional information is required) within 35 calendar days of receiving the claim.

OTS Operational Overview: Recycled Product Manufacturers (RPMs)

OTS Partners	Partner Obligations	OTS Incentives	Transaction Process
<p>Recycled Product Manufacturers (RPMs)</p> <p>Manufacture new products from recycled tire rubber</p>	<ul style="list-style-type: none"> • Ontario based • Enter into RPM agreement with OTS, compliance with RPM standards • Provide proof of sale of recycled tire products • Provide proof of end use of products consistent with program objectives 	<ul style="list-style-type: none"> - Manufacturing Incentives (MI) vary by the type of product created and content of recycled rubber; <ul style="list-style-type: none"> – Only recycled rubber from registered processors eligible for MI incentives; – MI rates generally range from \$xx to \$xxx per tonne of product material; – RPMs must submit applications for product eligibility to OTS to confirm MI applicability and rate. - ~\$5.5 Million in 2016 	<ul style="list-style-type: none"> - RPMs submit monthly claims within 60 days from the end of the month; OTS processes completed manufacturer claims (i.e. claims where no additional information is required) within 35 calendar days of receiving the claim.

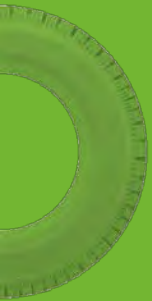
OTS Promotion & Education (P&E) and Research & Development (R&D)

- OTS Promotion and Education programs focus on delivering key messages of diversion, responsible recycling, market innovation and environmental sustainability through a variety of coordinated activities including:
 - Participation in collection events, consumer and trade shows, community events and design competitions; digital marketing & social media, rebate programs;
 - \$3 million spent on P&E activities in 2016.
- OTS Research and Development projects support the growth of existing and future markets for tire-derived products (TDPs):
 - OTS provides up to 50%(?) of costs for eligible programs up to a maximum of \$250,000 per project;
 - In 2016 x Research and Development projects = \$943,000

Program Update

2016 Diversion - PLT

	2016	2015
Supply	116,230	113,524
Collection	90,036	88,835
Collection %	88%	89%
TDP Production (On-Road)	75,358	78,891
RPM Crumb Use (All)	54,008	55,215
RPM use as % of Crumb Production	61%	59%
Diversion	80%	79%



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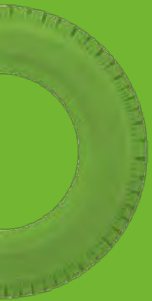
Rethink your relationship with tires

20

Program Update

2016 Diversion - MT

	2016	2015
Supply	45,448	44,858
Collection	34,155	32,122
Collection %	77%	73%
TDP Production (On-Road)	75,358	78,891
RPM Crumb Use (All)	54,008	55,215
RPM use as % of Crumb Production	61%	59%
Diversion	69%	66%



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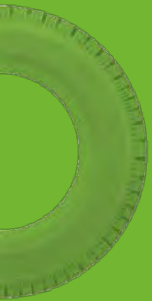


Rethink your relationship with tires

Program Update

2016 Diversion - OTR

	2016	2015
Supply	18,225	18,422
Collection	18,412	16,472
Collection %	122%	108%
TDP Production (On-Road)	12,752	15,143
RPM Crumb Use (All)	54,008	55,215
RPM use as % of Crumb Production	61%	59%
Diversion	104%	90%



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2. Current OTS Financial Position: Reserve Fund Breakdown

OTS Reserve Funds	Current Level	Purpose
Operational Reserve Fund	\$26.2 M	Finance OTS Obligations Following Program Termination
Stabilization Fund	\$15 M	Stabilize Fees During Wind Up Process
Market Development Fund	\$8 M	Develop markets for recycled tire materials
Total Assets January 2017	\$49.2 M	

Potential Fund Status at Program End
(December 31, 2018)
Assumes Dec 31 represents last day
stewards legally required to support
program

Amount necessary to fund OTS financial obligations at termination

Amount left in funds will depend on level of operating deficits and market development project allocations 2017 & 2018

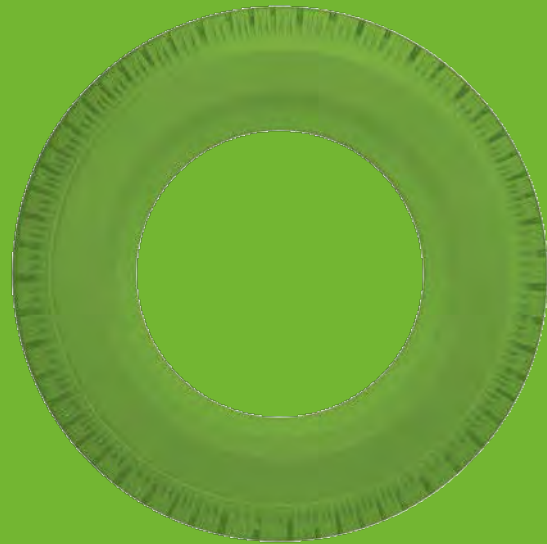
OTS Board has approved draft 2017 Budget with an operating deficit estimate of \$16 million

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2. OTS Financial Issues:

OTS Financial Obligations at Termination

- Based on KPMG methodology, OTS estimates that it will require \$21.4 to \$23.6 million at program termination to finance remaining obligations. Cost estimate includes:
 - 90 days of Collection Allowance Claims
 - 30 days of Transportation Incentive Claims
 - 60 Days of Processing Incentive Claims
 - 60 days of Manufacturing Incentive Claims
 - Contractual commitments for R&D, P&E, IT etc...
 - Lease wind-up cost and RPRAs costs
- Retention & Severance costs not yet factored in
- Note: Assumptions regarding cost estimates will vary dependent on Wind-Up plan design and selected schedule for termination of incentives payments.



Preliminary Summary of Consultation Feedback: OTS Wind Up Plan Issues

July 7, 2017

Background: Consultation Process

Ontario Tire Stewardship (OTS) was directed by the the Honourable Glen Murray, Minister of Environment and Climate Change, to submit a plan to wind up the waste diversion program for Used Tires to the Resource Productivity and Recovery Authority (RPRA) by October 31, 2017.

Consistent with the Minister's direction to consult with stakeholders and provide "opportunities for meaningful engagement during the development and implementation of the wind up plan" OTS has met with a number of stakeholders seeking feedback on key issues related to the plan.

OTS will return to stakeholders in the early fall with a more detailed Wind Up plan proposal for review by stakeholders prior to submitting its Wind Up plan to the RPRA.

Almost 8,000 businesses participate in the current Used Tire program. The associations and businesses consulted in this initial issues-identification consultation stage are representative of businesses which, as program participants, handle or account for the majority of materials in the current Used Tire program.

While OTS has a few stakeholder meetings scheduled for July related to this consultation stage, it is confident that the consultation to date has identified most of the main issues and concerns that stakeholders have with respect to development of the OTS Wind Up plan.

To date OTS has held consultation sessions with the following stakeholders;

Animat
Association of Equipment Manufacturers
Association of Ontario Municipalities
Canadian Vehicle Manufacturers Association
City of Toronto
CRM Rubber
Dynamic Tire
Emterra
Global Automakers of Canada
Kaltire
Microrecycling
Multy Home

Nexsource
Northwest Rubber
OK Tire
Ontario Automotive Recyclers Association
Ontario Municipal Waste Association
Ontario Tire Dealers Association
Ontario Waste Management Association
Retail Council of Canada
Retire Your Tire
Sofsurfaces
Tire and Rubber Association of Canada
Tire Drop
Trillium Automobile Dealers Association

Some stakeholders also indicated that they intended to provide written comments to OTS with respect to the Wind Up plan. Any correspondence OTS receives in this regard will be forwarded to RPRA as part of the consultation record.

Summary of Stakeholder Views:

General Themes:

Some stakeholders questioned the rationale for winding up the current Used Tire program, expressing frustration at having to adjust to a new program when, in their view, the current program worked very well. While this view was expressed by some stakeholders, most were more focused on the issues related to wind up of the current program.

Many if not most stakeholders referenced the lack of clarity with respect to future *Resource Recovery and Circular Economy Act* (RRCEA) regulations, in particular those regulations detailing the nature of obligations that will be placed on brand holders under that statute, as making assessment of wind up and transitional issues more difficult. This sentiment was common to all types of OTS stakeholders: stewards, collectors, processors and manufacturers.

Recycling participants in particular (i.e. collectors, haulers, processors and manufacturers) indicated that longer lead times with respect to transition would help minimize potential disruptions associated with transitioning from the current program to the future RRCEA framework. In this respect, stakeholders were referring not simply to clarity regarding the nature of RRCEA regulations but actual contractual terms that would be in place between brand holders and various recyclers under the RRCEA framework.

Another general theme that emerged from discussions is the importance of clear communications throughout the OTS Wind Up process. A number of stakeholders referenced the importance of clear and regular communications on

the part of OTS as it develops its Wind Up plan and moves toward implementation to ensure that program participants are fully aware of plan developments.

Specific Issues:

Process for Termination of OTS Incentive Payments

OTS has identified this issue as the most significant one with regards to the potential for negative impacts on program operations and diversion rates (two issues specifically identified as high priority by the Minister and MoECC staff). While by definition the transition from the existing incentive regime to the new IPR framework will create market disruption and result in disparate impacts on recycling sector service providers OTS is mindful of its obligation to maintain existing service levels, diversion rates and ensure its wind-up plan does not result in unintended negative impacts on specific recycling sector participants.

OTS reviewed three general approaches related to phasing out its incentive payments in relation to used tire and related material inventories. Under the first option, OTS would only pay incentives on activities completed prior to December 31, 2018. This would involve virtually no recognition of recycler inventories. Under the second option, OTS would pay incentives on recycler inventories held as of December 31, 2018 for each recycler category (collector, hauler, processor and manufacturer). In other words a processor would be eligible for processing incentives on tire materials held as of December 31, 2018. Under the third option, OTS would pay the full range of incentives on every used tire collected as of December 31, 2018.

This issue was the most significant issue for tire recycling businesses with collectors, haulers, processors and manufacturers all indicating support for some form of inventory recognition (options 2 or 3). In their view inventory recognition supports a smoother wind up and transition. A common response from these groups was that Option 3 was preferred – every tire collected prior to the end of the year should be eligible for the full range of OTS incentives, but that they could live with option 2. Option 1 on the other hand was, in the view of tire recyclers, an approach that would be highly disruptive to tire flows through wind up.

A number of processors and manufacturers indicated that they would likely stop purchasing Ontario tires and/or recycled material well before the end of 2018 in order to minimize their inventories levels at the end of the year. Some processors/manufacturers indicated that lack of inventory reduction would create competitive impacts in the sector as some businesses depending upon their type of operations, carried far less inventory than competing recyclers.

Haulers in particular are very concerned about a potential disruption in tire flows during transition. Some haulers indicated that this is the worst time of the year to transition as it is very busy and that their ability to manage any supply chain disruptions is extremely limited during this period. Haulers also expressed concerns about receiving transportation incentives for tires that had been hauled but not necessarily claimed by processors.

Some collectors indicated that they could manage some increase in used tire inventories, i.e. manage a few weeks without tire pick ups, but that they would be harder pressed to manage a disruption of collection that lasted a couple of months or more.

It is important to note that Option 3 is generally consistent with the approach taken by OTS at program launch, with existing inventories at all stages of the tire recycling supply chain being discounted from 2009 diversion results. In Option 3 OTS would honor all inventories at December 31 2018 allowing Brand Holder obligations to be calculated solely based on “new” supply (i.e. as of January 1 2019) yielding new used tire generation as of the same date.

While OTS stewards did not tend to express strong preferences for any of the inventory management options, some indicated that the transfer of legal responsibility for managing waste should not take place mid-stream. In other words, particular used tires should be completely processed under the OTS system or the RRCEA system but not both. Stewards should not be responsible for managing waste collected in 2018.

With respect to payment of steward fees, some stewards indicated that they would need time in 2019 to reconcile wholesale sales that are made out of Ontario with what they originally report in terms of 2018 tire sales into Ontario. Discussion indicated that a couple of months into 2019 would be enough time to reconcile shipments made out of Ontario.

Disposition of Potential OTS Residual Funds:

With respect to potential OTS residual funds, OTS indicated that the amounts remaining in various OTS reserve funds at the end of 2018 would vary significantly dependent on a number of factors (operating balances in 2017, 2018; approach to recognition of inventories, etc.). A number of stakeholders indicated that OTS needed to ensure that it did not run out of funding prior to fulfilling all of its financial obligations.

OTS reviewed three potential approaches to disbursement of potential reserve funds: 1) a steward fee holiday or reduction prior to the end of 2018 (plus a final reconciliation back to stewards following finalization of OTS financial commitments); 2) a final steward fee reconciliation paid back to stewards following the finalization of OTS financial commitments; 3) the creation of a tire

recycling fund to be used in support of tire recycling activities such as promotion and educational activities, research and development or other purposes.

This issue generated a wide variety of stakeholder responses. Stewards tended to support Option 2 (a final reconciliation to stewards) based on the premise that stewards have funded the program and should be entitled to any reserve funds or surpluses associated with the program at its end. Some stewards also indicated that under the new RRCEA framework they would be incurring costs in creating organizations to manage their obligations and therefore could utilize any excess OTS revenues in support of RRCEA recycling activities.

Stewards generally supported Option 2 in relation to Option 1 but prefer both of those options in relation to Option 3. Some stewards expressed concern about Option 1 being disruptive from an accounting perspective, requiring two adjustments during transition, one during the OTS fee reduction or elimination and a second during implementation of whatever fees or charges are associated with implementation of recycling under the RRCEA framework.

OTS stakeholders involved in tire recycling tend to support Option 3 in relation to options 1 and 2, although support for Option 3 was not unanimous from these stakeholders. Many of these stakeholders argued that consumers funded the used tire program and that any surplus revenues should be dedicated to a fund which supported tire recycling activities. This would be consistent with the original purpose for which the fees were collected, generate indirect benefits for consumers and represent a defensible policy outcome.

Discussion related to Option 3 also generated a number of ideas regarding the purpose and potential structure of such a fund. Some stakeholders argued that the fund should be utilized as a potential clean up reserve fund to manage future tire recycling issues that did not necessarily fall under the obligation of any particular steward under the RRCEA framework. At least one stakeholder speculated that in the transition to the RRCEA framework an increase in tire dumping was very likely. A reserve fund could be used to clean up illegal tire dumps or address tire clean ups which were more expensive: i.e. in rural or Northern areas. Other stakeholders argued that such a fund could be utilized to pay brand holder cost obligations to the RPRA for a period of time, thereby benefitting stewards and easing brand holder startup costs associated with establishing tire recycling organizations. Other stakeholders felt any potential OTS residual funds should be transferred to RPRA to manage for tire recycling purposes.

Discussion related to Option 1 revealed a wide variety of opinion as to whether retailers would cut consumer tire recycling fees in 2018 in event that OTS eliminated steward fees for a period of time. Some stakeholders felt that given the uncertainty regarding RRCEA arrangements that retailers would simply wait until January 2019 before making any fee adjustments. Other stakeholders felt

that many retailers would reduce fees but that the practice would not be consistent across all retailers. Other stakeholders pointed out that even if all retailers cut consumer tire recycling fees following an elimination of OTS steward fees, that the consumers that were getting a temporary benefit from the fee cut, would not be the same consumers that had originally paid the fees. In general, Option 1 seemed to be perceived as potentially more disruptive than either Options 2 or 3.

Off-Road Account Balance

This issue was of significant interest to select stakeholders.

Many recycling participants declined to comment on this issue seeing it as primarily a steward financial issue.

Stewards with significant off-road tire sales strongly support the Board's proposal not to seek funding from off-road stewards at the end of 2018 to balance the anticipated off-road deficit and are vehemently opposed to any alternatives.

These stewards indicated that they have paid required steward fees and fully complied with program obligations and they should not be penalized for OTS's failure to allocate program costs properly or the delays it took pending Waste Diversion Ontario approval of new Rules for Stewards and TSF rates or Ministry regulations to address the historic deficit once it was identified. These issues resulted in a 2-year delay in implementation of a solution to the annual deficit, increasing the accumulated amount by approximately \$16 million.

Additionally it should be noted that in 2012-2013 as OTS was developing a fee approach consistent with the outlines of the new Regulation it submitted a 10-year deficit repayment plan to WDO (who in turn submitted to the MoECC in October 2012) and this was approved by the WDO Board in September 2012. The development and implementation of this Plan was a result of extensive consultations by OTS with Stewards, some of whom may now be negatively impacted by a decision to seek to reconcile any remaining deficit as a result of the "short-circuiting" of the plan by this policy change.

While other stewards did not express strong opposition to the proposal, a few indicated that PLT stewards should not be required to offset OTR costs.

Transition of TreadMarks System

Stakeholders unanimously agreed with the Board proposal to make TreadMarks available to all RRCEA brand holders and their producer organizations. A number of recycling participants indicated that it would be a shame to lose the functionality of the TreadMarks system under the new RRCEA framework.

A few stakeholders raised concerns about the proposed nominal cost associated with accessing the system as potentially being too high for smaller brand holders. Some stakeholders also indicated that the timing of potential TreadMarks transition to all stakeholders needed to be managed in a way that was fair for all participants. A few stakeholders also indicated that release of the system should not be restricted to brand holders or their organizations but that it should also be made available to prospective recycling organizations or other recycling participants.

Release of OTS Sales and Recycling Data

Stakeholders generally supported the OTS proposal to develop and release a more detailed tire sales and recycling database provided that commercially confidential information was protected. A number of stakeholders indicated that more clarity with respect to used tire generation by location and category would be helpful. A number of stakeholders agreed with the concept but reserved comment pending the development of a more detailed proposal.

Discussion some processors indicated that these companies were less concerned with release of their aggregate volume numbers than with customer and sales data (i.e. who is buying crumb rubber at what prices). However, some processors also indicated that they did not support the release of any facility specific data even if it was restricted to volume output.

Many stakeholders indicated they would like the option of OTS providing their historic sales data to third parties upon request. Some processors supported the option of OTS providing a company specific report to them that could be distributed by them to third parties.

As noted above, many stakeholders indicated they were opposed to public release of company specific commercial information. Some stakeholders also indicated that OTS protocols and processes to ensure that staff did not steal OTS data during wind up should be strengthened. Stakeholders also indicated that OTS needs to take steps to ensure that all its data was properly destroyed during the final stages of wind up.

Coordination with Post-OTS Brand Holders:

In general stakeholders indicated support for processes that minimize disruption during transition so long as OTS operates openly and in a manner which is fair for all stakeholders. Most stakeholders felt they would need to review more details related to potential transitional arrangements before determining whether they had concerns.

With respect to staffing issues, some stakeholders indicated that OTS should hire additional contract staff well in advance of wind up to ensure it was adequately

resourced to fulfill its final functions as wind up got closer (and more full time staff left the organization).

Issues Raised by Stakeholders:

Wholesale Tire Inventories

For select stakeholders, this was the most significant issue. Tire wholesalers claimed that previous OTS steward fee reductions have had an adverse financial impact on these organizations. In short, tire wholesalers which have paid a higher fee to stewards with respect to tire purchasers are unable to pass that higher fee onto to tire retailers when OTS fee reductions are implemented.

As such these wholesalers are extremely concerned about the potential for OTS to eliminate its fee for a period of time prior to implementation of the new RRCEA framework. This would result in a fee adjustment approximately ten times greater than previous OTS fee reductions. In their view it is not the purpose of the program during wind up to financially penalize tire wholesaling businesses. They believe their issue is easily quantifiable and that OTS reserves should be used to compensate tire wholesalers for any financial impacts associated with OTS fee adjustments made during wind up. Some of these stakeholders also indicated that they should be compensated for OTS fee adjustments dating back to 2015.

Potential Increase in Fraudulent Activity

Some stakeholders expressed the view that as OTS winds up operations, that it is possible that certain recyclers will be more likely to attempt to game the system. These stakeholders indicated that OTS should increase compliance related functions during wind up to ensure that recyclers are operating on a level playing field during the wind up process. Some stakeholders indicated that OTS should place auditors at all processing sites for a number of months to monitor volumes and inventory levels at the end of the current used tire program.



Rethink your relationship with tires

OTS Wind Up Plan: Key Issues
September 2017

OTS Wind Up Plan Issues and Proposals

- Context
- Key Operational Issues and Proposals:
 - Termination of OTS Incentive Payments;
 - TreadMarks Transition;
 - Data Release Proposal;
 - Wind up of OTS Communication & R& D Activities;
 - Stakeholder Communications Plan;
 - Coordination of Transition with Post OTS Stakeholders
- Key Financial Issues:
 - OTS Financial Overview;
 - Issues Affecting Financial Forecast:
 - OTS Contingency Fund Estimate
 - 2017 Used Tire Volume Processing Issue
 - Potential HST Obligation
 - OTR Account Balance Reconciliation OTS Contingency Fund;
 - Other Financial Issues Raised During Consultation;
 - Disposition of Potential OTS residual fund

OTS Wind Up Plan Context

- Minister's Wind-up Directions:
 - February 17, 2017;
 - June 29, 2017.
- Stakeholder feedback
- Resource Productivity Recovery Authority (RPR) Industry Funding Organization (IFO) Wind-up Guide;
- Key Timelines:
 - OTS to submit wind up plan to RPR by October 31, 2017;
 - RPR, following consultation, to approve a plan by March 31, 2018;
 - Used Tire program to cease operations December 31, 2018 (as per Minister's direction Feb 17, 2017);

Ministerial Directions

February Letter: Plan should be consistent with following principles:

- No disruption in the operation of the waste diversion program during wind up;
- Current program targets must be maintained until program ceases operations;
- Affected stakeholders must have opportunities for meaningful engagement;
- Plan shall not result in unfair or preferential treatment of the public or affected stakeholders.

June Letter:

- Interests of current and future tire consumers should be considered in options dealing with program surpluses and deficits;
- Where possible, rules should eliminate fees for PLT tires to minimize surplus funds - by May 1, 2018 or as soon as feasible.

RPRA Guiding Principles

- Plan must be Fair and Equitable;
- Minimal impact to stakeholders - Minimal disruption to stakeholders- Any excess funds must be allocated to stewards;
- Defined and Measurable Scope - Must address Section 14 of *WDTA* and Ministerial Directions
- Transparency - Public and affected stakeholders must receive clear communications and have opportunity for meaningful engagement;
- Commercial Reasonability - Assets, liabilities, rights and obligations of IFO to be dealt with in a reasonable manner;
- Integrity and Protection of Data - Data shall be safeguarded;
- Independence and professionalism - Must be maintained by Board members and management;
- Fiscal Responsibility and Operating Performance - Performance targets must be maintained - spending limited to necessary program expenditures.

OTS Termination of Incentive Payments

- OTS reviewed 3 options related to Termination of Incentive Payments with stakeholders during consultation:
 1. Minimal inventory recognition – only operational stakeholder activities completed prior to December 31 – would be eligible for OTS incentive payments;
 2. On hand inventory recognition – stakeholder inventories held as of December 31, 2018 would be eligible for OTS incentive payments;
 3. Full Inventory recognition – All used tires collected prior to Dec 31, 2018 would be eligible for full range of OTS incentive payments.

Termination of Incentive Option	Estimate 2019 Cost
Scenario 1 (Assumes bump in claims in 2018)	\$1.5 Million
Scenario 2	\$8.8 Million
Scenario 3	\$15.4 Million

Termination of OTS Incentive Payments: Stakeholder Feedback

- Most important wind up issue for virtually all OTS recycling partners (i.e. collectors, haulers, processors and recycled product manufacturers (RPMs));
- Program participants universally support recognition of existing material inventories as of December 31, 2018:
 - Indicated lack of inventory recognition would lead to supply chain disruptions in 2018 as termination date nears;
- Some stewards also support clear legal distinction between OTS tires (collected 2018) and RRCEA tires (collected January 2019):
 - Do not want to assume legal liability for waste collected in 2018.
- Conversely, little stakeholder support for limiting OTS incentive payments to activities completed before Dec. 31, 2018 (Option 1).

OTS Termination of Incentive Payments: Preferred Stakeholder Position

Option 3: Full Inventory Recognition:

- OTS pays full range of incentives on used tires collected in 2018;
- OTS establishes claims schedule/audit procedures for 2019 to ensure no overlap with 2019 used tire materials;
- Reduces estimated 2019 program reserve funds to approximately \$1 million (see Financial Discussion).

Implications Associated with Option:

- Minimize risks of disruption to used tire recycling during wind up;
- Inventory recognition will support smoother transition process;
- Addresses a number of criteria included in both Ministerial Directions and RPRA Guiding Principles;
- Treats all stakeholders fairly - processors; manufacturers will not be adversely affected in relation to competitors due to differences in seasonal inventory levels;
- Clean legal option - no confusion about liabilities/obligations in relation to used tires collected in 2018 under RRCEA framework;
- Some administrative complexity for OTS in 2019.

Transition of OTS TreadMarks

- During earlier consultation, stakeholder's expressed broad support for OTS's proposal to transitioning TreadMarks:
 - Make TreadMarks available for use by any post-OTS PRO/brand holder responsible for used tire diversion in Ontario at nominal cost.

Proposal:

- OTS Wind Up plan include detailed transition proposal for TreadMarks

Implications:

- Helps minimize disruption during transition as all stakeholders have access to TreadMarks technology;
- Does not create preferential treatment or impact competition between Resource Recovery and Circular Economy Act (RRCEA) brand holders.

Tire Sales and Recycling Data

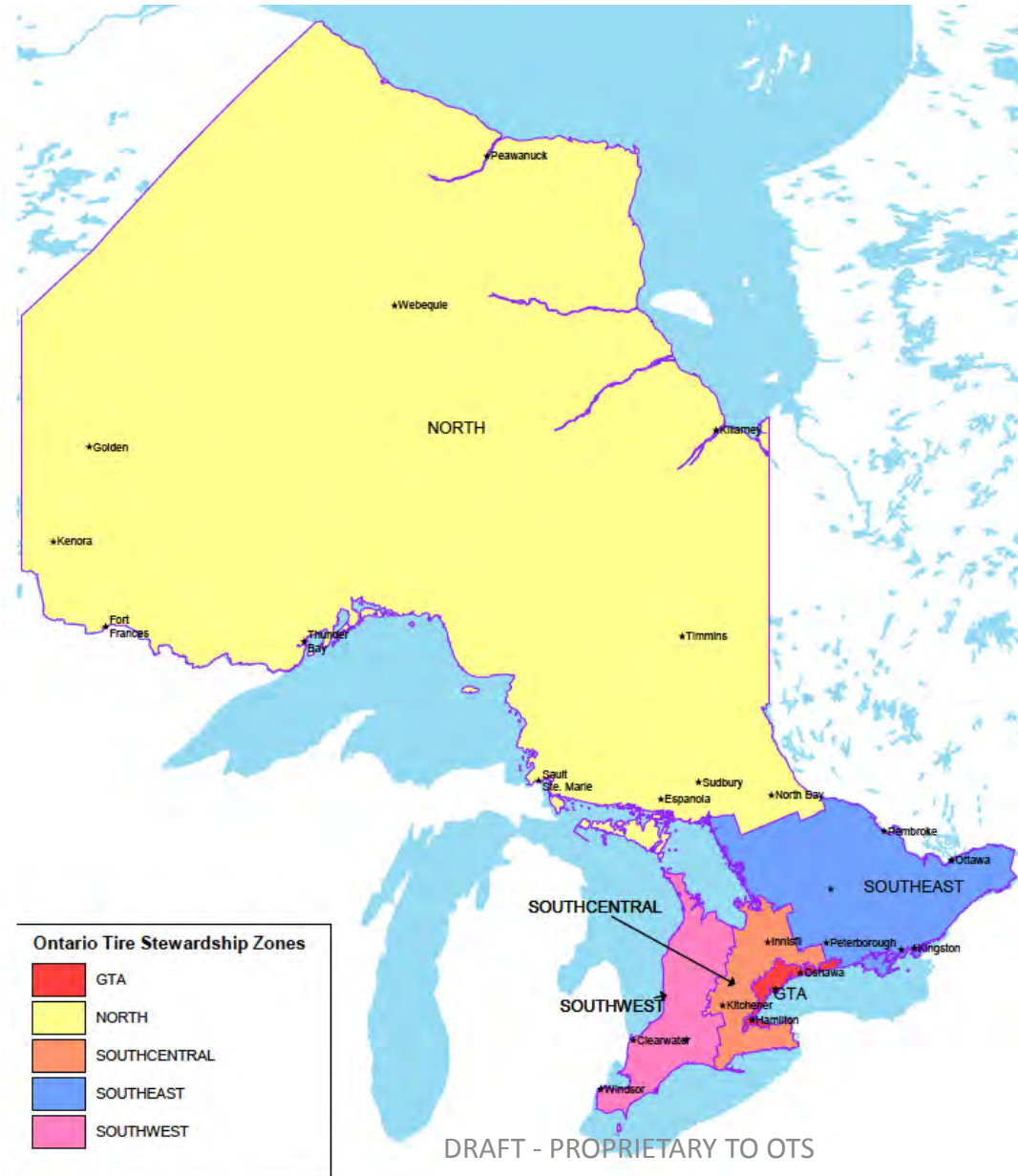
- Stakeholders expressed broad support for OTS's proposed Approach:
 - Aggregate OTS tire sale and recycling data for release to post-OTS brand holders and recycling participants in electronic form at nominal cost;
 - Protect commercially confidential information.
- Some stakeholders reserved judgment pending review of proposed OTS aggregated data outline.

Proposal:

- OTS Data release to include:
 - Aggregated Provincial Sales by Tire Category PLT, MT and OTR;
 - Collection data aggregated by Geographic zones by tire category (PLT, MT and OTR);
 - Processors: Inbound tonnage and aggregate output TDP by processor;
 - RPMs: Inbound tonnage and aggregate output TDP by RPM;
 - Data plan will also include timing of release and periods (e.g. OTS will release data March 31, 2018 for the calendar years 2017 and 2016)
- OTS will also consider release of company specific data to third parties with upon request and authorization of company (i.e. Steward sales, more detailed processor outputs; etc.)

Tire Sales and Recycling Data

- Geographic Zones for Collection reporting



OTS Proposal for Wind Down of Communications and Research and Development Activities

Continue in 2018

- Community Renewal Fund Grants & Demonstration Builds *(projects will completed by December 2018)*
- RPM & Processor Market Support
- Consumer Rebate Programs
- Consumer & Trade Shows
- PR & Communications Outreach
- Special tire collection events (e.g. OARA)

Wind-Up in 2017

- Design Challenge
- R & D Grants
- Third-party Spokespeople
- RethinkTires RoadTrip

2018 P&E reductions result in budget being approximately 40% less than 7+5 2017 Forecast

Transition of Communications Assets

- Where possible, OTS will provide marketing communications assets for free download/availability via a secure sharefile site.
 - Materials will be available as of *July 1, 2018* to anyone who registers for access (e.g.: PROS/Obligated Parties);
 - This site will be live until Jan 31, 2019.
- These assets will include things like:
 - Design files for POS/Ads/infographics;
 - Photography (where rights are allowed);
- Availability will assist brand holders in developing their own marketing communications materials.

Proposed Stakeholder Communication Plan

- Wind Up Direction Communication sent to all OTS Program partners and affected stakeholders in April 2018 (Following RPRA approval of Wind Up plan (by March 31, 2018)):
 - Outlining key elements of wind up plan;
 - Key dates and any operational changes that stakeholders should be aware of;
 - Specific partner communication packages (i.e. collector or steward) as required;
 - Link to full wind up document on OTS website;
 - Link to wind up portal with process to answer stakeholder questions;
 - Schedule of webinars where OTS will provide brief synopsis of plan; relevant changes and offer opportunity for stakeholders to provide feedback, etc.
- Public notice of OTS Wind Up (Website, Print Media) with links to web portal with more information.
- Incorporation of Wind Up information into any on-going OTS communication activities (i.e. Consumer and Trade Shows).

Proposed Coordination with Post-OTS Brand Holders

- In April OTS to schedule a series of webinars/meetings open to any interested RRCEA Brand Holder:
 - Details of TreadMarks Transition;
 - Questions and Answers re: Public Data Release;
 - Identification and Scheduling of Briefings on OTS Operational Processes of Interest to RRCEA Brand Holders;
- On-going 2018 OTS - Brand Holder meetings which may increase in frequency toward the end of year:
 - Meetings open to all interested RRCEA Brand Holders;
 - Co-ordination of final OTS Wind Up activities such as final claims processes;
 - Identification of any transitional issues and measures to ensure smooth transition.

Operational Objectives

- Meet program targets - minimize disruption to used tire program during wind up:
 - Full 2018 inventory recognition with respect to termination of incentive payments seems to support;
 - Co-ordination of OTS Wind Up activities with RRCEA Brand Holder start up activities.
- Support stakeholder fairness and promote competitiveness in future marketplace:
 - Equitable transition of key OTS assets and data management release policies.
- Transparent and open communications process in support of all wind up objectives.

A solid green vertical bar runs along the left edge of the slide. On the left side of this bar, there is a circular graphic element that appears to be a cross-section of a tire or a similar textured ring.

Key Financial Issues

Financial Overview

Initial Estimated Net Asset Position

December 31, 2018

Reserves \$ In Thousands	Net Assets
Total Net Assets – 12/31/16	\$49,155
2017 6+6 Estimate	(\$14,666)
2018 Estimate (Includes TreadMarks write off of \$500)	(\$9,482)
Net Asset Estimate – 12/31/18	\$25,007

Initial 2017 - 2018 deficit estimates include no adjustments to OTS steward fees and/or incentive payments.

Financial Overview

Estimated 2019 OTS Expenses

Net Asset Estimate - 12/31/18		\$24,678,000
Operational Reserve		\$25,007,000
2019 General and Admin Expenses		
OTS Operations	(\$4,373,171)	
RPRAs Costs	(\$1,000,000)	
One-time Wind-Up Costs	(\$500,000)	
Total Admin Expenses	(\$5,873,171)	(\$5,873,171)
OTS Incentive Payments		
CA (inclusive of HST)	(\$713,210)	
TI (inclusive of HST)	(\$3,793,838)	
PI	(\$7,536,147)	
MI	(\$3,401,802)	
Total OTS Incentives	(\$15,444,997)	(\$15,444,997)
Total Unrestricted Net Assets		\$3,688,831

Financial Estimates assume Option 3 re Termination of Incentive Payments – full recognition of inventory at service providers. The financial implications of this Option are shown as the most conservative representation of OTS’s potential 2019 Incentive costs and should not be construed as suggesting any “guarantee” that this Option is the one that will be implemented going forward.

Issues Affecting Financial Planning

1. OTS Contingency Fund Estimate
2. 2017 Used Tire Volume Processing Issue
3. Potential HST Obligation
4. OTR Account Balance Reconciliation

1. OTS Contingency Fund Estimate

Variation in CA, TI, PI and MI Incentive Claims (10% of 2019 Estimate)	\$1,544
Potential Steward Non-Compliance (Assume 10% of October to December TSF Revenue)	\$1,500
Legal and Financial Costs - Disputes/Claims	\$???
Total	\$3,044
Unrestricted Net Assets	\$3,689
Operational Surplus Net of Contingency Fund (\$000)	\$645

2. 2017 Used Tire Volume Processing Issue

- Growth of PLT/MT used tires is generating capacity/processing challenges now;
 - Issue related both to structural growth in scrap PLT / MT volumes and temporary disruption of Processing capacity
- Ontario beginning to experience delays in collection and bottlenecks;
 - Significant concerns regarding escalation of impacts in coming months due to seasonality of PLT market
- Challenges for haulers who have limited capacity to store materials.
- OTS has met with stakeholders to identify options to address

2. 2017 Used Tire Volume Processing Issue: Options to Address

1. Use out-of-province processors to address emerging backlogs
2. Increase OTS processing incentives
3. Implement a PI rate for “incremental” processing output
4. Contract for additional Ontario processing through RFP process
5. Implement enhanced OTS storage subsidy to help manage backlogs

2. 2017 Used Tire Volume Processing Issue: Options to Address

1. Use out-of-province processors to address emerging backlogs

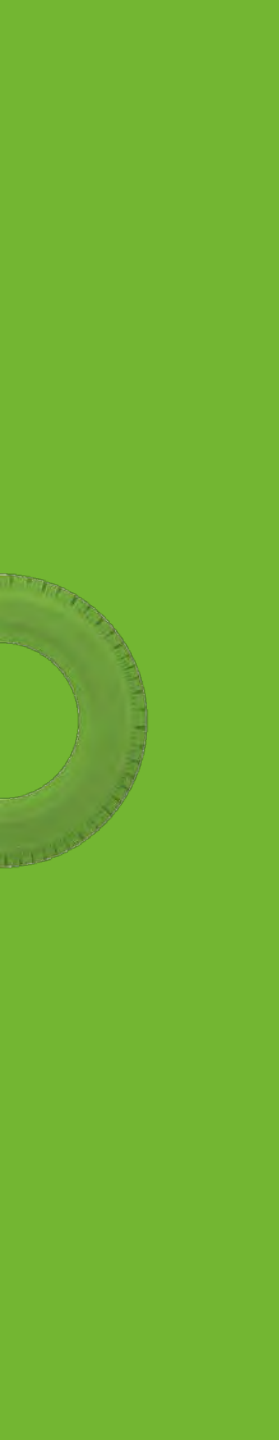
- Timing challenge to issue and award RFPs
- Other Canadian jurisdictions not a viable option due to similar volume challenges
- Logistics challenges due to cross-border shipping permits & requirements

2. Increase OTS processing incentives

- Will drive incremental expense to the program

3. Implement a PI rate for “incremental” processing output

- Challenges in implementing incremental PI rates from a system perspective
- Annual calculation of “base” and “incremental” volumes would also mean Processors would not access incremental PI in Q1 – Q2 2018 when residual volumes from 2017 would still be in inventory, potentially undermining effectiveness

- 
2. 2017 Used Tire Volume Processing Issue: Options to Address

 4. Contract for additional Ontario processing through RFP process
 - Timing challenge to issue and award RFP(s)
 - Inconsistent with existing program approach to incenting processing capacity
 - May result in perverse market impacts as awarded Processors seek to lock-up incremental tire volumes needed to meet obligations to OTS under Agreement

 5. Implement enhanced OTS storage subsidy to help manage backlogs
 - Storage presents compliance risks and drives incremental expense for OTS
 - May simply defer and magnify capacity challenge into 2018

2. 2017 Used Tire Volume Processing Issue: Options to Address

Option 2: Increase OTS processing incentives:

- \$20 per tonne increase to on-road processing incentive;
- \$40 per tonne increase to off-road processing incentive
- Estimated Annual Cost Increase = ~ \$ 2 Million

In early September OTS implemented a Trailer Storage subsidy for whole tires. This Subsidy was increased September 25th to \$14 / day (up from \$10 /day previously)

2. 2017 Used Tire Volume Processing Issue: Options to Address

Incremental Costs associated with PI increase and
Storage subsidy estimated at \$2.5 million

- Proposed cost savings off-set:
 - Reduction in PLT & MT Collection Allowance - April 1 2018 to Dec 31 2018:
 - Reduce PLT CA to \$0.50 per unit (from \$0.88)
 - Reduce MT CA to \$2.00 per unit (from \$3.05)

Estimated savings = \$2.59 million

These reductions in CA are necessary to offset the costs of the processing and storage initiatives essential to ensuring Collectors continue to receive uninterrupted, no-cost used tire picks through the program wind-up

3. Resolution of HST Obligation

- By Dec 31 2018 OTS will be holding ~ \$12.9 Million in reserve related to potential HST obligation on processors:
 - Currently accrues as a liability in OTS finances.
- Payment obligation will not be resolved prior to Oct 31 2017 deadline to submit plan and actions to clarify obligation prior to December 31, 2018 may result in processor obligations to pay Canada Revenue Agency.

OTS Tax Counsel Advice:

- Create post-OTS trust fund to hold reserves until obligation to pay has been clarified:
 - If processors are obligated to pay HST - trust fund to be distributed in accordance with various processor obligations;
 - If processors are not obligated to pay HST - trust funds to be distributed to PLT stewards in proportion to their contributions to OTS revenues over the period of the potential HST obligation.

Implications

- Fiscally prudent approach which protects processors and/or stewards from potential future claims regarding HST obligation.

4. Resolution of Historic OTR Account Balance

Tire Category	Current Fee	Account Balance
PLT (Passenger and Light Truck)	\$3.30	Balanced
MT (Medium Truck)	\$12.95	Balanced
OTR (Off Road)	\$5.55/pte	Operating Surplus Historical Deficit Estimate of \$2 million as of Dec 2018

- Board proposed continued account deficit reduction through wind up but no fee increase or one time charge to address potential off road tire account deficit (~\$2 Million as of December 2018).
- Select stewards strongly opposed to alternatives:
 - Have paid required OTS fees in good faith (despite disagreeing with account allocation methodology);
 - Should not be held financially responsible for paper account deficit.
- However, post-OTS Consultation Ministerial Direction (June 30) clarified that OTR Account Balance must be balanced prior to program termination to ensure compliance with *WDTA* provisions.

4. Historic OTR Account Balance

Options to Address:

1. Reduce OTS OTR Related Costs;
2. Increase OTR steward fees March 31, 2018;
3. Combination of fee increase and year-end invoice;
4. Invoice OTR stewards for remaining account deficit December 31, 2018.

Historic OTR Account Balance Options:

Option 1: Reduce OTR Related Costs

- Eliminate OTR Collection Allowance April 1, 2018:
 - Will save ~\$348,000
- Eliminate OTS OTR Communications Allocation re P&E Spending 2018:
 - Will save ~\$100,000
- Other cost savings such as reduction in OTR TI, PI or MI payments inconsistent with maintaining current program targets
- Identified saving still results in a deficit repayment shortfall of \$1.552 million which must be recouped from OTR stewards to be consistent with RPRA and MoECC direction

4. Historic OTR Account Balance Options: Option 2: Increase OTR Fees April 1, 2018

- If done in combination with Option 1 cost savings, OTR fee increase would need to increase to ~\$6.78 effective May 1, 2018 to cover entire anticipated OTR shortfall

Implications:

- Somewhat disruptive for OTR stewards and consumers but maybe fairer for stewards than invoicing for shortfall in Jan 2019

4. Historic OTR Account Balance Options: Option 3: Combination of fee increase and year end invoicing

- Option 1 Cost Savings: ~ \$448,000
- Revenue from OTR fee increase to \$5.88 ~ \$417,000
- Remaining estimated OTR shortfall ~\$1,135,000

- OTS could provide stewards with estimate of year end invoice in April 2018.

- OTS may face additional steward compliance issues with year-end invoice.

4. Historic OTR Account Balance Options: Option 4: Year End Invoice

- Option 1 Cost Savings: ~ \$448,000
- Remaining estimated OTR shortfall ~\$1,552,000

- OTS could provide stewards with estimate of year end invoice in April 2018.

- OTS may face additional steward compliance issues with year-end invoice.

4. Historic OTR Account Balance Options Summary

Revenue Generating Options (\$000)	Option 2 Fee Increase	Option 3 Fee Increase and Invoice	Option 4 Invoice Only
Estimated 2019 OTR Account Shortfall (\$000)	\$2,000	\$2,000	\$2,000
Opt #1 OTR Cost Savings Cut OTR CA/Eliminate P&E Communications	\$448	\$448	\$448
OTR Fee & Revenue Growth	\$6.78* \$1,552	\$5.88* \$417	\$5.55* \$0
OTR Steward End of Year Invoice	\$0	\$1,135	\$1,552
Remaining OTR Account Balance	Zero	Zero	Zero

*Current OTR TSF rate is \$5.55 / PTE

Financial Overview

Implications of OTR Adjustment for Overall Account Balance

Reserves \$ In Thousands	Net Assets	Net Assets w OTR Adjust
Total Net Assets – 12/31/16	\$49,155	\$49,155
2017 6+6 Estimate	(\$14,666)	(\$14,666)
2018 Estimate (Includes TreadMarks write off of (500))	(\$9,482)	(\$7,582)
Net Asset Estimate – 12/31/18	\$25,007	\$26,907

Financial Overview

Estimated 2019 OTS Expenses with OTR Adjustment

Net Asset Estimate - 12/31/18		\$26,907,000
Operational Reserve		
2019 General and Admin Expenses		
OTS Operations	(\$4,373,171)	
RPRA Costs	(\$1,000,000)	
One-time Wind-Up Costs	(\$500,000)	
Total Admin Expenses	(\$5,873,171)	(\$5,873,171)
OTS Incentive Payments		
CA (inclusive of HST)	(\$713,210)	
TI (inclusive of HST)	(\$3,793,838)	
PI	(\$7,536,147)	
MI	(\$3,401,802)	
Total OTS Incentives	(\$15,444,997)	(\$15,444,997)
OTS Contingency Fund		(\$3,044,000)
Total Unrestricted Net Assets		\$2,544,832

Financial Estimates assume Option 3 re Termination of Incentive Payments – full recognition of inventory at service providers. The financial implications of this Option are shown as the most conservative representation of OTS’s potential 2019 Incentive costs and should not be construed as suggesting any “guarantee” that this Option is the one that will be implemented going forward.

Other Financial Issues Raised During Consultation

Tire Inventory Devaluation

- Tire wholesalers indicate they have absorbed financial losses associated with inventories and previous OTS fee reductions:
 - Have estimated impact of a full PLT fee reduction as \$15 to \$20 Million.
- Argue that Wind Up process needs to recognize financial impact of eventual elimination of OTS fees on wholesale tire inventories.
- Historically issue beyond the scope of OTS fee setting responsibility.

Disposition of Potential OTS Residual Funds:

OTS reviewed 3 options with stakeholders during consultation:

1. Reduce or Eliminate Steward Fees prior to December 31, 2018
2. Issue Rebate to Stewards After December 31, 2018
3. Use OTS Residual Funds to support future tire recycling

While stakeholders provided various opinions on these options, Minister's second wind up direction letter (June 2017) indicated that:

"Where possible, the rules would eliminate fees for passenger and light truck tires in order to minimize the remaining surplus funds, including any restricted or unrestricted reserves, when the program ceases operations on December 31, 2018. It is my expectation that OTS will implement the fee elimination from May 1, 2018 or as soon as feasible..."

Disposition of Potential OTS Residual Funds:

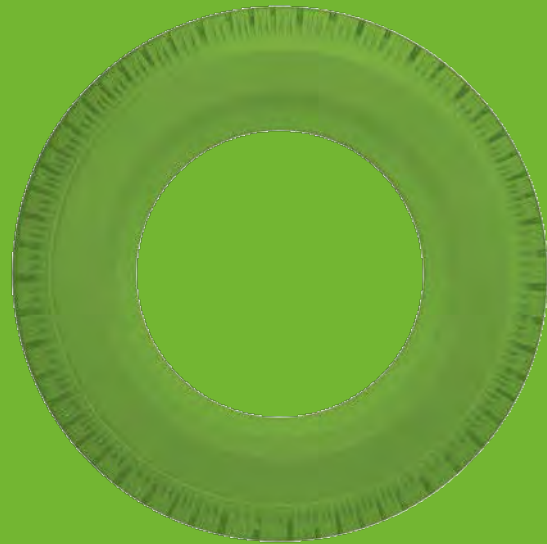
- As noted in the financial overview, there will be an estimated OTS reserve of ~\$2.5 million (based on certain assumptions and operational/fiscal decisions and based on the assumption that OTS will implement Option #3 – full inventory recognition at service providers) in 2019 after OTS has fulfilled its various program obligations:
- Some variation in potential reserve estimate based on:
 - Potential fluctuations in 2017-2018 tire sales;
 - Potential fluctuation in 2017-2018 incentive claims;
 - Resolution of various OTS financial and legal risks and account adjustments during wind up.
- But no guarantee that reserve fund will increase based on current estimates

Disposition of Potential OTS Residual Funds:

- Questionable whether fee cut makes sense if related surplus is less than a month worth of steward payments:
 - Minimal consumer benefit;
 - Retailers more likely to maintain consumer tire fees until 2019 if fee cut is for short period.
- Simpler administratively to conduct a final reconciliation of steward fees in 2019 once all OTS financial program obligations have been fulfilled:
 - Generates a slightly larger OTS buffer fund to manage potential 2018 contingencies;
 - Consistent with *WDTA* provisions and RPRG Guidelines regarding management of any surplus funds.
- Implementation of a longer fee cut based on current financial forecasts and with volume/capacity uncertainty would seem to require implementing operationally riskier options (i.e. No inventory recognition or HST trust hold back)

OTS Wind Up Summary

RPRA Guiding Principles	Proposals Under Consideration
1. Fair and Equitable	✓
2. Minimal Impact to Stakeholders	✓
3. Defined and Measurable Scope	✓
4. Transparency	✓
5. Commercial Reasonability	✓
6. Integrity and Protection of Data	✓
7. Independence and Professionalism	✓
8. Fiscal Responsibility and Operating Performance	✓
Ministerial Directions	
1. No Disruption in program operations	✓
2. Performance targets maintained or exceeded during wind up	✓
3. No preferential treatment or barriers to competition	✓
4. Open and fair sharing of data	✓
5. Consultation meaningful opportunities for stakeholder engagement	✓
6. Interest of current and future tire consumers considered	✓
7. Where possible, eliminate PLT fees	????
8. Ensure sufficient funds to meet program costs	✓



Rethink your relationship with tires

OTS Wind Up Plan Consultation Report Appendix D

Summary of Stakeholder Sessions September 25, 26, 2017

Background:

During the Phase II of Wind Up Plan consultations, OTS held two days of stakeholder consultation sessions at the Crown Plaza Airport Hotel on September 25th and 26th.

All OTS stewards, service providers and municipalities were given notice of the following sessions which were open to all participants. In order to maximize stakeholder participation OTS webcast the session or allowed stakeholders to dial in via conference call:

- September 25 9:00 to 12:00 – Steward session and Webinar;
- September 25 1:00 to 3:00 – Municipal session and Webinar;
- September 26 9:00 to 12:00 – Service provider session and Webinar;
- September 26 1:00 – 3:00 – Hauler session and Webinar;
- September 26 1:00 – 3:00 – Processor session and conference call;
- September 26 3:30 – 5:30 – Collector session and Webinar;
- September 26 3:30 – 5:30 – Manufacturer session and conference call;

Summaries of each of these sessions along with attendees are provided below.

Summary of Stakeholder Comments
Stewards Session
September 25, 2017, 9:00 AM

For this consultation session there were 6 stakeholders participating in person, 36 online, for a total of 38 participants. For the list of session attendees see the end of this document.

The comments are organized by topical issues that follow the presentation OTS made at the session. (Please see Presentation OTS Wind Up Plan: Key Issues September 2017. A recording of this sessions was available on line for Stewards who where unable to participate in the September 25th session.

Stakeholder Feedback and Input:

1. Termination of Incentive Payments:

- Comment in support of Option 3
- Question was raised as to whether the increased time that OTS would operate in 2019 to recognize service provider inventories would increase potential risk of fraudulent claims with respect to OTS incentives;
 - Question generated a discussion of general steps OTS planned to take to ensure all claims received during the Wind Up period are legitimate.
- Written commentary received after the session from one association argued that OTS should pay the cost of managing all used tires in the system as of December 31, 2018 as it collected fees for this purpose.

2. Disposition of Assets (i.e., TreadMarks)

- Question was raised as to who would own the TreadMarks trademark and software licence once it was transferred to brand holders or producer organizations – would RPRA police the use of TreadMarks after it had been transferred to brand holders:
 - OTS indicated that it did not intend to fetter what brand holders did with the software once they had it.
- Question about whether a potential service provider would be able to access TreadMarks prior to having a relationship with a brand holder and what the rationale was to limit TreadMarks availability to brand holders was.
- Comment that making it available to service providers would increase competition in the RRCEA marketplace.

3. Public release of OTS data
 - Question about what period the data would be released for, whether the proposal for 2 years could be lengthened to later years;
 - Discussion about use of earlier year's data in the level of detail proposed.
4. Risk Management Contingency Fund
 - Question about OTS accuracy with respect to historical budget forecasts:
 - Discussion about difficulties associated in predicting tire sales data accurately.
5. 2017/18 Used Tire Processing Flows
 - Question about level of the gap between processing capacity and backlog volume – how big is it:
 - Rough estimate of a million PLT equivalents - discussion about timing of backlog and current capacity issues – indication that summer has not experienced any slow downs that processors would normally utilize to address backlogs;
 - Question re OTS confidence that proposals will adequately address system capacity problem
 - Discussion that trailer storage on its own is not enough (as this is a short term solution) and indication that options identified, based on discussions with processors, will adequately address current capacity problem.
6. OTS HST obligation
 - Question as to whether OTS has legal authority to set up a trust:
 - Discussion of how OTS would arrange through a third party to manage outstanding HST obligations in trust (after the UTP program had been wound down.)
 - Question as to when the liability started accruing and answer that it began in 2014.
7. OTR Account Balance (debt)
 - Question: If funds are not contemplated to be refunded to Stewards why would OTR Stewards be obligated to pay extra fees so that funds can go back to PLT Stewards;
 - Question as to why PLT Stewards who paid for \$25 million loan in relation to OTR account debt would not get all of their money back.
 - Clarification that PLT Stewards have been benefitting from OTR debt repayment by having those payments lower current PLT TSFs

and that OTS intention was to reconcile the full amount of the OTR account debt prior to program termination;

- Question as to why OTS would not simply write off the OTR debt at the end of the program.
- Question as to why OTS has not reviewed cost reductions to address the deficit – discussion about limitations associated with reducing OTR costs.
- Question as to whether the end of year invoice discussed for OTR Stewards would be the same for all OTR Stewards – indication that individual OTR Steward debt and repayments have been tracked by OTS since 2013 and the individual Stewards would only be responsible for their portion of the OTR account debt (i.e. in proportion to their volumes supplied into the account).
- OTS also received written commentary after the session indicating given the debt was accumulated during a period pre-dating the cost recovery regulations that the fairest approach for all Stewards would be to simply write off the debt.

List of Attendees

In-person	Using webinar
<ul style="list-style-type: none"> • Lyle Clarke, Lyle Clarke & Associates • Peter Hargreave, Policy Integrity Inc. • Larry Dalli, Kia • Maury Shnier, Tire Recovery Ontario • Bryon Wilfert, Association of Equipment Manufacturers • Carolyn, Storoschuk • Geoff Rathburn, RPRA 	<ul style="list-style-type: none"> • Halla Bereskow, Canadian Trailer Manufacturers • Chris voros, Tirecraft Ontario • Emily Yeo, Wacker Neuson • Cynda Pang, OK Tire Stores Inc. • Pat McLeod, Farm Fleet Inc. • Pushap Goyal, Pirelli • Garry Dietz, Great Lakes Tire & Wholesale • Lynn Grant, Volvo • Melody Gaukel, Environics Communication • Elijah Tremblay, Mercedes-Benz Canada • John Mitchell, Tirecraft • Linda Coletta, Jaylor Fabricating Inc. • Maria Zumpano, Volvo Group • Francesca Ricci, John Deere Canada ULC • Akemi Kitamura, Honda Canada Inc. • Andy Soares, Dynamic Tire Corp • Pierre Dugas, Costco Wholesale Canada Ltd. • Glenn Maidment, TRAC • Robert Jones, Transit Trailer • Aby Siva, Toyota Canada Inc. • Rachel Schraufnager, CNH International Canada • Katherine Larocque, Costco Wholesale Canada Ltd. • Brian Moroz, Mitsubishi • Glenn Warnica, OTDA • Carole, Tinson, L.B. Welding • Tracey Jones, Home Hardware Store Limited • Loulia Kouchaji, Global Automakers of Canada • Eva Filip, Pirelli Tire • Maria Lea Bularan, Ford Motor Company of Canada Ltd. • Lorraine Hennessey, Volkswagon Group of America • Joanne Lange, Helm Welding 1983 Limited • Tracy Thirtle, Canadian Towing Equipment Inc. • Michal Majernik, Tire and Rubber Assoc. of Canada • Don Spencer, Yamaha Motor Canada Ltd. • Jorge Menezes, Bobcat of Toronto • Shruti Keesari, Mitsubishi Motor Sales of Canada

Summary of Stakeholder Comments
Municipal Session
September 25, 2017, 1:00 PM

For this consultation session there were 4 stakeholders participating in person, 20 online, for a total of 24 participants. See list of session attendees below.

The comments are organized by topical issues that follow the presentation OTS made at the session. (Please see Presentation OTS Wind Up Plan: Key Issues September 2017. A recording of this sessions was available on line for municipal representatives who where unable to participate in the September 25th session.

Stakeholder Feedback and Input:

1. Termination of Incentive Payments:
 - No commentary on incentive payments options.
2. Disposition of Assets (i.e., TreadMarks):
 - No comments
3. Public release of OTS data
 - No comments
4. Risk Management Contingency Fund
 - No Comments
5. 2017/18 Used Tire Processing Flows
 - Question: How does OTS plan on handling the excess costs associated with Collector sites exceeding storage capacities and creating compliance issues with ECA's which is currently happening due to an inability for collector sites getting tires removed from sites.
 - Proposals are designed to address this problem. Additional available incentives will stimulate processor changes necessary to add shifts or make equipment changes that will pull tire volume from collectors.
 - Comment that we are hearing difficulties from processors that they cannot operate 24-hours a day and are having trouble with compliance approvals.
 - There are is at least one processor that is having some issues with necessary approvals and we are working with the Ministry and the processor to resolve these issues, but we need to resolve issue collaboratively.

- Municipal budgets are being done now – proposed reductions to collection allowances will affect municipalities – proposed plan will not be approved by RPRA until March 2018 – that could be an issue for municipal budgets, but municipal budgets for next year are being submitted now so that will be an issue.
 - Looking to telegraph potential changes now – understand that approvals will not come until later but there are limited areas where OTS can generate savings for the OTR account.

- 6. OTS HST obligation
 - Question will RPRA administrator hold HST monies in trust:
 - Indication that it does not necessarily be RPRA that holds in the money in trust but OTS will review with RPRA and could build in a mechanism by which release of funds requires RPRA sign off or approval.

- 7. OTR Account Balance (debt)
 - Question of the 700 Stewards how many are OTR stewards.
 - Indication that OTR steward – top five stewards are a high percentage of the supply. Not sure what the exact number of OTR stewards is as a proportion of the 700. Many Stewards have tires in both on-road and off-road categories.
 - Comment that if cost increase goes to consumer level it needs to be considered.
 - Question Are you concerned about collectors refusing tires as a result of the elimination of the collection allowance.
 - Discussion that most OTR tires are collected by service providers, not one hundred percent, but consumer drop offs are less common with respect to these tires than the on-road category.

- 8. OTS Financing – Surplus Funds
 - No comments

- 9. Other

Comment concerned about legacy tires – how will we deal with those under the new framework:

 - Discussion that OTS intention is to get throughout the Wind Up process without any tire piles building up.

Comment that would prefer to have any surplus OTS revenues held over to deal with potential problems that channelled into a fee cut.

Question: Are community grants going to continue – that was one of our concerns about Wind Up and would like to see those programs continue under new framework.

- Discussion that current proposal continues community grant program but indication that budget would be reviewed prior to submission to determine what is discretionary and what is not.

List of Attendees

In-person	Using webinar
<ul style="list-style-type: none"> • Cathy Wiebe, Wellington Country • Vivian De Giovanni, City of Guelph • Trevor Barton, Municipal Waste Association • Rebecca Jennett, Simcoe County 	<ul style="list-style-type: none"> • Melissa Murray, Township of Algonquin Highlands • Virginia Swinson, City of Peterborough • Katelyn Ronfeld, Township of North Frontenac • Grace McKenzie, Region of Peel • David Metcalfe, Region of Durham • Tracy Grubb, Municipality of South Bruce • Tracy Vader, Municipality of Highlands East • Gisele Belanger, Municipality of Charlton and Dack • Bonnie Robinson, Township of Frontenac • Jennifer Wilson, Norfolk County • Don Huston, Municipality of Kincardine • Mary Lynn Duguay, Township of the North Shore • Natasha Roberts, Municipality of Huron Shores • Cynthia Lucar Diaz, Region of Peel • Cathie Green, Drummond/North Elmsley Township • Nacny McKinnon, Haldimand County • Matt D'Hondt, County of Brant • Mary Smith • Abby Armstrong, Mississippi Mills • Lise Leonard, Town of Cochrane

Summary of Stakeholder Comments
Service Providers Session
September 26, 2017, 9:00 AM

For this consultation session there were 29 stakeholders participating in person, 12 online, for a total of 41 participants. For the list of session attendees see the end of this document.

The comments are organized by topical issues that follow the presentation OTS made at the session. (Please see Presentation OTS Wind Up Plan: Key Issues September 2017. A recording of this sessions was available on line for Service Providers who where unable to participate in the September 26th session.

Stakeholder Feedback and Input:

1. Termination of Incentive Payments:

- Comment from hauler that he is okay with Option number 2 or number 3 but indication that option 3 is probably better for the program – less chance that participants will change behaviour during transition;
- Comment from processor – that there are going to be problems with transition in terms of uncollected tires but that Option 3 will minimize those problems;
- Question does Option 3 mean that processors would be processing both OTS tires and RRCEA tires in 2019 – which tires would get processed first.
 - Discussion regarding the overlap in 2019 with OTS tires and RRCEA tires, and need to separate the two tire streams for accounting purposes. Indication that OTS will conduct inventory counts and make sure that it is only paying incentives on 2018 inventory tires.
- Question from collector – Will we be provided a list of processors that will take our tires in 2019:
 - Indication that collectors can access OTS list of suppliers up until end of year in 2018 – indication that RRCEA regulations will bring more clarity to brand holder obligations in 2019 and that future service provider arrangements should become clearer as we get closer to 2019.
- Question from collector: Will there be alternatives for collectors in Northern Ontario to find a processor as an alternative to finding a dumping site:
 - Discussion that under RRCEA framework brand holders will have obligations, including assumed geographic obligations, but that those obligations will be clearer once RRCEA regulations are released.

2. Disposition of Assets (i.e., TreadMarks)

- No objections re OTS proposal
- Question as to how long TreadMarks would be available after the end of the UTP program:
 - Indication that OTS would have it available into 2019 (date to be determined) and would discuss potential transfer to RPRA so that the system would be available for a longer period;
- Question as to how long company specific TreadMarks information would be available to companies after December 31, 2018:
 - Indication that it would be available for a period in 2019 (timing to be determined).

3. Public release of OTS data

- Comment from processor that release of company specific volume information was not okay;
- Discussion that processor volume information does not necessarily equate to capacity – release could be misleading or confusing;
- Comment from manufacturer that they are opposed to release of company volume information – would consider that commercially confidential;
- With respect to collection data, comments that release of information in more geographic detail would be helpful – release by postal code:
 - Discussion about whether release of postal code data would reveal information about individual companies;
 - Comment from hauler that postal code data is too detailed.
- Question about what the purpose of the release of data that is:
 - Discussion about how the data release will help brand holders plan for RRCEA obligations and therefore support a smoother transition to new program.
- Question as to how OTS would get confirmation from a company prior to release of that information to a third party:
 - Discussion of authorization processes OTS would use to confirm company approval of release.

4. Promotional & Educational and Market Development Programs:

- Question as to why OTS is continuing to spend on these program when diversion activities are underfunded:
 - Indication that OTS is reviewing options to address current system backlogs.

5. Risk Management Contingency Fund

- Comment that legal and financial costs will be a real crap shoot.
- Comment that OTS could run into all kinds of problems between now and 2019.
- Question from Municipality – Do you think collectors will leave the program due to frustration in getting compensated for collection:
 - Indication that OTS doesn't know exact role of collectors under the RRCEA framework – other than they will be key participants.

6. 2017/18 Used Tire Processing Flows

- Question from collector about deteriorating service levels from haulers:
 - Indication that options under review are designed to address overall gap between processing and available used tire volumes which should improve service throughout the supply chain.
- Comment from processor that extra money will help address backlogs, can bring on additional shifts.
- Comment from collector in support of option;
- Comment from collector/tire dealer that they get hurt with every time TSF is adjusted;
- Comment that collectors have never been touched under program.
- Question will OTS accept new collection registrations during wind up:
 - Indication that it would but there may be a cut off late in 2018.
- What assurances can you give about collectors getting service through wind up – concern about haulers shutting down operations before end of program:
 - Discussion of OTS commitments to collectors for service – if there are issues getting service while program is running, OTS will assist collector in finding services;
 - Comment that OTS should contact hauler in situations as may be mitigating reasons why pickup was not made.
- Question do you see the hauler rates affecting pickup in the fringes, haulers seem to be focusing on service in core areas and cutting service in the fringes:
 - Indication that OTS proposals to address processing capacity will improve collection services as used tire demand increases.

7. OTS HST obligation

- Question about flow through to Stewards:
 - Clarification that if the obligation is resolved prior to program termination that it will come back to OTS;
- Will the trust only stay open for seven years what will happen to those monies:
 - Indication that monies would likely be distributed back Stewards;
- What about the option of not building a trust fund:
 - Indication that alternative to establishing trust fund, is that OTS moves accrual money back into net assets. In the event that CRA ruling was negative, processors would be obligated to pay HST they had not collected. OTS trying to avoid creation of this liability for processors.

8. OTR Account Balance (debt)

- Question as to why the OTR one class would be the only TSF subject to an increase:
 - Discussion of proposed increase – would apply to all OTR classes on a proportional basis.
- Question about OTR deficit and cross-subsidy from PLT fees:
 - Discussion of accumulated deficit in the OTR that accrued prior to 2012. Prior to that year, PLT revenues subsidized the OTR account, since then situation has been reversed as OTR historic deficit is paid back.
 - Question about raising the PLT fee but discussion indicated that this does not address OTR deficit.
- How is OTS choosing what option is chosen, will there be a survey going out to Stewards re options.
 - Indication that OTS Wind Up plan would include a proposal to address OTR account which Stewards would have opportunity to comment on when the plan is reviewed by RPRA.
- Why has the OTR deficit run so long without being addressed:
 - Discussion that deficit has been addressed annually since 2013.

List of Attendees

In-person

- Vince Capotorto, Nexxsource Recycling
- Mark Capland, Micor
- Vinh Ngo, Ideal Rubber
- John Cassell, Emterra
- Joel Lagrandeur
- Steve Fletcher, OARA
- Kyle Cecato,
- Pat Ekekiel,
- Jeff Sacks, All Ontario Recycling
- Ryan Politewicz, Trillium Tire
- Daniel Gosselin, Animat
- Jeff MacPhatter,
- Joe Tullo, EnviroRecycle
- Dave Prium, Northwest Rubber
- Silvio Stirpe, Silvio Tire Sales
- Peter Hutley, Retire Your Tire
- Scott Denniston,
- Peter Valente, Windsor Rubber Processing
- Ryan Croft, Applewood Tire
- Ralph Tammaro
- Gino Alwan, Tire Drop
- John Cassell, Emterra
- Maury Shnier, Tire Recovery Ontario
- Stephen Dixon, Multyhome
- Ralph Marchese,
- Cameron Lane
- Geoff Rathbone, RPRA
- Carmelina Macaeio, RPRA
- Jack Szpirak, Ontario Tire Disposal and Credit

Using webinar

- Ben Brown, R & E Tire
- Rick Declerq, Green Valley Recycling Corp
- Shabir Hirani, Emterra
- William Vanderwater, Fountain Tire
- Christian Gauvreau, Centre de Pneu Marion
- Matthew Gunness, Canadian Tire
- Marla McCartney, Active Green & Ross
- Lisa Nixon, Andy's Auto Wreckers
- Eric Troiani, Beverly Tire and Auto
- Andrew Stockwell, Niagara Battery and Tire Ltd.

- Connie Coleman, 1715626 Ontario Ltd.
- Jason Jones, J Enterprises

Summary of Stakeholder Comments
Collectors Session
September 26, 2017, 1:00 pm

For this consultation session there were 6 stakeholders participating in person, 12 online, for a total of 18 participants. For the list of session attendees see the end of this document.

The comments are organized by topical issues that had been identified in previous group and one-on-one consultations, as well as OTS's preliminary consideration of the program wind-up requirements.

Stakeholder Feedback and Input:

1. Termination of Incentive Payments
 - There appeared to be general consensus that Option 3 would provide the least disruption in the market. Comments included; Option 3 would be the best, particularly if the Stewards stop paying fees early (i.e., fee holiday).
 - General consensus that Collectors would be fine with options #2 and #3.
 - There would be 'minimal room for gaming' in the system with Option 3.
 - Requirements of the Regulation under the RRCEA are unknown and this creates difficulty in knowing what will happen.
 - Last claims should be set for 60 or 90 days after Dec. 31 2018. This provides enough time for paperwork and confirmation of numbers. It also allows OTS enough time to deal with the claims before closing down.
 - December 31 tires should be picked up by end of January.
2. Disposition of Assets (i.e., Trademarks)
 - There was agreement among the majority of attendees that the Trademarks system should be made available for producers and/or PRO's.
3. Public release of OTS data
 - There were questions to get clarity about the data, e.g., would it be free, who houses the information, where do the proceeds go, exactly what level of detail will be available, and how will it be downloaded.
 - How would different trademarks for the same companies be handled?
 - Would OTS implement a process for stakeholders to get a record of their reporting into OTS over say the last 3 years?
 - There was no feedback from Collectors on how long the data should be available for companies to download their data.

4. 2017/18 Used Tire Processing Flows
 - Suggestions to improve the situation included; increase fees to the stewards, investigate the reasons for the backlog further, and drop CAs to 10 cents to keep tires flowing. Other Collectors did not think that the move to 10 cents was appropriate for all, and it only works for Collectors that are doing other work to generate revenue.
5. OTS HST obligation
 - One suggestion, receiving some immediate support, was to send the HST holdback to CRA now. If the decision goes the other way then there will be a refund to the stewards. Otherwise if the CRA decision requires the payment, then it is made. Either way there is no cost and hassle to manage a trust fund, and the funds possibly go to the 'taxpayer' which is 'similar' to the 'consumer' that paid the HST.
6. OTR Account Balance (debt)
 - One suggestion was to increase the OTR steward fee ASAP until Dec. 31, 2018, as the OTR stewards are the ones responsible for the shortfall, i.e., they paid less than they should have been a few years back.
7. Risk Management Contingency Fund
 - One comment was that there would not be much of a spike in unrecognized revenue.
 - Another comment, which received some support, was that the total contingency was too low. There were not any specific figures provided from the Collectors.
8. Disbursement of OTS residual funds
 - One comment was that the fee holiday was a 'terrible idea'. It is because the fee holiday is actually giving money to the stewards. Yet the Stewards have already passed the fees to the consumers. The other issues identified during the consultation, such as processing flow, are much more important and fair than giving it back to the Stewards. There was general consensus in the room on this point.
9. Tire Wholesaler/Retailer Inventory Devaluation
 - Collectors that are retailers/dealers are concerned about the loss of money due to a fee holiday. Other Collectors empathized.

10. Other Issues

- A question was asked for clarity around what is the Authority and its role.

List of Attendees

In-person	Using webinar
<ul style="list-style-type: none"> • John Cassell, Emterra Tire Recycling Ltd. • James Forbes, Moffatt Scrap Iron • Ryan Croft, 566345 Ontario Ltd. • Collin Newton, Collin Tires • Cameron Lane, Act Auto Recycling and Metals Ltd. 	<ul style="list-style-type: none"> • Ben Brown, R and E Tire • Rick Declerca, Green Valley Recycling Corp. • Shabir Hirani, Emterra Tire Recycling Ltd. • William Vanderwater, Fountain Tire • Christian Gauvreau, Centre de pneu marion • Steve Fletcher, Ontario Automotive Recyclers Association • Matthew Guinness, Canadian Tire Corp. • Marla McCartney, Active Green & Ross • Lisa Nixon, Andy's Auto Wreckers • Eric Troiani, Beverly Tire and Auto • Andrew Stockwell, Niagara Battery & Tire Ltd. • Connie Coleman, 1715626 Ontario Ltd. • Jason Jones, Jljenterprises

**Summary of Stakeholder Comments
Independent Haulers Session
September 26, 2017, 3:30 pm**

For the consultation there were 6 stakeholders participating in person and 12 online, for a total of 18 participants. For the list of session attendees see the end of this document.

Stakeholder Feedback and Input:

1. Termination of Incentive Payments

- If option 1 is used then starting around September, Collectors and Haulers will try to dump all the tires to Processors.
- Without seeing the new Regulations under the RRCEA it is very difficult to figure out how to plan the sector and what they are going to do. Less than 16 months to go is not a lot of time.
- If the Haulers are called by Collectors to pick up, and the Haulers can't or don't want to so that they don't get stuck with inventory, who is liable?
- This should add money to the legal risks and contingency figure for OTS.
- Should there be phased cut-off dates for picking up tires to make it all work?
- The majority appeared to agree that options 2 and 3 would be best.
- Appeared that most felt Option 1 is problematic and would create a large backup of used tires.
- If the tires are worth more in the new program, then people will want to hold tires. It all depends on what the new Regulations under the RRCEA are.
- The key is they all just want to get paid for the work they have done and money they have put out as part of the program.
- There is currently a cash flow problem. Haulers are trying to pick up tires from Collectors and keep them (their customers) happy, but the Processors are not taking tires and they are not paying. An example is that one hauler has receivables at considerably more than 60 days.
- There was concern that over the last few years and OTS changes made, the Processors now control payment over the Haulers. It is not reliable, fair, or what they were led to believe at the time. When it was direct with OTS at least when you did your job and did the paperwork properly, then you would get paid. Now it is not reliable.
- OTS needs to step in to set standards for Processors to make payments to Haulers. With the OTS wind up it will only get worse.

Some Haulers said that this would not work, and OTS would not step in.

- A few Haulers outlined their understanding of OTS involvement with Processors/Haulers in the 2013 timeframe, and the set-up of the bond used to back up the operations of the processors. There was a request for clarity around whether the bond could be used to pay the Haulers. OTS staff explained that the bond is for if the processor goes out of business, close down costs are covered, and then stakeholders (including Haulers) that are owed money may get paid. The overriding concern of the Haulers is that they get paid.
- Can OTS get back in the picture to cover the gap between what it says should be paid to Haulers and what the Processors are actually paying.
- The Stewards should not get a refund.
- There should not be a TSF holiday if the service providers are not going to get paid for the work they have done on the tires collected.
- The date for cut-off of claims, depends on where the system is with capacity of processing tires. If things are flowing, then maybe 50 days, and then wrap up in 90 days.
- The date of December 31 is the worst possible date in the year. It is in middle of their busy season.
- OTS ED outlined an option suggested from another session, to have program go to March 31 and then the program could still wrap up by June 30. There was positive feedback from the Haulers in attendance.
- Someone also suggested end of February. There seemed to be consensus on end of February or end of March.

2. Disposition of Assets (Treadmarks)

- a. It would be good to provide Treadmarks to those who want to use it. Consensus that it is a good system and would be a shame if it is lost.
- b. It should be available until the end of OTS operations (e.g., June 30, 2019).
- c. Suggested that it gets handed over to the Authority.
- d. OTS staff provided an explanation that OTS is working now on developing functions so that the Treadmarks is easily transferable.
- e. Names of new PROs was requested. Two names were provided by OTS staff.
- f. It was suggested that a cut-off of 60 or 90 days for requests to get historical data off the system for the Haulers (their own data).

3. Public release of OTS data
 - a. There appeared to be consensus that publishing good numbers with as much as detail as possible would be helpful for Haulers in the new world.
 - b. The level of detail is important and OTS or RPRA must be careful that getting down to regional levels or to the level of postal codes would be good. But if there is only one operator in a postal code then it allows for people to identify a company and its information.

4. 2017/18 Used Tire Processing Flows
 - a. The independent Haulers are being held out of delivering tires to Processors so that Processors can take tires from their own hauling operations. This is very wrong and unfair for Haulers and the program. It could be worse in the wind-up. Options were outlined by OTS on how to make the tires flow better.
 - b. The storage program should help.
 - c. What should a small Hauler or Collector without trailers do?
 - d. What will happen when Collectors get more tires than they can handle and Processors and Haulers are not picking up tires. Will they be shut down? OTS staff responded that OTS is currently looking into options to solve the processing capacity problem. OTS also stated that they will be recommending to RPRA to implement an increase to the PI immediately. The reduction to CA would require more discussion and consultation.
 - e. Haulers were asking questions to better understand the capacity problem, and the process that OTS has to go through getting the PI increase implemented. Timing was an issue as most felt that sooner measures can be put in place the better and it is important.
 - f. There was a suggestion that the increase may not be enough.
 - g. There was some agreement among the Haulers that an increase in PI would likely increase the flow of tires.
 - h. A few Haulers felt that there would be minimal or no push back from Collectors on the reduction of the CA.

5. OTS HST obligation
 - a. Not sure if this affects Haulers.
 - b. One comment was that Haulers were covered for the HST and it would only be fair to cover for the Haulers.
 - c. Suggested by a few that it is up to the Processors to decide.

6. OTR Account Balance (debt)
 - a. No comment

7. Risk Management Contingency Fund
 - a. A few Haulers questioned about how continuity would be provided with new PROs or until the actual wind-up of OTS.
 - b. There was a concern from some Haulers that OTS gets to Dec. 15 and it has run out of money. If this happens then they will not be picking up tires.
 - c. There was concern voiced that the contingency is not large enough.
 - d. It was suggested that OTS should look at what is the history of legal actions, what is current, and then make an estimate. This should provide a basis for estimating legal risk for the contingency fund.
 - e. Suggested that there are still unknown risks such as a fire at a Processor.

8. Disbursement of OTS residual funds
 - a. It was suggested that the money was not the Stewards' monies. It is the Consumers' money. It should be considered to give the money back to Consumers somehow, for example, a charity.
 - b. Others thought it should go back to the Stewards.
 - c. Another thought the money should go to purchasing a large hammer shredder. This would benefit the whole process to be more efficient in the future and ultimately costing Consumers less.

9. Tire Wholesaler/Retailer Inventory Devaluation
 - a. No comment.

10. Other Issues
 - a. Major issue in the wind-up is that there needs to be a place for them to take the tires, or else there will be a serious environmental problem.
 - b. How and when will they know who to talk to in order to sell their services? They need to find out sooner rather than later.
 - c. They are concerned that Producers and/or Processors will develop hauling capacity and the independents will be out of business. OTS staff provided options and a scenario on how the Haulers could approach Processors and Producers to partner and develop the new program services.

List of Attendees

In-person	Using webinar
<ul style="list-style-type: none"> • Mark Capland, Micor Recycling • Gino Alwan, Tire Drop Inc. • Pat Ezekiel, D Sualnier Auto Parts, Wreckers and Used Ltd. • Jeff Sacks, All Ontario Recycling • Fabiano Sales, Millennium Tires Recovery • Peter Hutley, Retire Your Tire • Ralph Tammaro, St. Joseph's Tires • John Rocchi, 1262378 Ontario Inc. 	<ul style="list-style-type: none"> • Miriam Catala, Miriam's Tire Inc. • Carol Hancock, Highland Starter & Alternator • Krista Friesen, MOECC • Ben Brown, R and E Tire • Raf Cervo, RC Enterprise • Andrew Prince, Dewrock Tire Recycling Inc. • Kevin Eady, William Day Construction Limited • Devon Campbell, Benmet Steel & Metal • Nelson Catala, Tires Tires Ltd. • Christian Gauvreau, Centre de pneu marion • Nelly Willerding, Tires Tires Ltd. • Joe Tullo, Envi-Recycle

**Summary of Stakeholder Comments
Processor Session
September 26, 2018 1:00 PM**

Attending:

Vince Capotorto, Nexxsource
Ryan Politewicz, Moosecreek
Barry Takalou, Crumb Rubber Manufacturers (by conference call)
Vinh Ngo, Ideal Rubber Industries Corporation
Dennis ???, A1 Blasting Mats
Kevin ???, A1 Blasting Mats

Geoff Rathbone, RPRA
Claudia Hawkins, OTS
Doug Mander, OTS

In the first round of OTS consultation on wind up most stakeholders identified lack of inventory recognition with respect to termination of incentive payments (Option 1) as potentially disruptive to tire recycling in 2018. Do you agree with this assessment?

- Has to be Option 3 – we are limited to how much volume can be held on site – limited capacity at the end of the year to manage inventories;
- With Option 2 everyone will try to maximize their inventories – which will work better for some companies than others – but we are limited to how much inventory we can store;
- Lack of full application of incentives might put some pressure on the crumb;
- Only option which makes sense is Option 3 – creates a definitive point in time for which someone else takes responsibility for materials – other Options create a grey area – even with Option 2 you might get a stop on used tire orders late into 2018;
- Option 2 you run the risk of stranded tires in December – what processor is going to take the risk of picking up tires if there is any uncertainty related to 2019 – brand holders are also not want to pay for processing 2018 used tires – could end up with trailer loads in storage.

If OTS sets a date for when the last claims should be submitted for 2018 tires, what should that date be?

- It would take about 6 months to move program inventories through the system based on a December 31st termination date;
- It is a bad time of year to do this, the program really should have been terminated at the end of March – this would be a much better time to

transition particularly if we need to do inventory counts – getting staff on new years eve or new year’s day will be impossible;

- Is January 1, 2019 date written in stone?
- If program terminated on March 31 – we could move all the inventory through in 3 months so we could wrap things up at more or less the same time;
- That would be a much better time – material flow wise – weather wise, etc. to do a transition;
- Jan 1 was by far the worst day that could have been picked to terminate the program – even moving termination back a month or two would help.

Do you support the proposal to make TreadMarks widely available to interested RRCEA brand holders and related producer responsibility organizations? Do you have a suggestion as to how long it is available?

- Interest expressed in getting historic company data from OTS prior to termination.

Do you support the current proposal for release of OTS tire sales and recycling data in 2018? i.e.

- *No commercially confidential information;*
 - *Collection data by tire class and geographic zone;*
 - *Processor/RPM aggregate inputs and outputs.*
 - *If not, how and why should the data be amended?*
-
- Having it listed by individual processor is too much;
 - Collection data which is less sensitive is not going to be released by company;
 - More detail in the geographic information with respect to collection;
 - With processor and RPM information we are also competing with other companies that do not operate in Ontario;
 - We don’t want people in U.S. states knowing what kind of volumes we are doing;

How long do you want the historical available for?

Do you support implementation of OTS measures to improve used tire processing and capacity utilization in 2017 and 2018?

If so, which of the options reviewed represents the best approach to addressing this issue?

- Proposal will definitely help – would like to see a bigger increase but I will add equipment with the level proposed;
- Still a big differential in the processing incentives between provinces – we are seeing some dumping from other provinces – need to work with other provinces to stop tire dumping between provinces. This will be an issue for

the new RRCEA framework as well – we should have parity across provinces – this is a long term issue that needs to be addressed.

Do you support OTS tax counsel proposal to create a trust fund to address potential OTS HST obligations in 2019 and beyond?

- Different auditors have said different things to us on the issue, but we have not been required to pay the HST on incentives;
- Discussion related to whether CRA actions have been definitive;
- We pay it out to haulers – At the end of the day – I will pay it out to CRA if OTS pays it to me – this would avoid the problem;
- Some processors indicated they were currently under review.
- Our numbers are sufficiently large that you think CRA would ask us to pay if they were still thinking about collecting – we did an audit four months ago.

Which options do you support related to resolving the OTS OTR Account balance?

- Collection allowance is not a significant amount of money to affect hauling and collection of OTR tires;

Regardless of how excess funds are ultimately disbursed, do you support OTS budgeting a contingency fund to address potential 2018 operational and financial issues and variations in financial forecasts as they emerge?

- *In your view has OTS properly identified the main financial/operational risks associated with wind up?*
- *Are there additional wind up risks with financial implications that OTS has not identified?*
- Hard for us to assess.
- Contingency for steward non-compliance looks a little over blown;

Do you agree that a steward fee cut may not be fiscally prudent if option 3 on inventory recognition is implemented and considering the other financial unknowns? (i.e 2018 variances, other fiscal risks, etc.)

If implementation of a fee cut is considered a high operational priority, which current proposals do you think should be reversed to fund such an initiative:

- *Elimination of inventory recognition re incentive payments?*
- *Elimination of HST trust fund?*
- *Elimination of OTS contingency fund?*
- *More aggressive cost cutting by OTS in 2018?*
 - *No adjustment increase to PI incentives to deal with used tire flows?*
 - *Elimination of Collection Allowances?*
 - *Further reduction in P&E spending?*

- Fee holiday should not be a priority over managing the materials properly. That would be a disaster for the program;
- I don't think it fair for us to be pawns in a game where the Ministry wants to look good before an election – puts us under the bus;
- Putting pressure on the program to finance a fee cut is sort of insane;
- If HST money comes back into OTS account money should be channeled into incentive increases – expenses have been running out of control – energy costs have doubled in the last four years – and now labour costs are going up;
- P & E spending – we do not benefit directly from P & E spending but if it is being cut to give a fee holiday to stewards that is ridiculous – this program costs stewards absolutely nothing – that money will never find its way back into consumers' pockets;
- Makes more sense to spend money on consumer rebates and community funds than eliminating steward fees;

If the wind up plan, includes a steward fee cut, how do you think the tire dealers' request for inventory compensation should be addressed?

- Absolutely ridiculous request from collectors – they can charge whatever they want to consumers to get whatever they have paid out related to the tire inventories;
- Everywhere along the line they recover what they have spent out and they still will at the end of the program;
- Claim that they are suffering some sort of financial damage is spurious.

Other Issues:

- Under the new framework we need to move off incentives and getting a higher price for our crumb – need a market based on market pull rather than market push – processors need to raise prices to create more sustainable markets.
- Relationship to other provincial programs needs to be thought through.

**Summary of Stakeholders Comments
Manufacturers Session
September 26, 2018 3:30 PM**

Attending:

Vince Capotorto, Nexxsource
Stephen Dixon, Multyhome
David Prium, Northwest Rubber
Anjanette Sibley, (by conference call)

Geoff Rathbone, RPRA
Claudia Hawkins, OTS
Doug Mander, OTS
Andrew Horsman, Intermittent

In the first round of OTS consultation on wind up most stakeholders identified lack of inventory recognition with respect to termination of incentive payments (Option 1) as potentially disruptive to tire recycling in 2018. Do you agree with this assessment?

- Not having recognition of on-hand inventory would be problematic, will potentially force us to consider how much volume we take on from the program;
- Don't really know what arrangements will be with the new program and we may not - carry a month or two of inventory;
- Option 3 is the only way to go – especially for manufacturers at the end of the chain.

If OTS sets a date for when the last claims should be submitted for 2018 tires, what should that date be?

- Spring would certainly be a better time for us to transition to new program than January 1;
- We typically build up inventory for months in January;
- Our inventory is pretty consistent throughout the year but would not be negatively affected by 3 month extension.

Do you support the proposal to make TreadMarks widely available to interested RRCEA brand holders and related producer responsibility organizations? Do you have a suggestion as to how long it is available?

- Manufacturers less affected by TreadMarks but from our perspective it is a good system and we support having it available for potential use.
- Talk to other provinces and see if they may perpetuate TreadMarks system.

Do you support the current proposal for release of OTS tire sales and recycling data in 2018? i.e.

- *No commercially confidential information;*
 - *Collection data by tire class and geographic zone;*
 - *Processor/RPM aggregate inputs and outputs.*
 - *If not, how and why should the data be amended?*
-
- RPM company volumes should not be released;
 - Questions about clarification of release proposal;
 - Okay with geographic collection data in more detail than proposed.
 - Concerns about what happens to OTS company data prior to termination.
 - Questions about data transfer to the Authority – Why does RPRA need detailed data? Concerns about agreement with OTS and how commercially confidential data is released to RPRA;
 - Companies should be informed of what information is to be transferred to RPRA;
 - Explanation of how OTS will manage RPRA data request transfer including notifications to OTS partners.

How long do you want the historical available for?

Do you support implementation of OTS measures to improve used tire processing and capacity utilization in 2017 and 2018?

If so, which of the options reviewed represents the best approach to addressing this issue?

- Support for recommended option;

Do you support OTS tax counsel proposal to create a trust fund to address potential OTS HST obligations in 2019 and beyond?

- Don't have much choice unless, liability can be clarified or resolved prior to wind up.

Which options do you support related to resolving the OTS OTR Account balance?

- If you try to increase OTR fees on agricultural tires and forklift tires you will face a strong backlash;
- If you need to increase OTR fees raise fees on non-agricultural tires – they tend to be more expensive to process.

Regardless of how excess funds are ultimately disbursed, do you support OTS budgeting a contingency fund to address potential 2018 operational and financial issues and variations in financial forecasts as they emerge?

- *In your view has OTS properly identified the main financial/operational risks associated with wind up?*
- *Are there additional wind up risks with financial implications that OTS has not identified?*
- Some sort of contingency fund makes sense – hard to comment on amounts.

Do you agree that a steward fee cut may not be fiscally prudent if option 3 on inventory recognition is implemented and considering the other financial unknowns? (i.e 2018 variances, other fiscal risks, etc.)

If implementation of a fee cut is considered a high operational priority, which current proposals do you think should be reversed to fund such an initiative:

- *Elimination of inventory recognition re incentive payments?*
- *Elimination of HST trust fund?*
- *Elimination of OTS contingency fund?*
- *More aggressive cost cutting by OTS in 2018?*
 - *No adjustment increase to PI incentives to deal with used tire flows?*
 - *Elimination of Collection Allowances?*
 - *Further reduction in P&E spending?*
- Overall, OTS has provided a good evaluation of the issue.

Other Meetings/Stakeholders

OTS Ontario Automobile Recyclers Association, conference call,
September 17, 2017

OTS Retail Council of Canada Meeting, September 18, 2017

OTS Tire and Rubber Association of Canada, conference call,
September 18, 2017

OTS Global Automakers of Canada meeting, September 20, 2017

BY-LAW NO. 1 OF THE BY-LAWS OF

ONTARIO TIRE STEWARDSHIP

GENERAL BY-LAW

1.0	DEFINITIONS AND INTERPRETATION.....	1
2.0	HEAD OFFICE	2
3.0	CORPORATE SEAL	2
4.0	BOARD OF DIRECTORS.....	2
5.0	EXECUTIVE COMMITTEE.....	6
6.0	MINUTES OF BOARD AND EXECUTIVE COMMITTEES	6
7.0	COMMITTEES OF THE BOARD	7
8.0	POWERS OF DIRECTORS.....	8
9.0	APPOINTMENT AND DUTIES OF OFFICERS	8
10.0	INDEMNITIES TO DIRECTORS AND OTHERS.....	9
11.0	EXECUTION OF DOCUMENTS	11
12.0	MEETINGS.....	11
13.0	VOTING OF MEMBERS	12
14.0	AUDITORS.....	12
15.0	BOOKS AND RECORDS	12
16.0	NOTICES	13
17.0	DEPOSIT OF SECURITIES FOR SAFEKEEPING	13
18.0	BORROWING	13
19.0	BANKING.....	14
20.0	RULES AND REGULATIONS.....	15
21.0	AMENDMENT OF BY-LAWS.....	15
22.0	REPEAL AND DESIGNATION	15

1.0 DEFINITIONS AND INTERPRETATION

1.1 In this By-law, the following terms shall have the meaning set out opposite them:

- 1.1.1 “**Act**” means the *Waste Diversion Act, 2000*, S.O. 2000, c.6 and any amending or successor legislation from time to time;
- 1.1.2 “**Stakeholder Organization**” means a body entitled to appoint members of the Board and includes and The Rubber Association of Canada, Retail Council of Canada, Ontario Tire Dealers Association, Canadian Vehicle Manufacturers’ Association and Association of International Automobile Manufacturers of Canada;
- 1.1.3 “**Board**” means the Board of Directors of the Corporation;
- 1.1.4 “**By-law**” means this By-law as enacted, amended and re-enacted and in force from time to time and By-laws shall mean all by-laws of the Corporation in force from time to time, including without limitation By-law No. 2, “Code of Conduct”;
- 1.1.5 “**Committee**” means a Committee of the Board established pursuant to the By-Laws and has the same meaning as “sub-committee” as defined in the Act;
- 1.1.6 “**Corporation**” means ONTARIO TIRE STEWARDSHIP – SOCIETE DE GESTION DES PNEUS USAGES DE L’ONTARIO, a corporation without share capital continued under the Act by the Regulation;
- 1.1.7 “**Documents**” includes deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, immovable or moveable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, bonds, debentures or other securities and all paper writings;
- 1.1.8 “**members**” means those persons who are the members of the Corporation pursuant to Sections 4(1) and 28 of the Act, by virtue of their appointment as directors of the Corporation;
- 1.1.9 “**Observers**” means those persons who are invited to attend meetings of the Board pursuant to Section 4.17;
- 1.1.10 “**Regulation**” means O.Reg. 84/03, as amended by O.Reg. 157/09, published under the Act, as it may be further amended or replaced from time to time;
- 1.1.11 “**Used Tires**” has the meaning given to it in the Regulation;

1.2 In all By-laws of the Corporation, the singular shall include the plural and the plural the singular; the word “**person**” shall include firms and corporations. Wherever reference is made in the By-law to any statute or section thereof, such reference shall be deemed to extend and apply to any amendment to or re-enactment of such statute or section, as the case may be. The headings in this By-law are for solely for convenience and are not to be used as an aid in the interpretation of this By-law. All terms defined in the Act and not otherwise defined herein have the same meanings in this By-Law.

2.0 HEAD OFFICE

2.1 Until changed in accordance with the Act, the Head Office of the Corporation shall be in the City of Toronto, in the Province of Ontario.

3.0 CORPORATE SEAL

3.1 The seal, if its impression is stamped in the margin, shall be the seal of the Corporation.

4.0 BOARD OF DIRECTORS

4.1 Board The Corporation shall be managed by its Board. The Board shall, among other things:

4.1.1 set and monitor the overall direction of the Corporation;

4.1.2 monitor the Corporation’s performance, including the performance of the Executive Director;

4.1.3 maintain correspondence, documentation pertaining to public consultation during development of Waste Diversion Programs, minutes of meetings of the Board and Committees, internal reports, consultants’ reports, agendas and other information and data obtained, created or maintained by the Corporation; and

4.1.4 regularly review, consider and revise the Corporation’s purpose, strategic plan, short and long-term priorities, and such other programs, policies and plans as may be necessary and relevant from time to time.

4.2 Exercising Duties Every director of the Corporation, in exercising his or her powers and discharging his or her duties, shall:

4.2.1 act honestly and in good faith with a view to the best interests of the Corporation; and

- 4.2.2 exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- 4.3 Appointment and Term Directors shall be appointed for a term of one year in accordance with the Regulation. Directors are eligible for reappointment for one or more additional terms. The Board shall consist of a minimum of 5 appointed directors at all times.
- 4.4 Quorum A majority of the number of members of the Board holding office from time to time, shall constitute a quorum.
- 4.5 Vacating of Office The office of a director shall be automatically vacated upon the occurrence of any of the following events:
- 4.5.1 if the Stakeholder Organization removes such director by written instrument;
- 4.5.2 if a Stakeholder Organization appoints a director to fill a position occupied by a director appointed pursuant to Section 5(2) of the Regulation;
- 4.5.3 if the director or his or her Stakeholder Organization becomes bankrupt or suspends payment with his, her, or its creditors; or if a receiving order is made against the member or if the director or his or her Stakeholder Organization makes an assignment under the *Bankruptcy and Insolvency Act*; or
- 4.5.4 if an order is made declaring a director to be a mentally incompetent person or incapable of managing his or her affairs; or
- 4.5.5 on death;
- 4.5.6 if, by notice in writing to the Secretary of the Corporation, a director resigns from his or her office;
- 4.5.7 if the Stakeholder Organization which appointed the director ceases to be authorized to appoint directors for any reason; or
- 4.5.8 Vacancies on the Board shall be filled by the Stakeholder Organization to which such vacancy or vacancies relate, or, in the case of vacancies in a position which is to be jointly appointed, by the Stakeholder Organizations acting jointly.
- 4.6 Calling of Meetings Meetings of the Board may be held at any time and place to be determined by the Board. The Chairman or any two directors may call a meeting. All meetings shall be held at the municipality in which the head office of the Corporation is located, unless otherwise determined by the Board. Written notice of such meeting shall be given to each director. If given by mail, notice shall be sent at least 15 days prior to the meeting. If given by other permitted means, notice shall be sent at least 48 hours prior to the

meeting. There shall be at least one meeting per year of the Board. Each director is authorized to exercise one vote. The person chairing the meeting shall have the right to vote in the first instance, and shall have the right to cast a second or casting vote in the event of a tie vote. A meeting of the Board may be held at any time without notice if all directors are present in person, or if those not present, either before or after the meeting, waive notice or otherwise consent to such meeting being held, and at such meeting any business may be transacted which the Corporation, at a meeting of the Board, may transact, provided that a quorum is present at such meeting.

- 4.7 Remote Participation Provided all of the directors present at or participating in a meeting of the Board or a committee of the Board consent, a meeting of the Board or of a committee of the Board may be held by such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in the meeting by those means is deemed for the purposes of this By-law to be present at the meeting.
- 4.8 Written Resolution
- 4.8.1 A resolution in writing, signed by all the directors entitled to vote on that resolution at a meeting of the Board or committee of the Board, is as valid as if it had been passed at a meeting of the Board or committee of the Board.
- 4.8.2 Provided a reasonable effort has been made to convene a meeting of the Board, a resolution in writing, of which notice has been given to all directors, which is signed by at least 75% of the directors entitled to vote on that resolution at a meeting of the Board or committee of the Board, is as valid as if it had been passed at a meeting of the Board or committee of the Board.
- 4.9 Newly-Appointed Board Provided a quorum of directors is present, each newly-appointed Board may without notice hold its first meeting immediately following the meeting of members at which such Board is appointed.
- 4.10 Regular Meetings The Board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution of the Board fixing the place and time of regular meetings of the Board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting.
- 4.11 No Remuneration The directors shall serve as such without remuneration and no director shall directly or indirectly receive any profit from his or her position as such; provided that a director may be paid reasonable expenses incurred by him or her in the performance of his or her duties.
- 4.12 Time of Retirement A retiring director, other than one whose office is deemed vacant pursuant to Section 4.5, shall remain in office until his or her successor is appointed.

- 4.13 Agents and Employees The Board may appoint such agents and engage such employees as it shall deem necessary from time to time and such persons shall have such authority and shall perform such duties as shall be prescribed by the Board at the time of such appointment.
- 4.14 Remuneration of Employees A reasonable remuneration for all officers, agents and employees may be fixed by the Board by resolution.
- 4.15 Notice of Appointment or Removal The party appointing a director shall give written notice of the appointment or removal thereof to the Corporation and no such appointment or removal shall be valid and binding unless and until such notice has been received by the Corporation. The names of all current directors shall be posted on the Corporation's website.
- 4.16 Attendance Should a director not attend two consecutive Board meetings, except for medical or other emergencies approved by the Board, the Stakeholder Organization authorized to appoint the director under the Regulation may be asked to review such appointment.
- 4.17 Observers
- 4.17.1 At the request of Waste Diversion Ontario, one person representing it may attend as an Observer at Board meetings;
- 4.17.2 As additional categories of Used Tires are identified and the Corporation is requested to develop a program to include such categories within its responsibilities, a limited number of Observers representing organizations representing industries which may become stewards in respect of such categories may be invited to attend such Board meetings or portions thereof as the Chair determines.
- 4.17.3 Observers do not have the right to receive minutes of Board meetings or to vote and may be asked to leave the meeting if matters of a confidential nature are being considered.
- 4.17.4 Observers shall be subject to the following:
- (i) Observers should be given the opportunity to participate in a discussion concerning any matter which is relevant to the industry, organization or association which they respectively represent, including matters related to financial, contractual and personnel;

- (ii) If an Observer is not present during a discussion relevant to the industry, organization or association which such Observer represents, the Observer should be given the opportunity to express his or her views in writing;
- (iii) An Observer may be requested to provide his or her views in writing on complex matters relevant to the industry, organization or association which the Observer represents;
- (iv) An Observer's views should be recorded in the Board meeting minutes as well as the minutes of Committee meetings; and
- (v) Views of Observers should be requested in the meetings.

5.0 EXECUTIVE COMMITTEE

5.1 Appointment The Board may from time to time appoint an executive committee composed of the Chairman and three other directors to be appointed by the Board from time to time. The executive committee shall exercise such powers as are authorized by the Board. Any executive committee member may be removed by a majority vote of the Board. Executive committee members shall receive no remuneration for serving as such, but are entitled to reasonable expenses incurred in the exercise of their duty.

5.2 Meetings Meetings of the executive committee shall be held at any time and place to be determined by the members of such committee. Any two members may call a meeting. All meetings shall be held at the municipality in which the head office of the Corporation is located, unless otherwise determined by the committee. Written notice of such meeting shall be given to each committee member. If given by mail, notice shall be sent at least 14 days prior to the meeting. If given by other permitted means, notice shall be sent at least 48 hours prior to the meeting. Two members of such committee shall constitute a quorum. –A meeting of the Executive Committee may be held at any time without notice if all committee members are present in person, or if those not present, either before or after the meeting, waive notice or otherwise consent to such meeting being held, and at such meeting any business may be transacted which the Corporation, at a meeting of the Executive Committee, may transact, provided that a quorum is present at such meeting.

6.0 MINUTES OF BOARD AND EXECUTIVE COMMITTEE

6.1 The minutes of the Board or the minutes of the executive committee shall be available to the Board, each of whom shall receive a copy of such minutes.

7.0 COMMITTEES OF THE BOARD

The Board may establish standing Committees whose members will hold their offices at the will of the Board.

7.1 Standing Committees The following committees previously established by the Board shall be continued:

- 7.1.1 Financial, Audit and Risk Management;
- 7.1.2 Governance;
- 7.1.3 Technical;
- 7.1.4 Communication

7.2 Rules Governing Committees Except as otherwise provided by By-law, all Committees are subject to the following:

- 7.2.1 the Chair and members shall be appointed by the Board;
- 7.2.2 at least one member of the Board and OTS Staff shall be appointed to serve on each Committee;
- 7.2.3 in addition to the members of a Committee appointed pursuant to subsection 7.2.1 the Board may appoint persons who are not directors of the Corporation but who are qualified to hold office, provided that a person who is appointed as a representative of a Stakeholder Organization may be removed and replaced by such Stakeholder Organization, subject to written notice to the Board and to no reasonable objection being raised by the Board to such replacement;
- 7.2.4 a member of a Committee shall serve for a term ending at the Annual Meeting following appointment, and is eligible for reappointment for one or more additional terms;
- 7.2.5 each Committee shall meet at least annually, and more frequently at the will of its Chair or as required by its terms of reference, and as requested by the Board;
- 7.2.6 each Committee shall be responsible to report to the Board on a regular basis and at the request of the Chair of the Board;
- 7.2.7 subject to any rules established by the Board, each Committee may establish its own rules of procedure and may appoint subcommittees, task forces or working groups of its Committee;
- 7.2.8 a member of a Committee shall serve without remuneration; however; members are entitled to be reimbursed for expenses properly incurred by them in the

performance of their duties, including attending such Committee meetings and meetings of the Board at which they have been requested to attend.

8.0 POWERS OF DIRECTORS

- 8.1 The Board shall have power to authorize expenditures on behalf of the Corporation from time to time and may delegate by resolution to an officer or officers of the Corporation the right to employ and pay salaries to employees. The Board shall have the power to enter into a trust arrangement with a trust company for the purpose of creating a trust fund in which the capital and interest may be made available for the benefit of promoting the interest of the Corporation in accordance with such terms as the Board may prescribe.
- 8.2 The Board shall take such steps as they may deem requisite to enable the Corporation to acquire, accept, solicit or receive legacies, gifts, grants, settlements, bequests, endowments and donations of any kind whatsoever for the purpose of furthering the objects of the Corporation.

9.0 APPOINTMENT AND DUTIES OF OFFICERS

- 9.1 Appointment of Officers The Board shall annually or as often as may be required appoint a Chairman and a secretary and, if deemed advisable, may annually or as often as may be required appoint one or more Vice-Chairmen, a treasurer and one or more assistant-secretaries and/or one or more assistant-treasurers. Two or more such offices may be held by the same person. The Board may from time to time appoint such other officers as it shall deem necessary who shall have such authority and shall perform such functions and duties as may from time to time be prescribed by the Board.
- 9.2 Term of Office The officers of the Corporation shall hold office from the date of their appointment or election or until their successors are elected or appointed in their stead. Officers shall be subject to removal by resolution of the Board at any time, with or without cause.
- 9.3 Chairman The Chairman of the Board shall, when present, preside at all meetings of the Board. He or she shall have the general and active management of the affairs of the Corporation. He or she shall see that all orders and resolutions of the Board are carried into effect.
- 9.4 Vice-Chairman The Vice-Chairman (if any), or, if more than one, the Vice-Chairmen shall assist the Chairman in the performance of his or her duties and, in order of seniority as determined by the Board, may perform and exercise the powers of the Chairman during the absence or inability to act of the Chairman. If a Vice-Chairman exercises any such duty or power, the absence or inability of the Chairman shall be presumed with reference thereto. Vice-Chairmen shall perform such other duties as shall from time to time be imposed on him, her or them by the Board.

- 9.5 Treasurer The treasurer shall have the custody of the funds and securities of the Corporation and shall keep full and accurate accounts of all assets, liabilities, receipts and disbursements of the Corporation in the books belonging to the Corporation and shall deposit all monies, securities and other valuable effects in the name and to the credit of the Corporation in such chartered bank or trust company, or, in the case of securities, in such registered dealer in securities as may be designated by the Board from time to time. He or she shall disburse the funds of the Corporation as may be directed by proper authority taking proper vouchers for such disbursements, and shall render to the Chairman and directors at the regular meeting of the Board, or whenever they may require it, an accounting of all the transactions and a statement of the financial position, of the Corporation. He or she shall also perform such other duties as may from time to time be directed by the Board.
- 9.6 Secretary The secretary may be empowered by the Board, upon resolution of the Board, to carry on the affairs of the Corporation generally under the supervision of the officers and shall attend all meetings and act as a clerk thereof and record all votes and minutes of all proceedings in the books to be kept for that purpose. He or she shall give or cause to be given notice of all meetings of the members and of the Board, and shall perform such other duties as may be prescribed by the Board or Chairman, under whose supervision he or she shall be. He or she shall be custodian of the seal of the Corporation, if any.
- 9.7 Other Officers The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or the Board requires of them.
- 9.8 Executive Director The Board may by resolution appoint an Executive Director of the Corporation to perform such duties, on such terms and conditions and with such compensation, as may be agreed to with the Executive Director. Such agreement shall be in writing. The agreement may provide for the delegation of any of the powers or duties of any officer of the Corporation to the Executive Director. The Executive Director shall be the chief executive officer of the Corporation.

10.0 INDEMNITIES TO DIRECTORS AND OTHERS

- 10.1 Indemnity of Directors and Officers Every director and officer of the Corporation and his or her heirs, legal personal representatives, and assigns, respectively, shall from time to time and at all times, be indemnified and saved harmless, from and against:
- 10.1.1 all costs, charges and expenses whatsoever which the director or officer sustains or incurs in or about any action, suit or proceeding which is brought, commenced or prosecuted against him or her for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by him or her in good faith in or about the performance or intended performance of the duties of his or her office; and

- 10.1.2 all other costs, charges and expenses which he or she sustains or incurs in or about or in relation to the affairs thereof, except the costs, charges or expenses occasioned by his or her own lack of good faith, wilful neglect or default.
- 10.2 Indemnity of others Except as otherwise required by the Act and subject to Section 10.1, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another corporation, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted honestly and in good faith with a view to the best interests of the Corporation, and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his or her conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation, and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable ground for believing that his or her conduct was lawful.
- 10.3 Right of indemnity not exclusive The provisions for indemnification contained in the by-laws of the Corporation shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of members or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and legal personal representatives of such a person.
- 10.4 Protection of Directors and Officers Subject to the Act, every director and officer of the Corporation in exercising his or her powers and discharging his or her duties shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing and to the extent permitted by the Act, or other applicable law, no director or officer of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation, or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom or which any moneys, securities or effects shall be

lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same shall happen by or through his or her own wrongful and wilful act or through his or her own wrongful and wilful neglect or default.

- 10.5 Responsibility for Acts The directors for the time being of the Corporation shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Corporation, except such as shall have been submitted to and authorized or approved by the Board.
- 10.6 Directors and Officers Insurance The Corporation may purchase and maintain insurance for the benefit of any director, officer, employee, volunteer or other person acting on behalf of the Corporation against any liability incurred in his or her capacity as a director, officer or other person acting on behalf of the Corporation, except where the liability relates to his or her failure to act honestly and in good faith with a view to the best interests of the Corporation.

11.0 EXECUTION OF DOCUMENTS

- 11.1 Contracts or other documents requiring the signature of the Corporation shall be signed by any two officers. All contracts or documents so signed shall be binding on the Corporation without any further authorization or formality. The Board shall have power from time to time by resolution to appoint an officer or officers on behalf of the Corporation to sign specific contracts or other documents. The Board may give the Corporation's power of attorney to any registered dealer in securities for the purposes of the transferring of and dealing with any stocks, bonds, and other securities of the Corporation. The seal of the Corporation, if any, may be affixed to such contracts or documents, if required.

12.0 MEETINGS

- 12.1 Location of Members Meetings The annual or any other general meeting of the members shall be held at the municipality of the head office of the Corporation or at such other place in Ontario as the Board may determine and on such day as the Board shall appoint.
- 12.2 Business to be Transacted at Meeting At every annual meeting, in addition to any other business that may be transacted, the report of the Board, the financial statement and the report of the auditors shall be presented and, subject to Section 14.1, auditors appointed for the ensuing year. The members may consider and transact any business either special or general at any meeting of the members. The Board or the Chairman or Vice-Chairman shall have power to call, at any time, a general meeting of the members of the Corporation. A majority of the total number of members present in person or by proxy at a meeting will constitute a quorum.

12.3 Notice of Meetings 14 days' written notice shall be given to each voting member of any annual or special general meeting of members. Notice of any meeting where special business will be transacted should contain sufficient information to permit the member to form a reasoned judgment on the decision to be taken. Notice of each meeting must remind the member that he or she has the right to vote by proxy. Each voting member present at a meeting shall have the right to exercise one vote. A member may, by means of a written proxy, appoint a proxyholder to attend and act at a specific meeting of members, in the manner and to the extent authorized by the proxy. A proxyholder must be a member of the Corporation. The person chairing the meeting shall have the right to vote in the first instance, but shall not have the right to cast a second or casting vote at meetings of the members. A meeting of members may be held at any time without notice if all members entitled to vote thereat are present in person, or if those not present, either before or after the meeting, waive notice or otherwise consent to such meeting being held, and at such meeting any business may be transacted which the Corporation, at a meeting of members, may transact, provided that a quorum of the members is present at such meeting.

13.0 VOTING OF MEMBERS

13.1 At all such meetings of members of the Corporation every question shall be determined by a majority of votes unless otherwise specifically provided by statute or by this By-law. The person chairing the meeting shall have the right to one vote only, and shall not have the right to cast a second or casting vote in the event of a tie vote.

13.2 Any resolution signed by all the members is as valid and effective as if passed at a meeting of the members duly called, constituted and held for that purpose.

14.0 AUDITORS

14.1 The members shall at each annual meeting appoint an auditor to audit the accounts of the Corporation for report to the members at the next annual meeting. The auditor shall hold office until the next annual meeting provided that the Board may fill any casual vacancy in the office of the auditor. The remuneration of the auditor shall be fixed by the Board. The auditor shall be entitled to receive all notices and other communications relating to meetings of members that any member is entitled to receive and to attend, but not vote, at all such meetings.

15.0 BOOKS AND RECORDS

15.1 The Board shall see that all necessary books and records of the Corporation required by the by-laws of the Corporation or by any applicable statute or law are regularly and properly kept.

16.0 NOTICES

- 16.1 Notice to any member, director, officer or auditor of the Corporation for any meeting of the Board or any committee or the members, and any document or information permitted or required to be given to any such person, shall be sufficiently given if sent to the last address of the member, director, committee member, officer or auditor recorded on the books of the Corporation by delivery, or by prepaid ordinary mail, or, if prior written consent has been given by the intended recipient, by means of facsimile, electronic mail, telephone or other method of transmitted or recorded communication. A notice, document or information so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice, document or information sent by any means of transmitted or recorded communication shall be deemed to have been given when it is transmitted by the Corporation directly or when it is delivered to the appropriate communication company or agency or its representative for dispatch. No error or omission in giving notice of a meeting of the Board or any committee or the annual or general meeting or any adjourned meeting, whether annual or general, of the members of the Corporation shall invalidate such meeting or make void any proceedings taken thereat and any person entitled to receive such notice may at any time waive notice of any such meeting and ratify, approve and confirm any or all proceedings taken or had thereat.

17.0 DEPOSIT OF SECURITIES FOR SAFEKEEPING

- 17.1 The securities of the Corporation shall be deposited for safekeeping with one or more bankers, trust companies or other financial institutions to be selected by the Board. Any and all securities so deposited may be withdrawn, from time to time, only on the written order of the Corporation signed by such officer or officers, agent or agents of the Corporation, and in such manner, as shall from time to time be determined by resolution of the Board and such authority may be general or confined to specific instances. The institutions which may be so selected as custodians of the Board shall be fully protected in acting in accordance with the directions of the Board and shall in no event be liable for the due application of the securities so withdrawn from deposit or the proceeds thereof.

18.0 BORROWING

- 18.1 The directors of the Corporation may from time to time:
- 18.1.1 borrow money upon the credit of the Corporation;
 - 18.1.2 limit or increase the amount to be borrowed;
 - 18.1.3 issue, sell or pledge securities of the Corporation;
 - 18.1.4 pledge or sell such securities for such sums and at such prices as may be deemed expedient; and

- 18.1.5 secure any such securities, or any other present or future borrowing or any other obligation or liability of the Corporation, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal, moveable and immovable, property of the Corporation, including book debts and unpaid calls, rights, powers and franchises and the undertaking and rights of the Corporation.
- 18.2 Any or all of the foregoing powers may from time to time be delegated by the directors to such officers or directors of the Corporation.

19.0 BANKING

- 19.1 Board Designate Bankers The Board shall designate, by resolution, a bank, trust company, or other corporation carrying on a banking business to act as the Corporation's banker and shall designate the officers and other persons authorized to transact the banking business of the Corporation, or any part thereof, with such bank, trust company, or other corporation carrying on a banking business, to have the authority set out in the resolution, including, unless otherwise restricted, the power to,
- 19.1.1 operate the Corporation's accounts with the banker;
- 19.1.2 make, sign, draw, accept, endorse, negotiate, lodge, deposit or transfer any of the cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money;
- 19.1.3 issue receipts for and orders relating to any property of the Corporation;
- 19.1.4 execute any agreement relating to any banking business and defining the rights and powers of the parties thereto; and
- 19.1.5 authorize any officer of the banker to do any act or thing on the Corporation's behalf to facilitate the banking business.

Notwithstanding the foregoing, such Officers and other persons shall not have the power to establish credit facilities on behalf of the Corporation. Any such credit facilities shall be established in accordance with the provisions of Article 18.0.

20.0 RULES AND REGULATIONS

- 20.1 The Board may prescribe such rules and regulations not inconsistent with the Act, the Regulation and this By-law relating to the management and operation of the Corporation as it deems expedient.

21.0 AMENDMENT OF BY-LAWS

21.1 The By-laws of the Corporation may be repealed or amended by By-law enacted by a majority of the directors at a meeting of the Board and sanctioned by an affirmative vote of at least 2/3 of the members at a meeting duly called for the purpose of considering such action.

22.0 REPEAL AND DESIGNATION

22.1 By-laws No. 1 of the Corporation, enacted October 22, 2003, are repealed and of no further force and effect. This By-law shall be designated as By-law No. 1 of the By-laws of the Corporation.

Passed by the Board of the Corporation at a meeting duly called and held on the 30 day of July, 2009 and confirmed without variation at a meeting of the members of the Corporation held on the 17th day of December, 2009

G. Maidment – Chairman

A. Horsman – Executive Director

BY-LAW NUMBER 2

A by-law relating to the Code of Conduct of

ONTARIO TIRE STEWARDSHIP

1.	Interpretation.....	2
	1.1 Meaning of Words	2
	1.2 Statutory Terms.....	3
	1.3 Conflict of Interest.....	3
	1.4 Exclusion for Sectoral Interests	4
	1.5 Indirect Interest.....	4
	1.6 Confidential Information	5
2.	Statement of Principles	5
3.	Confidentiality	6
	3.1 Not Use Confidential Information	6
	3.2 Not Disclose Confidential Information.....	6
	3.3 Not Communicate Corporation’s Business.....	6
	3.4 Non-Disclosure Exceptions	6
4.	Disclosure of Conflict of Interest.....	6
	4.1 Conflict Disclosure Obligation	6
	4.2 Additional Obligation	6
	4.3 Avoidance of Conflict Situations.....	7
	4.4 Where Conflict Suspected.....	7
	4.5 Subsequent Discovery of Conflict.....	7
	4.6 Withholding of Corporation Information.....	8
5.	Prohibited and Permitted Transactions	8
	5.1 Corporation Not to Contract Where Conflict.....	8
	5.2 Permitted Corporation Contract Where Conflict	8

5.3	Affected Person Not to Vote.....	8
6.	Gifts	9
6.1	Modest Gifts Acceptable.....	9
6.2	Where Greater Than Modest Gift Received	9
6.3	Gift Considerations	9
6.4	External Fees to be Remitted	9
6.5	Exceptions Respecting Entertainment	9
7.	Breach	9
7.1	Sanctions On Breach.....	9
7.2	Pre-conditions to Sanctions.....	10
8.	Acknowledgement/Compliance Statement	10
9.	Effective Date	10
	SCHEDULE “A” — ACKNOWLEDGEMENT/COMPLIANCE STATEMENT	11

1. Interpretation

1.1 Meaning of Words

In this by-law and all other by-laws and resolutions of the Corporation unless the context otherwise requires:

- 1.1.1 the singular includes the plural;
- 1.1.2 the masculine gender includes the feminine;
- 1.1.3 “**Act**” means the *Waste Diversion Act, 2002*, S.O. 2002, c.6, as the same may be amended from time to time;
- 1.1.4 “**Board**” means the Board of Directors of the Corporation;
- 1.1.5 “**By-laws**” means By-law No. 1 of the By-laws of the Corporation, this By-law and any other By-law of the Corporation which may be enacted, repealed, amended, altered, added to or re-enacted by the Board from time to time;
- 1.1.6 “**Code of Conduct**” means the Code of Conduct adopted by the Corporation by By-law approved by the Board from time to time, and which outlines the Corporation’s requirements regarding personal accountability, conflict of interest and confidentiality. The Code of Conduct applies to Directors and Officers of the Corporation, Committee Members and such other persons as determined by the Board of Directors;
- 1.1.7 “**Committee**” means a Committee of the Board established pursuant to the By-laws of the Corporation and has the same meaning as “sub-committee” as defined in the Act;

- 1.1.8** “**Committee Member**” means a member of a Committee;
- 1.1.9** “**Corporation**” means Ontario Tire Stewardship – Societe De Gestion Des Pneus Usages De L’Ontario;
- 1.1.10** “**Director**” means a person who has been named to the office of Director in accordance with the Act, the Regulation or the By-laws of the Corporation;
- 1.1.11** “**documents**”, includes deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, bonds, debentures or other securities and all paper writings;
- 1.1.12** “**Group**” means, in connection with a Sectoral Interest, a broad group of which the Director, Officer or Committee Member is a member, and includes the interest of all or substantially all businesses in an economic sector;
- 1.1.13** “**meeting**” includes any regular, special, committee, Committee, or other meeting of the Corporation;
- 1.1.14** “**Minister**” means Her Majesty the Queen in right of Ontario as represented by the Minister of the Environment;
- 1.1.15** “**Modest Gift**” means a gift, present, honorarium, gratuity, favour or similar asset offered without compensation that has a current market value of \$100.00 or less and “Gift” has a corresponding meaning but without a value attribution;
- 1.1.16** “**Officers**” means the persons who hold the offices enumerated in the By-laws of the Corporation or any other person appointed to an office of the Corporation;
- 1.1.17** “**Regulation**” means O.Reg. 393/04, as amended by O.Reg. 245/08, published under the Act, as it may be further amended or replaced from time to time;
- 1.1.18** “**related person**” includes a person, firm, body, or corporation described in section 1.5;
- 1.1.19** “**Sectoral Interest**” means a pecuniary or non-pecuniary interest of the Director, Officer or Committee Member held in common with a Group;
- 1.1.20** “**Stakeholder Organization**” means a body entitled to appoint members of the Board and includes and The Rubber Association of Canada, Retail Council of Canada, Ontario Tire Dealers Association, Canadian Vehicle Manufacturers’ Association and Association of International Automobile Manufacturers of Canada;

1.2 Statutory Terms

All terms defined in the Act and not otherwise defined herein have the same meanings in this By-law.

1.3 Conflict of Interest

A conflict of interest arises when the personal or business interests of a Director, Officer, Committee Member or a related person supersede or compete with his or her official duties and responsibilities. Personal and business interests include pecuniary and non-pecuniary interests.

A conflict of interest may be a real conflict of interest, a potential conflict of interest or an apparent conflict of interest:

- 1.3.1** A “real conflict of interest” exists when a Director, Officer, or Committee Member has a direct or indirect personal or business interest that is sufficiently connected to his or her duties and responsibilities that it influences the exercise of these duties and responsibilities;

- 1.3.2** A “potential conflict of interest” exists when a Director, Officer, or Committee Member has a direct or indirect personal or business interest that could influence the performance of any of his/her duties or responsibilities at a time when he or she has not yet exercised that duty or responsibility;
- 1.3.3** An “apparent conflict of interest” exists when reasonably well-informed persons could properly have a reasonable belief that a Director, Officer, or Committee Member has a real conflict of interest, direct or indirect, even where there is no real conflict in fact.

Generally, pecuniary interests lead to conflict of interest when a Director, Officer, or Committee Member or related person is in a position to benefit financially or avoid financial loss, either directly or indirectly, as a result of a contract or other matter of a monetary nature in which such person is involved.

Other personal interests lead to a conflict of interest when a Director, Officer, or Committee Member has non-economic interests such as religious, political, corporate and/or institutional interests which supersede or compete with the duties and responsibilities of a Director, Officer, or Committee Member.

- 1.3.4** Notwithstanding the foregoing, conflict of interest should not be deemed to exist where a pecuniary or non-pecuniary interest is so remote or insignificant in nature that it cannot reasonably be regarded as likely to influence the Director, Officer or Committee Member.

1.4 Exclusion for Sectoral Interests

It is acknowledged and recognized that a Director, Officer, or Committee Member may hold a position of influence in a member of a Group or Stakeholder Organization representing a Sectoral Interest. Such Stakeholder Organizations may have taken positions on issues related to ones under discussion by the Corporation. A Director, Officer, or Committee Member shall not be deemed to have a conflict of interest simply by virtue of such stated positions.

A Director, Officer or Committee Member shall not be deemed to have a conflict of interest simply because he or she holds a position of influence in a member of a Group or Stakeholder Organization representing a Sectoral Interest which may be affected by a decision of the Corporation and shall be permitted to advocate the positions of such Group or Stakeholder Organization in discussions before the Board. However, once the Board has made a decision with respect to any matter, any statements or actions of a Director, Officer or Committee Member which are directed at opposing or preventing the carrying out of such decision, except for motions or statements of a Director, Officer or Committee Member made in a meeting of the Board or a Committee, will be considered to be a breach of the Director, Officer or Committee Member’s duty of loyalty to the Corporation.

Notwithstanding Section 1.3, conflict of interest should not be deemed to exist where a pecuniary or non-pecuniary interest of the Director, Officer, or Committee Member is a Sectoral Interest, and the Director, Officer, or Committee Member does not prefer his/her individual personal or business pecuniary or non-pecuniary interests over those of other members of the Group.

1.5 Indirect Interest

For the purposes of this Code of Conduct, a Director, Officer or Committee Member has an indirect pecuniary or non-pecuniary interest in any matter in which the Corporation is concerned, if,

- 1.5.1** the Director, Officer or Committee Member or his or her nominee,
- 1.5.1.1** is a shareholder in, or a director or senior officer of a corporation, or
 - 1.5.1.2** is a member of a body,
- that has a pecuniary or non-pecuniary interest in the matter; or

1.5.2 the Director, Officer or Committee Member is a partner of a person or is in the employment of a person or body that has a pecuniary or non-pecuniary interest in the matter; or

1.5.3 the spouse, child, parent or sibling of the Director, Officer or Committee Member has a pecuniary or non-pecuniary interest in the matter.

The persons, firms and corporations described in Sections 1.5.1.1, 1.5.1.2, 1.5.2 and 1.5.3 are considered to be “related persons” of the Director, Officer or Committee Member.

1.6 Confidential Information

Confidential information (which may be paper-based, electronic, or in other formats) is information that is not available generally to the public. Such information belongs exclusively to the Corporation, and includes but is not limited to, data and information received by the Corporation from industry funding organizations, municipalities and others, information required to be maintained in confidence by the Corporation under any law or regulation relating to privacy, programs and policies of the Corporation prior to public disclosure and the financial position of the Corporation.

Confidential information does not include

1.6.1 information which has become known to the public without any breach of the restriction on the disclosure of such information by a party who owes a duty of confidentiality to the Corporation;

1.6.2 information developed independently by another party as evidenced by written documentation in its possession;

1.6.3 information received by a party from another party who was not under a duty of confidentiality to the Corporation; and

1.6.4 information which is required to be disclosed by applicable law or by an order of a court or regulatory tribunal with jurisdiction over the party disclosing such information.

2. Statement of Principles

Each Director, Officer and Committee Member by virtue of his/her position of control over the affairs of the Corporation, stands in a fiduciary relationship to the Corporation. A fiduciary must act in a manner consistent with the best interests of the beneficiaries in all matters related to the undertaking of trust and confidence and must avoid placing him/herself in a position of conflict of interest.

The general rule regarding conflicts of interest is that no one who has duties of a fiduciary nature to perform is allowed to enter into engagements in which such person has or can have a personal interest conflicting with the interests of those whom such person is bound to protect. Even where the fiduciary acts in good faith, the foregoing restriction applies. A fiduciary cannot benefit, directly or indirectly, from any opportunity which comes to the fiduciary through performing the fiduciary role. A fiduciary must not use any aspect of the beneficiary’s property for his/her gain, directly or indirectly.

A fiduciary must not use his/her position to benefit persons closely associated with him/her. Where a benefit is conferred upon a person who is a related person, the fiduciary benefits indirectly.

3. Confidentiality

3.1 Not Use Confidential Information

No Director, Officer or Committee Member shall use for gain, either on his or her own behalf or while acting for, by, with or through another, any of the Corporation's assets, goods, confidential information or opportunities.

3.2 Not Disclose Confidential Information

No Director, Officer or Committee Member shall disclose any information that is confidential to the Corporation during or after his/her tenure as a Director, Officer or Committee Member except as may be authorized by the Corporation.

3.3 Not Communicate Corporation's Business

No Director shall communicate or purport to communicate to the public on behalf of the Corporation without the prior approval of the Board, and shall direct all inquiries about the business and affairs of the Corporation to the Chair or Vice-Chair of the Board or to the Executive Director.

3.4 Non-Disclosure Exceptions

Notwithstanding the foregoing, confidential information may be disclosed by a Director, Officer or Committee member only on a need-to-know basis to the Stakeholder Organization which he or she represents, provided that each such Stakeholder Organization has first agreed in writing with the Corporation to hold such information in confidence.

In addition, the Board may from time to time, in its discretion, consent to the use or disclosure by Board members or others of information or categories of information in the possession or control of the Corporation and such information shall thereafter cease to be considered confidential information.

4. Disclosure of Conflict of Interest

4.1 Conflict Disclosure Obligation

Whenever a person governed by this Code of Conduct has a conflict of interest as described in this Code of Conduct, such person shall disclose such interest at the earliest practical time:

- 4.1.1** in the case of Directors or Officers, to the Chair (or designate);
- 4.1.2** in the case of a Committee Member, to the Chair of such Committee (or designate);
- 4.1.3** in the case of any other persons to whom this Code of Conduct is made applicable, the Executive Director (or designate);
- 4.1.4** in any case when at a meeting, to the chair of the meeting.

4.2 Additional Obligation

In addition to the disclosure obligation set out in section 4.1, where a Director, Officer, Committee Member, either on his or her own behalf or while acting for, by, with or through another, has any pecuniary or non-pecuniary interest, direct or indirect, in any matter and is present at a meeting at which the matter is the subject of consideration, but subject to Section 5.2.1, the Director, Officer, Committee Member,

- 4.2.1** shall, prior to any consideration of the matter at the meeting, disclose the interest and the general nature thereof;

4.2.2 shall not take part in the discussion of, or vote on any question in respect of the matter; and

4.2.3 shall not attempt in any way whether before, during or after the meeting to influence the voting on any such question;

and in addition to complying with the above requirements,

4.2.4 the Director, Officer, Committee Member shall forthwith leave the meeting or the part of the meeting during which the matter is under consideration and if the Director, Officer, Committee Member is participating via telephone or through other electronic means, the Chair of the meeting shall ensure that the Director is not able to listen to or participate in the discussion of the matter; and

4.2.5 every declaration of interest and the general nature thereof made shall be recorded in the minutes of the meeting.

4.3 Avoidance of Conflict Situations

Directors, Officers and Committee Members are expected to arrange their personal and business affairs and conduct themselves in a manner so to avoid conflict of interest. In cases where conflict cannot be avoided, a Director, Officer or Committee Member must declare the conflict of interest at the earliest opportunity.

4.4 Where Conflict Suspected

Whenever any person present at a meeting:

4.4.1 is unsure whether that person has a conflict of interest, such person shall raise with the chair of the meeting the issue of whether, as required in this Code of Conduct, a conflict of interest exists and must be declared; or

4.4.2 believes that a second person has a conflict of interest that has not been declared as required by this Code of Conduct, such person may raise with the chair of the meeting the issue of whether, as required in this Code of Conduct, a conflict of interest exists and must be declared.

As soon as such question is raised, the chair of the meeting shall invite representations from any person affected, as well as from the members of the meeting entitled to vote, as to their respective views on that question. Counsel to the Corporation may, at the request of the chair, give an opinion as to whether a conflict exists, but such opinion is given to the Corporation and not to the affected person and may not be relied on by the affected person. The affected person is responsible for obtaining legal advice, if he or she requires it, from someone independent of the Corporation. Forthwith thereafter, the meeting shall, by a majority vote (from which the person whose possible conflict of interest is at issue shall be excluded), determine whether the conflict of interest exists, and that determination is final and binding.

4.5 Subsequent Discovery of Conflict

Where a conflict of interest affecting a Director or Committee Member is discovered after consideration by the Board or a Committee of a matter, it must be disclosed as set out above and if the Board or Committee, as the case may be, determines that involvement of such Director or Committee Member influenced or may have influenced the decision of the Board or Committee in the matter, the Board or Committee, as the case may be, must re-examine the matter and may rescind, vary or confirm the decision.

4.6 Withholding of Corporation Information

Whenever and while a Director, Officer or Committee Member has an interest in a matter that, as described in this Code of Conduct, conflicts with his/her fiduciary obligations to the Corporation, the Executive Director shall cease to provide any minutes, reports and other material related to that matter that might otherwise be distributable to the person.

5. Prohibited and Permitted Transactions

5.1 Corporation Not to Contract Where Conflict

Except in accordance with this Code of Conduct, the Corporation shall not enter into transactions with a Director, Officer, Committee member or a related person where the Director, Officer, Committee Member or related person may benefit from the transaction.

5.2 Permitted Corporation Contract Where Conflict

The Corporation may enter into a transaction with a Director, Officer, Committee Member or related person if:

- 5.2.1** the affected Director, Officer or Committee Member:
 - 5.2.1.1** declares a conflict of interest in respect of the proposed transaction;
 - 5.2.1.2** discloses to the Board the full nature and extent of his or her interest in the proposed transaction and, to the extent that he or she is able, the interest of any related person in the proposed transaction;
 - 5.2.1.3** establishes to the satisfaction of the Board that:
 - the proposed transaction is fair and reasonable to the Corporation; and
 - the proposed transaction would meet or exceed community expectations about the conduct of the Corporation; and for such purpose only, and, notwithstanding Section 4.2, the affected person shall be permitted to explain any aspect of the contract or matter in response to questions from members of the Board and to make a statement as to the potential benefit of such contract or matter to the Board, but shall not engage in debate or otherwise attempt to persuade the Board of the merits of the transaction. The chair of the meeting shall have discretion to determine the extent to which such affected person may participate in this part of the meeting;
- 5.2.2** and the Board approves the proposed transaction.

5.3 Affected Person Not to Vote

For the purposes of sections 4.2 and 5.2, an affected Director or Committee Member shall not be counted for the purpose of determining whether a quorum of Directors or Committee Members is present in relation to the vote on the proposed transaction. If no quorum exists for the purpose of voting on a resolution to approve a contract or transaction only because a director is not permitted to be present at the meeting by reason of this Section, the remaining Directors or Committee Members shall be deemed to constitute a quorum for the purposes of voting on the resolution.

6. Gifts

6.1 Modest Gifts Acceptable

Directors, Officers and Committee Members are not precluded from accepting Modest Gifts that are appropriate for official events and ceremonial occasions sanctioned by the Corporation.

6.2 Where Greater Than Modest Gift Received

If a gift valued at more than a Modest Gift is received by a Director, Officer, Committee Member or a related person, the Chair of the Board (in the case of a Director or Officer) and the Chair of the Committee (in the case of a Committee Member) will determine whether it should be retained, returned or donated to charity, having regard to the principles set out in this Code of Conduct.

6.3 Gift Considerations

Directors, Officers and Committee Members should consider not only the extent and frequency of the receiving or giving of gifts, but also the need and ability to reciprocate to avoid the possibility of being or appearing to be influenced by such gifts.

6.4 External Fees to be Remitted

When Directors, Officers and Committee Members are invited to address or otherwise contribute to an external organization in a seminar, symposium or lecture forum, solely as a result of their position with the Corporation, fees or honoraria (if in excess of an amount equal to the value of a Modest Gift or such higher amount as the Board may stipulate) shall be turned over to the Corporation.

6.5 Exceptions Respecting Entertainment

The value limit for Modest Gifts does not apply to the giving or receiving of entertainment. The following examples may give assistance in deciding the appropriateness of entertaining:

- 6.5.1** invitations to receptions, dinners, parties, plant openings and expansions, etc., that are widely distributed are acceptable;
- 6.5.2** tickets to occasional sports events, theatres, concerts or similar functions are acceptable, provided representatives of the suppliers are present and the tickets are unsolicited and reasonable and serve a valid business purpose;
- 6.5.3** tickets to occasional sports events, theatres, concerts or similar functions where representatives of the supplier are not in attendance are gifts and must be dealt with under the guidelines for gifts; and
- 6.5.4** the need to reciprocate to avoid the possibility of being or appearing to be influenced by entertainment should be considered.

7. Breach

7.1 Sanctions On Breach

Where, in the reasonable opinion of the Board, a person has breached any provision of this Code of Conduct, the Board may, at a regular or special meeting called for the purpose, impose one or more of the following sanctions:

- 7.1.1** formal written reprimand
- 7.1.2** suspension from employment;

- 7.1.3 withdrawal of access (other than access afforded to the general public) of any minutes, reports and other material otherwise distributable to the person;
- 7.1.4 prohibition from attendance at one or more meetings;
- 7.1.5 removal from the Board or from a Committee;
- 7.1.6 removal as an Officer;
- 7.1.7 discharge from employment.

7.2 Pre-conditions to Sanctions

Before imposing any sanction under the authority of section 7.1, the Board shall:

- 7.2.1 give to the person not less than 10 days prior written notice of the meeting of the Board, setting out in reasonable detail the nature of the breach alleged; and
- 7.2.2 extend to the person a reasonable opportunity to explain and/or oppose the imposition of a sanction.

8. Acknowledgement/Compliance Statement

Those governed by this Code of Conduct are required to formally acknowledge their agreement to comply with this Code of Conduct by completing and delivering to the Executive Director the Corporation's "Code of Conduct Acknowledgment/Compliance Statement", in the form attached as Schedule "A", at the time of becoming a Director, Officer or Committee Member (or commencing to serve the Corporation in any other capacity if the Board has determined that this Code of Conduct should apply to such person) and annually thereafter.

9. Effective Date

This By-law shall come into force when enacted by the Board in accordance with the Act.

Passed by the Board of the Corporation at a meeting duly called and held on the 18th day of June, 2009 and confirmed without variation at a meeting of the members of the Corporation held on the ● day of July, 2009

G. Maidment – Chairman

A. Horsman – Executive Director

ONTARIO TIRE STEWARDSHIP — CODE OF CONDUCT

SCHEDULE “A” — ACKNOWLEDGEMENT/COMPLIANCE STATEMENT

I have read the Code of Conduct approved by Ontario Tire Stewardship (the “Corporation”) as By-law No. 2 on June 18, 2009.

I have read, understand and agree to abide by, the Code of Conduct.

To the best of my knowledge, information and belief, neither I nor any person related to me (within the meaning of the Code of Conduct) has a direct or indirect interest (excluding any interest which is a Sectoral Interest as defined in the Code of Conduct) in a contract or transaction with, or decision to be made by, the Corporation at the date set out below.

OR

I have, or a person related to me (within the meaning of the Code of Conduct) has, a direct or indirect interest (excluding any interest which is a Sectoral Interest as defined in the Code of Conduct) in a contract or transaction with, or decision to be made by, the Corporation as described below:

I am a Director or Officer of the following stakeholder of the Corporation:

Name of organization: _____

Title: _____

Other relationships, interests or associations that may give rise to a conflict of interest:

[In this regard, please consider attached list of major suppliers to the Corporation

I understand that this Acknowledgment/Compliance Statement will remain in effect for as long as I remain a Director or Officer of the Corporation, a member of a Committee of the Board of Directors of the Corporation or serve the Corporation in any other capacity. Furthermore, I understand that I must maintain the confidentiality of information acquired as a result of my association with the Corporation, even after such association terminates, except as disclosure may be permitted pursuant to the terms of the Code of Conduct.

I also understand that I am prohibited and that any person related to me (as defined in the Code of Conduct) is prohibited from benefiting personally from any contract or transaction with or decision of the Corporation unless I have declared my interest in such contract or transaction and have refrained from voting on the matter in accordance with the provisions of By-law No. 2 of the Corporation.

If, subsequent to the signing of this statement, a conflict of interest arises, I must disclose the conflict to the appropriate representative of the Corporation as required by Section 4 of the Code of Conduct. Failure to disclose a conflict of interest or to comply with this Code of Conduct will be subject to such measures, as the Corporation may deem appropriate.

I acknowledge that I have read the Corporation’s Program Plan, as published on the Corporation’s Website and as approved by the Minister and that I agree with and support the objectives of such Plan and that any statements or actions which are directed at opposing or preventing the Plan from operating or

being implemented in accordance with its terms will be considered to be a manifestation of a conflict of interest as described in this Code of Conduct; provided that this does not extend to the bringing of a motion before the Board of the Corporation or participation in any discussion of such motion in a meeting of the Board or any Committees.

Name: _____

Date: _____

Signed: _____

MAJOR SUPPLIERS
(in excess of \$25,000 in the last completed fiscal year]

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OTS Directors February 17th 2017 – September 26th 2017

Board Member	Organization	Appointing Organization	End of Board Service
Glenn Maidment	Tire & Rubber Association of Canada	Tire & Rubber Association of Canada	July 2017
Barry Yutronkie	Tire & Rubber Association of Canada	Tire & Rubber Association of Canada	September 2017
Paul Braczek	Goodyear Canada Inc.	Tire & Rubber Association of Canada	September 2017
Bob Bignell	Ontario Tire Dealers Association	Ontario Tire Dealers Association	September 2017
Jim Taleporos (Appointed August 2017)	Midas Canada inc.	Ontario Tire Dealers Association	September 2017
Usman Valiante	Corporate Policy Group LLP	Ontario Tire Dealers Association	July 2017
Katherine Larocque	Costco Wholesale Canada Ltd.	Retail Council of Canada	September 2017
David Bois	Home Hardware Stores Ltd.	Retail Council of Canada	September 2017
Andy Soares	Dynamic Tire Corp.	Appointed to fill position by Chair of OTS as per Section 5(2) of the Regulation 84/03	September 2017

OTS Wind Up Plan Schedule 1

Proposed Amendments OTS Steward Fee Rules for Wind Up

Background:

Under the *Waste Diversion Transition Act, 2016* Rules governing the payment of fees by Stewards can be made by OTS (under Section 33 (1)) or prescribed in regulations under the WTDA.

For the Wind Up period it is anticipated that OTS will need to amend existing Steward Fee Rules. For example, under Ontario Regulation 390/16 OTS is required to pass a rule under section 33 (1) of the WTDA that defines the end of the “base fee period” that begins on May 1, 2017 in relation to fees paid by Stewards. The RPRA IFO Wind-up Guide also requires the OTS Plan to include a draft version of the revised Rules for Stewards to govern Stewards during the Wind-Up period.

Under section 33 (3) of the WTDA, OTS in making rules is required to consult with persons affected by the rules. OTS Stewardship Rules must also be included in its operating agreement with RPRA. If there is any conflict between a Rule made by OTS under section 33 (1) and a regulation passed in relation to that section under section 73 (3), the regulation will prevail (section 73 (5) of the WTDA).

OTS is proposing a number of amendments to its Steward Fee Rules to implement changes necessary to wind up the Used Tire Program which are identified below with explanatory notes. It is OTS’s anticipation that new Steward Fee Rules will be required for implementation by March 31, 2018.

However, given the interplay between OTS Steward Fee Rules and existing regulations and the legal complexities associated with drafting new Steward Fee Rules in a manner that is consistent with WTDA legislative and regulatory framework, OTS proposes that it consult with both the RPRA and Ministry of Environment and Climate Change on the nature of required amendments to Steward Fee Rules prior to developing draft wording regarding amendments to Stewards Fee Rules for submission to the RPRA.

OTS Draft Proposals for Amendments to Existing Steward Rules

- 1. Amendment required to replace reference to *Waste Diversion Act* with reference to *Waste Diversion Transition Act, 2016*.**

Current Steward Fee Rules were approved prior to passage of Waste Diversion Act. Statutory reference needs to be updated to reflect passage of the Waste Diversion Transition Act, 2016.

2. Amendment required to replace reference to Ontario Regulation 84/03 with reference to Ontario Regulation 390/16.

Current Steward Fee Rules were approved prior to passage of Ontario Regulation 390/16. Regulatory reference needs to be updated.

3. Amendment required to define “base period fee end day” as required by Ontario Regulation 390/16 subsection 6 (1).

Current regulations define start of base period for Steward fee calculations but reference Rules to define end date associated with the Wind Up period.

4. Amendment required in relation to current Rule 3 (1) (b) which provides that Stewards have within 90 days of being notified of the existence of Rules to begin submitting Steward reports.

Timeframe needs to be adjusted for any Steward that enters the program in the period close to program termination (i.e. December 31, 2018). OTS proposes to shorten this period for Stewards entering the program near the end of the program with time periods specified in the amended rules.

5. Amendments required to current Rules Fees Payable Section 4 to:

- **Permit Steward fee changes during the Wind Up period consistent with the Wind Up plan;**
- **Establish a fee reconciliation process or processes, including time frames for such processes, for the wind up base period; and;**
- **Clarifying the costs and revenues which will be included in such fee reconciliation in the context of Wind Up of the UTP program.**

The Current Wind Up Plan includes proposals (conditional upon financial forecasts and approvals) to change Steward fees in 2018. Existing Rules may need to be amended to ensure consistency with regulatory requirements.

Existing regulations define a fee reconciliation process for the period ending June 30, 2017 but do not define the reconciliation process for any subsequent periods.

OTS will propose that Rule amendments will define a date for a final reconciliation of Steward fees in 2019 consistent with its Wind Up plan. As this final reconciliation may involve costs and revenues associated the nine year history of the program, the amended Rules will need to clarify the nature of cost and revenues included in the final Wind Up Steward fee reconciliation.

6. Amendment to Rules Section 5 (Penalties, Interest, Enforcement Costs and Back Fees) to create penalties for Stewards who fail to submit tire supply reports.

Currently Steward Fee Rules impose financial penalties for failure to pay required Steward fees but do not include any penalties for Stewards who fail to submit tire supply reports.

This may be an issue if, as per current Wind Up Plan recommendations, some Steward fees are reduced to zero during the Wind Up period. In this scenario, OTS will still require Steward supply reports in order to assess program performance and calculate final Steward fee reconciliations associated with the Wind Up period. While Stewards that fail to submit supply reports (assuming a zero TSF fee) would be in violation of statutory provisions, in OTS's view creating negative financial consequences in the Rules would be a more effective and timely means of dealing with potential Steward non-compliance in relation to tire supply reports.

7. An amendment to Rules Section 11 to amend the effective date of the new rules.

ONTARIO TIRE STEWARDSHIP

RULES FOR STEWARDS WITH RESPECT TO PAYMENT OF TIRE STEWARDSHIP FEES

1. Interpretation

In these Rules, the following terms shall have the following meanings. A reference to a statute or act of any legislature, or to a regulation made under the authority of any such statute or act, shall, unless otherwise expressly provided, be deemed to refer to such statute or act as it existed at the date of these Rules and as it may be amended or replaced from time to time. The headings used throughout these Rules are solely for convenience and are not to be used as an aid in the interpretation of these Rules. The singular or masculine or neuter, as used in these Rules, shall be construed to mean the plural or feminine or body corporate where the context of these Rules may so require. Capitalized terms which are not otherwise defined will have the meaning given to them in the *Waste Diversion Act, 2002*:

Affiliate means an affiliated body corporate within the meaning of subsection 1(4) of the *Business Corporations Act* (Ontario).

Base Interest Rate means the interest rate established from time to time under the Rules of Civil Procedure of the *Courts of Justice Act* (Ontario), as amended from time to time, for prejudgment interest;

Brand means a trademark within the meaning of the *Trade-marks Act* (Canada), whether or not registered pursuant thereto;

Brand Owner means, with respect to Branded Tires, during any time in the Data Period:

- (a) a Person Resident in Ontario who is the registered owner of the Brand, or
- (b) a Person Resident in Ontario who is a licensee of the registered owner of the Brand, or
- (c) a Person Resident in Ontario, who owns the intellectual property rights to the Brand, or
- (d) a Person Resident in Ontario, who is a licensee, in respect of the intellectual property rights to the Brand;

Branded means that a Brand is attached to or otherwise associated with Tires;

Commencement Date means September 1, 2009;

Commercial Connection, for the purposes of these Rules, means that a Person has or will derive a direct economic benefit when particular New Tires are Supplied in Ontario, and which includes, for greater clarity, the promotional benefit arising when New Tires are Supplied gratis or at a loss;

Data Period means each calendar month starting from the Commencement Date;

Exempted Tires as defined in Appendix A means New Tires which are not required to be reported as Supplied or remitted on by a Steward;

Filed means electronically submitted or mailed to OTS at an address identified to the Stewards by mail or electronically, with confirmation of transmission in the case of sending by electronic means;

First Importer means a Person Resident in Ontario who imports New Tires into Ontario but is not a Brand Owner of such New Tires, and includes a Person Resident in Ontario who is the first to take title to or delivery or possession of such Tires, upon or after arrival in Ontario from elsewhere during the Data Period. A Person who takes delivery/possession of New Tires only for the purpose of transporting them to another Person in Ontario is not the First Importer of the Tires;

New Tires means any tires which result in the generation of Used Tires, including Tires Supplied with a new vehicle, or equipment or new replacement Tires or new additional Tires Supplied separately or with used vehicles, but does not include Retreaded Tires.

OEM means a manufacturer or First Importer of new vehicles for Supply in Ontario;

OTS means Ontario Tire Stewardship;

OTS website means the website located at www.rethinktires.ca;

Person includes an individual, partnership, joint venture, sole proprietorship, company or corporation, government (whether national, federal, provincial, state, municipal, city, county or otherwise and including any instrumentality, division, body, department, board or agency of any of them), trust, trustee, executor, administrator or any other kind of legal personal representative, unincorporated organization, association, institution, entity, however designated;

Published Address means an address in Ontario appearing in a current telephone directory or a recognized current published business directory;

Regulation means Ontario Regulation 84/03 made under the *Waste Diversion Act, 2002*;

Resident in Ontario means either of the following:

- (a) having a Published Address in Ontario; or
- (b) having a "permanent establishment" in Ontario within the meaning given to that term in the *Corporations Tax Act* (Ontario);

Retreaded Tires means Tires which have been reconditioned for the purpose of extending the useful life of the Tires, including replacement of the tread rubber only or replacement of tread and sidewall rubbers;

Rules means these rules, and includes additional rules or amendments to these Rules from time to time, as published by OTS on the OTS website;

Steward means a Person designated as such under Rule 2; and “Stewards” means more than one Steward;

Steward’s Report means a report in the form set out on the OTS website from time to time prepared by a Steward and filed with OTS describing the aggregate amount of New Tires Supplied in the Data Period by the Steward and its Affiliates;

Supplied means:

- (a) sold or otherwise transferred (whether by transfer of possession or title);
- (b) leased;
- (c) donated;
- (d) disposed of; or
- (e) otherwise made available or distributed

in the Province of Ontario or for use in the Province of Ontario, and includes an import of New Tires for a purpose set out in Rule 2(3)(b); **Supply** and **Supplies** have similar meanings;

Tire Stewardship Fees means the fees payable to OTS pursuant to the Regulation;

Tires in these Rules includes products comprised primarily of rubber for mounting on passenger vehicles, motorcycles, trucks, buses, mobile homes, trailers, aircraft, earthmoving, road building, mining, logging, agricultural, industrial and other vehicles to provide mobility, but does not include tires on or for toys, bicycles, personal mobility devices and commercial aircraft, or Exempted Tires;

Unbranded means a Brand is not attached to or otherwise associated with New Tires;

Used Tires has the same meaning as in the Regulation.

2. Designation of Stewards

For the purposes of determining which Person shall be designated as a Steward for New Tires, the following provisions shall apply, in the order in which they are set out. If two or more Persons are designated as a Steward pursuant to the following, the earlier provision shall prevail.

- (1) An OEM is designated as the Steward with respect to all New Tires on vehicles Supplied by the OEM;
- (2) A Brand Owner is designated as a Steward with respect to all New Tires:
 - (a) Supplied in the Data Period in respect of which it is the Brand Owner; and
 - (b) to which it has a Commercial Connection;
- (3) A First Importer is designated as a Steward with respect to all New Tires:

- (a) Supplied in the Data Period of which it is the First Importer; or
 - (b) of which it is the First Importer in the Data Period for use by it or its Affiliate in the Province of Ontario, other than New Tires purchased by an individual for personal use;
- (4) If there are Unbranded New Tires Supplied in the Data Period, and if the manufacturer is Resident in Ontario, the manufacturer of such New Tires shall be designated as the Steward for such New Tires; otherwise the First Importer shall be designated as the Steward for such New Tires;
- (5) If there are two or more Brand Owners for the same New Tires Supplied in the same Data Period, the Brand Owner most directly connected to the manufacture of the New Tires shall be designated as the Steward;
- (6) Where there is no Steward for a particular Supply of New Tires in Ontario, any Person who elects to become a Steward for such New Tires shall, upon obtaining the consent of OTS and executing an agreement to be bound by these Rules, be designated a Steward for such Supply;
- (7) If a Person who has been previously designated as a Steward subsequently finds that none of the circumstances set out in Rules 2(1) through 2(6) inclusive apply to it and that it is no longer obligated as a Steward with respect to New Tires, and if such Person wishes to be deregistered as a Steward:
- (a) Using the form designated by OTS from time to time, the Steward shall notify OTS of its belief that it is no longer obligated as a Steward with respect to New Tires in Ontario, and that it desires to be deregistered as a Steward;
 - (b) The Steward shall file such reports with respect to its final Supply of New Tires, and the cessation of its obligations as a Steward, as are required by these Rules and/or OTS, in such form as OTS may designate from time to time; and
 - (c) OTS shall review the Steward's final reports, and if OTS is satisfied that all the Steward's obligations have been discharged, provide confirmation in writing of deregistration as a Steward.
- (8) A Person designated as a Steward pursuant to these Rules shall remain a Steward and shall be required to fulfil all requirements hereunder at all times until the Steward receives a confirmation of deregistration as described in Rule 2(7)(c).

3. Steward's Report

- (1) Every Steward shall file its first Steward's Report with OTS on or before the later of:
- (a) the last day of the first calendar month after the end of the first Data Period after the Commencement Date; and

- (b) 90 days after such Steward is notified of the existence of these Rules and how to obtain a copy of them.
- (2) Stewards shall file their reports in the form and using the technology prescribed by OTS and published on the OTS website from time to time.
- (3) Stewards may amend a Steward's Report within **[15]** days of filing and with the consent of OTS to correct information in the Steward's Report that is in error or to replace data previously reported.
- (4) Once it has filed its first Steward's Report, a Steward shall file subsequent Steward's Reports for each Data Period on or before the last day of the calendar month following the end of the Data Period, or on such other schedule as may be determined by OTS from time to time and posted in these Rules in Appendix B.
- (5) Notwithstanding the above OTS may require a Steward to file a Steward's Report for a specified time period within 30 days after OTS sends a written request to the Steward.
- (6) The first Steward's Report shall cover the period from the later of the Commencement Date and the date on which the Person first became a Steward to the last day of the calendar month preceding the month of filing.

4. Fees Payable

- (1) Stewards shall pay the Tire Stewardship Fees payable under the Regulation to OTS on New Tires, other than Exempted Tires, Supplied in the relevant Data Period on or before the last day of the calendar month immediately following the end of such Data Period. The amount of Tire Stewardship Fees shall be calculated in accordance with the Regulation and the applicable Table of Stewardship Fees shall be posted on the OTS website. The amount of Steward's Fees payable by a Steward shall be determined by multiplying the number of units of each type of New Tires included in the Steward's Report by the Fee Rate set out opposite such type.
- (2) Notwithstanding that a Steward has not received the notice in Rule 3(1), it is responsible for payment of Tire Stewardship Fees for all New Tires for which it is a Steward from and after the Commencement Date to the date on which it receives such notice.
- (3) Except for money due to a Steward under subsection 9(4) of the Regulation, OTS may provide a credit for Tire Stewardship Fees which are overpaid, or which are paid in respect of the same New Tires for which another Person has paid Tire Stewardship Fees.
- (4) In addition to the Tire Stewardship Fees payable under Rule 4(1), Stewards shall pay the Tire Stewardship Fees determined under Section 9 of the Regulation no later than June 30 in the calendar year following the calendar year in respect of which such Fees are required to be paid.

- (5) A Person described in any provision of Rule 2 who receives a Supply of New Tires from a Person who may be a Brand Owner, First Importer or OEM (the "provider") must ensure that the provider is a Steward with an OTS identification number. The OTS identification number will be posted on the OTS website.
- (6) Tire Stewardship Fees do not include HST. If HST becomes exigible on Tire Stewardship Fees, OTS will indicate this on the OTS website and/or in the form of Steward's Report published by OTS, and Stewards shall remit HST applicable to the Tire Stewardship Fee to OTS with each remittance of the Tire Stewardship Fee payable under Rules 4(1) and 4(4).

5. Penalties, Interest, Enforcement Costs and Back Fees

- (1) Stewards who fail to pay Tire Stewardship Fees by the dates set out in Rule 4 or the Regulation, as applicable, will be liable to pay a penalty calculated at 10% of Tire Stewardship Fees due and payable.
- (2) If the amounts reported in a Steward's Report are inaccurate, any deficiency in Tire Stewardship Fees resulting from such inaccuracies shall be immediately due and payable from the date of the filing of the correcting Steward's Report or the date the Steward first knew of such inaccuracy, whichever is earlier, and, if not paid within 30 days, will be liable to pay a penalty equal to 10% of such Tire Stewardship Fee deficiency.
- (3) Interest on the amounts payable under Rules 5(1) and 5(2) shall accrue from their respective due dates at the Base Interest Rate plus 3% per annum.
- (4) A Steward shall pay all the internal and external collection costs of OTS with respect to unpaid Tire Stewardship Fees or other other amounts owed to OTS, including all proper and reasonable legal and professional fees incurred by OTS, whether or not an action or any other legal remedy has been commenced. In addition, if any review by OTS or its designee of a Steward's records reveals that the Steward has failed to properly discharge all its obligations under these Rules, including the obligation to pay Tire Stewardship Fees, such Steward shall pay all OTS's costs with respect to the review, whether OTS's internal costs or amounts paid by OTS to external auditors, including for any follow-up review or inspection undertaken as a result of a finding of non-compliance. Such costs must be paid within 30 days of OTS giving notice that payment is required.
- (5) OTS may waive all or part of any penalty, interest or charges otherwise payable under this Rule 5.

6. Record Provision and Retention

- (1) Upon request from OTS, Stewards shall promptly provide data necessary for the preparation of the Steward's Report, including calculation methodology, product data, internal audit reports, list of Brands reported and list of Brands excluded from report and such other information or data in the Steward's possession or control as may be reasonably requested by OTS to substantiate the accuracy of the Steward's Report.

- (2) A Steward shall retain records or, on receipt of written request, provide records at an address in the Province of Ontario to substantiate and verify the amounts set out in its Steward's Reports for a period of not less than five years from the date of the Steward's Report to which they relate. A Steward shall grant access to OTS or its designee upon OTS's request to examine its books and records to enable OTS to audit and inspect such records respecting a Steward's Report up to five years after the date of receipt of such Steward's Report by OTS. A Steward shall provide OTS or its designee with any and all records requested related to the supply or sale of new tires and shall cooperate with the review of such records at the Steward's own cost.

7. Dispute Resolution

If any dispute arises between a Steward and OTS as to the amount of New Tires that is required to be included in a Steward's Report:

- (1) The parties shall attempt to resolve the dispute through designated representatives from each of OTS and the Steward within 30 days after written notice of the dispute was first given, or as otherwise agreed upon.
- (2) If the parties are unable to resolve the dispute within the above period, the Steward and OTS shall, within 30 days thereafter, jointly select an arbitrator to arbitrate the dispute. If the Steward does not nominate an arbitrator within the 30 day period, OTS shall nominate the arbitrator. The arbitration shall be conducted in accordance with the *Arbitration Act, 1991*.
- (3) The arbitrator shall render a written decision on the dispute within 14 days after the arbitration hearing or submission. The decision of the arbitrator shall be final and binding on the parties and shall be subject to appeal only on questions of law and not on questions of fact, in accordance with Section 45 of the *Arbitration Act, 1991*, and shall be enforceable against OTS and the Steward, as the case may be, immediately on the issue of such decision to the parties to the dispute.

8. Interpretive Memoranda

OTS may publish on the OTS website interpretive memoranda on these Rules and how it proposes to administer them.

9. Publishing of Names

- (1) OTS will provide all Stewards with an identification number.
- (2) The names and identification numbers of Stewards filing Steward's Reports will be posted on the OTS website.
- (3) OTS may post a list on the OTS website of all Brands reported in Steward's Reports from time to time, and all OEM's, Brand Owners, First Importers and other Stewards associated with such Brands.

10. Notice

Any notice, request or other communication from OTS to a Steward which is required or may be given under these Rules may be delivered or transmitted by means of electronic communication, personal service or by prepaid first class postage to the Steward at a Published Address in Ontario and shall be deemed to have been received on the third day after posting and on the first day after the date of electronic transmission, in each case which is not a Saturday, Sunday or public holiday in Ontario.

11. Effective Date

This version of the Rules as amended shall be effective July 1, 2015.

12. Amendments to Rules

These Rules and any forms, fee schedules or other matters provided for or referred to in them may be amended, removed or replaced by OTS from time to time, subject to any required contractual or regulatory approvals. The version of these Rules and the Stewards Fees in effect at the time of a particular Supply shall continue to apply to all New Tires which are the subject of such Supply, notwithstanding any subsequent amendments to these Rules or any document posted on the OTS website pursuant to them.

Appendix A: OTS Definition of Program Tires

	Product Category	Definition
1)	Exempted Tires	<p>All tires with an overall tire diameter of less than 7" regardless of weight</p> <p>All tires in which the rubber content is greater than 50% (by weight) derived from Used Tires</p>
2)	On-Road Tires	<p>Passenger Tires, Small RV Tires, ST Trailer tires and Light Truck Tires and Temporary Spares Passenger tires are designed for use on passenger cars, light trucks, small RVs and multipurpose passenger vehicles (MPVs), including sport utility vehicles (SUVs) and crossover utility vehicles (CUV's), and to comply with Canadian Motor Vehicle Safety Standard (CMVSS No. 109). The light truck tire category is tires designed for use on consumer or commercial light trucks, under 10,000 lbs. Gross Vehicle Weight, and comply with Canadian Motor Vehicle Safety Standard (CMVSS No. 119). Codes found on the sidewall of passenger and light truck tires are P (Passenger) and LT (Light Truck). Temporary spare tires are marked T (Temporary).</p> <p>Motorcycle, Golf Cart and All Terrain Vehicle Tires Includes all tires specifically designed for on/off highway motorcycles, motorcycle sidecars, motor bikes, mopeds, mini-cycles, golf carts and all terrain vehicles.</p> <p>Forklift, Small utility and Skid steer Tires Includes pneumatic and solid forklift and Skid Steer tires measuring 16" rim size and smaller.</p> <p>Free Rolling Farm Tires Includes free rolling farm and implement tires up to 16" rim size used on farm equipment.</p> <p>Medium Truck Tires Also commonly known as Commercial Truck Tires – Truck and Bus tires including Wide Base or Heavy Truck tires designed for truck/bus applications and Larger RV tires not marked "P or LT". All of which comply with Canadian Motor Vehicle Safety Standard (CMVSS No. 119).</p>

3)	Off-Road Tires	<p>All Terrain Vehicle Tires</p> <p>Agricultural Drive Tires Includes drive wheel tires used on tractors and combines and tree harvesting equipment. These tires are normally identified with a sidewall marking with suffix letters (R), or (HF) or (LS) and are 16.5" and up rim size. These tires are listed in The Tire and Rim Association Inc. annual yearbook Section 5 Agricultural.</p> <p>Industrial Forklift, Skid Steer Tires Includes pneumatic and solid forklift and Skid Steer tires with a rim diameter greater than 16".</p> <p>Small Off The Road Tires Sizes 1300Tires < and = to 23.5R25 Rim Size</p> <p>Medium Off The Road Tires Above 23.5R25 to 33 inch Rim Size</p> <p>Large Off The Road Tires Above 33 inch to and including 39 inch Rim Size</p> <p>Giant Off The Road Tires Over 39 inch Rim Size</p>
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Appendix B

Payment and Reporting Schedule

Payment and reporting schedule will be monthly. Stewards must submit their Remittance Report and TSF Remittance within 30 days of the end of the month to which the Report and Remittance amount apply.

Monthly Data period	Data period end date	Payment and Reporting deadline
January 1 2015	Last day of January 2015	30 days from last day January 2015
February 1 2015	Last day of February 2015	30 days from last day of February 2015
March 1 2015	Last day of March 2015	30 days from last day of March 2015
Etc..	Etc..	Etc..

Semi-Annual Reporting Schedule

If in the prior calendar year a Steward remitted less than \$10,000 in TSFs the Steward may elect to submit Remittance Reports and TSF Remittances on a semi-annual schedule.

Semi-Annual Data period	Data period end date	Payment and Reporting deadline
July 1 2015 – December 31 2015	Last day of December 2015	30 days from last day of December 2015
January 1 2016 – June 30 2016	Last day of June 2016	30 days from last day of June 2016
July 1 2016 – December 31 2016	Last day of March 2016	30 days from last day of March 2016
Etc..	Etc..	Etc..

OTS WUP Schedule 2 OTS Research and Development Projects (Including Rubber Modified Asphalt)

Research and Development Program

OTS has piloted / operated a range of “Market Development” programs intended to stimulate the development and commercialization of new processes and products that expand the market for recycled rubber in Ontario. As part of the original program design OTS developed an approach to supporting Research & Development (R&D) into new processes for recycling scrap tires and developing new markets for the resources recovered through tire recycling operations.

The OTS R&D Program focused on supporting innovative applied R&D related to products, technologies, or processes that are near-commercial ready and are likely to facilitate the development of new high-value tire-derived products that use Ontario scrap tires, and help grow the market for products made from scrap tires. OTS reviewed applications from companies that were able to demonstrate the basic concept for the product has already been proven, and a plan is in place to address the remaining barriers to full commercialization and scale-up. While existing OTS Operational Stakeholders (in particular Processors and RPMs) were engaged early in the process by OTS in many applications there were multiple co-applicants, with the OTS-registered participant supporting the application of an existing or potential new client.

Funding could be requested to cover a range of direct and indirect project costs. Generally eligible costs were those that OTS considers necessary and directly related to the project. These costs must be incurred by the applicant after the date of application approval and are subject to verification by an independent audit. Eligible costs may include:

- Costs associated with the development or scale-up of the product, technology, or process;
- Labour costs for personnel directly involved in the project, including salaries and subcontractor or consultant fees;
- Costs of supplies or materials related to the project;
- Capital equipment costs directly related to the project (limited to a pro-rated valuation based on the depreciation value over the duration of the project, and the % utilization of the capital equipment in this period);
- Costs such as equipment or facility rental fees that are directly related to the project; and
- Other costs deemed eligible by OTS.

In the early rounds of applications OTS structured the project funding as a grant, payable as the project successfully achieved pre-determined milestones, with the

final payment only coming after project completion had been demonstrated and a comprehensive project summary report had been received and accepted by OTS. Applications were received from numerous Ontario-based organizations (including governments, universities, colleges, not-for-profits, private or publically-traded companies, institutions, or others) and out of province companies who had partnered with an Ontario-based organization, seeking support for projects utilizing used Ontario tires, and which prioritized the full commercialization of the project within Ontario.

As the UTP matured however so did OTS's approach to receiving, assessing and funding R&D projects. Starting in 2015 OTS took a more progressive and ultimately successful approach, continuing to pay the grant funds according to the successful completion of project milestones, but now adding post-project completion commercialization benchmarks that a project proponent must meet, or risk having to repay a portion of the funds received. The potential repayment amount was set based on a sliding scale that went up the more significant the "miss" was.

Project applications also became more sophisticated. Rather than being focused solely on projects that incrementally grew existing markets (compression molded goods for example) new applications were grouped largely into two streams:

1. Material substitution projects – Projects in this stream were focused on solving the production challenges associated with substituting crumb rubber for other polymers (mostly virgin rubber or plastic). In many instances, the on-going economics of using crumb rubber were favorable, the challenge was resolving the technical formulation and manufacturing challenges to make converting to using crumb a reality.
2. Process improvement & cost reductions – Projects in this stream focused on improving manufacturing processes to address challenges that negatively impacted production viability or costs. Projects focused on automation and standardization, moving from ad hoc manual production techniques to automated, mechanized ones that improved production quality, timelines and reduced costs.

Process improvement and cost reduction projects were funded based on the targeted cost reductions identified by the applicant in the project application. As part of the project a 3rd party audit firm was engaged to perform a cost of production audit pre-project to establish a baseline. At the completion of the project, and following a reasonable interval for post-project cost data to be generated the same firm would perform a second audit to validate the change in production costs. If the project did not achieve the targeted production cost reductions a portion of the funds received would be repayable.

Current Projects

At the time of writing this Plan OTS believes that all projects in this stream will be complete and project results, and any associated financial implications, will be resolved before December 31 2018. A Summary of OTS Research and Development Projects is provided in Table 1.5.3 below. OTS is proposing not to initiate any new research and development projects during Wind Up. As can be seen in Table x below, this will significantly reduce OTS R&D expenditures from over \$2 million in 2017 to just over \$300,000 in 2018.

Project Description	2017 Funding Estimate	2018 Funding Estimate
Manufacturing process improvement to develop automated crumb feeder and mat extraction system – cost reduction goal of \$0.015/lb	\$122,272	\$0
Devulcanize rubber particulate and product production project	\$400,000	\$100,000
Crumb rubber pellitization and injection mould development project	\$350,000	\$650,000
Combined heat and power cell project – Energy and production cost reduction target of \$0.018/lb	\$450,000	\$200,000
Mat production automation project	\$125,000	\$33,000
Total	\$1,447,272	\$983,000

Post-Project Monitoring After UTP Termination

In the case of Material substitution projects OTS designed the funding agreements to require the proponent to demonstrate growth in incremental crumb rubber consumption, and required that the crumb be sourced from Ontario Processors. These targets were typically spread over the 3 years following the project completion and were expected to be monitored and validated by OTS through the data collected from Ontario Processors and RPMs. Failure to meet these targets (or the cumulative 3-year target) would result in the proponent having to repay a portion of the funds received from OTS. In the case of one project a \$500,000 bonus was negotiated if the proponent exceeded the cumulative 3-year target by a set percentage.

At the time of writing this Plan OTS has 3 “open” projects of this type (1 completed and in the performance monitoring phase, and 2 on-going). All 3 of these projects will be in the performance monitoring phase as of December 31 2018. Given the legal difficulties associated with monitoring each of these programs after the dissolution of the program, OTS is proposing as part of this Wind Up Plan that the Research and Development contracts be terminated in January 2019.

The financial consequences of these terminations will be two-fold. OTS or a post-OTS entity with assigned rights will be unable to collect any repayable amounts potentially owing on the projects if the project proponent fails to meet future performance targets. The maximum potential payback returnable to OTS under open projects is \$763,000. Given current project performance to date the likelihood of payables due to lack of future performance are, in OTS's estimation relatively small. The second financial consequence is that OTS will not be obligated to pay a \$500,000 bonus on one project in the event that the project exceeds future performance targets. This will relieve OTS or a trustee with assigned rights of the responsibility of holding \$500,000 in trust for potential payment to the project proponent until the end of 2020. OTS will also not have to determine how this money held in trust would be utilized at the end of 2020 in the event that the project proponent did not exceed current project performance and become eligible for the current contractual bonus.

Rubber Modified Asphalt

OTS has long identified the Rubber-Modified asphalt (RMA) market as being a high potential one for development. The RMA market presents favorable economic opportunities to create a sustainable market for crumb rubber while improving product performance and environmental outcomes. Crumb sells for a significant discount compared to existing polymer asphalt modifiers and as compared to asphalt liquid and RMA is a more durable, longer lasting asphalt that can be paved thinner with no loss of performance.

During the course of the UTP OTS has undertaken a number of initiatives to support the development of this market in Ontario including:

- Development of a technical manual for the contracting industry;
- Supporting knowledge exchange between Ontario MTO staff, Regions and Municipalities and asphalt contractors and RMA experts from other jurisdictions;
- Partnering with the MTO on a series of RMA paving tests sections in 2011 including paying for the importation of blending equipment necessary to produce the RMA at the contractors' Hot-Mix Asphalt plants.

Through these initiatives OTS identified the main issue with developing the RMA market in Ontario as lack of demand from asphalt pavement specifiers, and an equal and related reluctance on the part of asphalt suppliers and paving contractors to develop an RMA product offerings in the absence of clear demand from the MTO or Regional and Municipal clients. Given the clearly established benefits of this material this is a market in which OTS can play a role in establishing the right economic signals to engage the asphalt suppliers to invest in adding this product to their suite of offerings. Experience from other markets indicates that once certain scale of RMA production and use is achieved, the material becomes cost competitive with traditional asphalt.

The production of RMA in an efficient and cost-effective basis in Ontario requires the provision of a dedicated blending unit to produce the product that contractors need to be able to bring forward a paving option for clients without having to make the initial investment themselves. To address this gap OTS developed and issued an RFP for interested organizations to provide rubber / asphalt blending equipment and operate it to the benefit of the Ontario market. The RFP was issued to Processors, asphalt suppliers and road contractors.

In early 2017 OTS signed a contract for blending equipment provision and operation with CRM of Canada Processing ULC ("CRM"). Under the agreement CRM would source, deliver, maintain, market and operate the blending unit in Ontario and must meet certain RMA production targets. CRM will also provide training for MTO, Regional and Municipal staff and asphalt and road contractors. Under the agreement OTS provides a grant to be paid as CRM demonstrates completion of a series of milestones culminating in the delivery of training sessions into 2018.

Since signing of the agreement in March 2017 CRM has pushed ahead with sourcing and delivering the blending unit, with manufacturing being completed in October of 2017. It is expected that CRM will complete the required milestones by the end of Q2 2018.

During the negotiations of the agreement with CRM OTS considered other supports it could provide to bolster the blending equipment. Recognizing this initiative was designed to allow CRM to "push" RMA production OTS considered whether creating a "pull" incentive for MTO, Regional and Municipal customers as well as road contractors would be appropriate. This would take the form of a financial incentive of \$10 / tonne of RMA produced and paved, payable to the "road customer and contractor" in a split to be determined. OTS also considered to supporting costs associated with having MTO, Regional and Municipal customers and road contractors participate in CRM hosted factory and site training on the blending equipment and RMA production and paving. OTS estimated the budget for these activities at approximately \$800,000.

However, at this time no contractual commitments exist between OTS and any party regarding the development and implementation of an RMA incentive for MTO, Regional and Municipal customers or road contractors, nor for OTS to support costs of these stakeholders attending CRM-hosted training. Given that the UTP is being wound up, OTS is not proposing to enter into any further contractual commitments with respect to the RMA project.

OTS proposes to monitor CRM's performance of the RMA agreement requirements in accordance with the schedule included in the agreement until January 2019. As with R&D performance contracts, OTS is proposing that the RMA contract with CRM be terminated in January 2019. There are no financial implications associated with this approach

Rationale:

The OTS proposal to minimize spending in relation to research and development programs in 2018 including its proposal in relation to the RMA project is consistent with Ministerial Direction to strictly control and limit program spending to necessary program expenditures as the UTP program is being wound up.

OTS WUP Schedule 3 OTS Wind Up Implementation Plan and Timelines

Wind Up Measure	Steps	Timelines	OTS Responsibility
1. Notification to Stakeholders of Approved OTS Wind Up Plan Approval – April 2018 (or earlier): Outlining: <ul style="list-style-type: none"> • Key wind steps and dates; • Specific stakeholder changes associated with Wind Up; and • Upcoming meetings of interest to stakeholders. 	Preparation of General Communications Materials		
	Steward Communications Package		
	Collector Communications Package		
	Hauler Communications Package		
	Processor Communications Package		
	RPM Communications Package		
	R & D Participant Communications Package		
	Website Posting		
2. Release of 2017 Annual Report by May 2018	Completion of Audited Financial Statements		
	Completion of Draft AR Content		
	Layout and Editing		
	Submission to RPRA by April 1, 2018		
	Posting following RPRA approval		

3. Notice of Forecast Steward billing of remaining OTR Deficit TBD	Advance Notification to Stewards		
4. Public Release of Tire Recycling Data May 1 2018	Preparation of Public Data Base		
	Website changes – download availability		
	Notification to Stakeholders		
5. Initial TreadMarks Stakeholder Briefing/Webinar for April 2018	Preparation of clean TreadMarks version		
	Identification of stakeholder system requirements		
	Distribution of TreadMarks Documentation		
	Meeting Notification		
6. Initial RRCEA Brand Holder/OTS briefing re OTS Wind Up tire tracking/reporting processes June 1 2018	Preparation of briefing materials		
	Meeting Notification		
	Scheduling of additional meetings		

7. TreadMarks Available for Transfer to RRCEA Brand Holders May 1 2018	IT Changes		
	Confirmation of Applicant Eligibility and Program Transfer		
8. Wind Up of Research and Development Projects October 2018	Notification to OTS Research Partners of Cut off Date for Final Claims	April 2018	
9. Notice of Collector, Hauler, Processor, RPM Agreement cancellation effective December 31, 2018 – Release December 2017	Processor, RPM notices	December 2017	
	Collector, Haulers notices	Q1 2018	
10. OTS Collector Briefing re Wind Up and Claims Processes after Termination date TBD	Preparation of briefing materials		
	Advance notification of meeting/webinar		

11. OTS Hauler Briefing re: Wind Up and Claims Processes after Termination Date TBD	Preparation of briefing materials		
	Advance notification of meeting/webinar		
12. OTS Processor Briefing re: Wind Up and Claims processes after Termination Date TBD	Notification of contract terminations December 2017		
	Preparation of briefing materials		
	Advance notification of meeting/webinar		
13. OTS Manufacturer Briefing re: Wind Up and Claims processes after Termination Date TBD	Notification of contract terminations December 2017		
	Preparation of briefing materials		
	Advance notification of meeting/webinar		
14. Transition Briefings OTS-RRCEA producers Timing TBD			

15. Implementation of Steward PLT fee cut for October 2018	Advance Notification to Stewards	June 2018	
	IT System Changes		
	Administrative Changes		
16. Implementation of Program Termination December 31, 2018	Website Changes		
	Undertake 3 rd party tire and TDP inventory counts at Hauler, Processor and RPM facilities		
	Notifications ?		
17. Processor RPM Year End Inventory counts confirmed by Jan 10 2018	Schedule site visits		
	Conduct initial inventory count		
	Review with Processors/RPMS		
	Sign off on Inventory counts by Processors/RPMS		
18. Cut off date for Collectors to have year-end inventories collected by Haulers	Communications reminders Collectors Haulers		
19. Cut off date for Final Steward supply reports and payments - January 31, 2019			

	Staff Follow-up Reports/Accounts Owing		
Cut off date for Stewards to submit negative adjustments for 2018 new tire supply – March 1 2019	Staff Follow-up Reports/Accounts Owing		
Finalization of OTR Steward Account Reconciliation and Invoicing of OTR Stewards March 2019	Calculation of OTR Steward Amounts Owing		
	Notification to OTR Stewards		
	Identification of Deadline Payment (April 2019?)		
Cut Off Date for 4 th Quarter Collector Allowance Claims January 30 2019			
Cut Off Date for December 2018 Transportation Incentive Claims January 31, 2019			

Cut Off Date for December 2018 Processor Incentive Claims – January 31, 2019			
Cut Off Date for December 2018 Manufacturer Incentive Claims – January 31, 2019			
Cut Off Date for Collection Allowance Inventory Claims – February 28 2019			
Cut Off Date for Transportation Incentive Inventory Claims Feb 28 2019			
Cut Off Date for Processor Incentive Inventory Claims – April 30 2019			

Cut Off Date for Manufacturer Incentive Inventory Claims – April 30 2019			
Posting of 2018 Annual Report May 2019			
Target Date for Resolution of all Service Provider Contractual payments June 4 2019			
Data Transfer to RPRA – TBD			
Appointment of OTS Liquidator - TBD			
OTS Data Destruction - TBD			
Disposal of Remaining OTS Assets - TBD			

Final OTS Financial Reconciliations - TBD			
Final OTS Steward Reconciliations - TBD			
Submission of Final OTS Tax Returns			
Obtainment of Tax Clearance Certificates			
Dissolution of OTS as a Corporation - TBD			
Submission of Final Wind Up Report to RPRA -			
Data Transfer to RPRA Final – July 2019			
Proposed Schedule of OTS RPRA Wind Up Meetings			
Monthly April 2018 to December 2018			

Bimonthly (Twice per Month) January 2019 to Submission of Final Wind Up Report			

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OTS WUP Schedule 4 Communication Tactics (Samples and Monthly Schedules)

Table 1.3.3 Communications Tactics			
Tactic	Audience(s)	Timing/Frequency	Notes
Core Materials	All	Immediate/Ongoing	Create core key messages and Q&A materials that can be referenced for all communications. These will be reviewed quarterly or as needed
Stakeholder Newsletter	Program Participants; Other interested Parties	Quarterly (Mar; Jun; Sept; Nov/Dec)	Produced quarterly and includes a dedicated section related to Wind-Up materials and information
Website (rethinktires.ca)	All		Site includes a section dedicated to Wind-Up and is updated as new information and materials become available. Anticipated updates will include: <ul style="list-style-type: none"> • Wind-Up plan Executive Summary • Information on TSF changes • Information on key Operational dates (date changes for Claims submissions, etc.) for each Participant group • Key contact changes
Social Media (Twitter & Facebook)	Program Participants; All	Ongoing; Daily	Information related to Wind-up will be shared (with links to the OTS website)
Town Halls	Employees	Monthly; As required	A forum for communicating information on windup progress and impact on daily operations
Town Halls / Webcasts	Program Participants;	Twice each Participant group; As required	A forum for communicating key information, dates and deadlines; details specific to each Participant type and impact on daily operations
1:1 Meetings	Program Participants; Stakeholders; Government	As Needed	To answer questions and ensure clear communication of information for key stakeholders
Email Communications	Program Participants	As Needed	To communicate Wind-Up specific activities, details and information; in addition to BAU

			communications
News Release	All	As Needed	To support final communications, including details on Windup and transition, news release will be distributed to key media and industry contacts (Associations, etc.). Anticipated communications include: <ul style="list-style-type: none"> • Announcement of Wind-up plan approval <ul style="list-style-type: none"> • Final communication in late 2018
Wind-Up Letter	Government; Associations; Organizations affiliated with OTS; Service Providers	September 2018 (or sooner, as contracts dictate/per contractual requirements)	A letter formally announcing the wind-up of operations and associated information. Majority of letters will be distributed 90 days prior to wind-up of operations on December 31, 2018
Technical Committee Meetings	Program Participants	February, May, September 2018 (additional meeting may be scheduled near end of 2018 as required)	To communicate BAU Operations information in addition to Wind-Up specific activities, dates and deadlines
2017 Annual Report	All	June 2018	Similar in nature to previous years, Annual Report will highlight 2017 program performance and accomplishments and will be available via OTS website
2018 Annual Report	All	Spring 2018	Similar in nature to previous years, Annual Report will highlight 2018 program performance
2019 Audited Financial Report	All	Spring 2018	At end of windup, audited financials will be provided

Sample Schedule of Communications - Processors

Month	Communication Subject	Type	Newsletter	Email	Web	Social	In-Person Meetings	Webcast/Townhall	Associations
December 2017	Notification of Termination of Convenience re: UTP Agreement	WIND-UP		X					

January 2018	Stakeholder & Consumer Q4 Newsletter	BAU		X	X	X			
January 2018	January 2018 Processor Mandatory Yard Count Reminder #2	BAU		X					
February 2018	OTS Technical Committee Meeting in February	BAU					X	X	X
February 2018	TreadMarks Release Notification	BAU		X					
March 2018	April 2018 Processor Mandatory Yard Count Reminder	BAU		X	X				
March 2018	Updated Fuel Adjustment TI Rates as of April 2018	BAU		X	X				
March 2018	Stakeholder & Consumer Q1 Newsletter	BAU		X	X	X			
April 2018	April 2018 Processor Mandatory Yard Count Reminder #2	BAU		X					
April 2018	TreadMarks Release Notification	BAU		X					
May 2018	OTS Technical Committee Meeting in May	BAU		X			X	X	X
June 2018	July 2018 Processor Mandatory Yard Count Reminder	BAU		X	X				
June 2018	Stakeholder & Consumer Q2 Newsletter	BAU		X	X	X			
June 2018	TreadMarks Release Notification	BAU		X					
July 2018	July 2018 Processor Mandatory Yard Count Reminder #2	BAU		X					
July 2018	Notice of Marketing & Communications Asset Availability	WIND -UP		X	X				X
September 2018	OTS Technical Committee Meeting in September	BAU		X			X	X	X
September 2018	October 2018 Processor Mandatory Yard Count Reminder #2	BAU		X					
September 2018	Stakeholder & Consumer Q3 Newsletter	BAU		X	X	X			
September 2018	End-of-Program TreadMarks Retirement Announcement	WIND -UP	X	X	X				X
September 2018	End-of-Program iPad Recall Announcement	WIND -UP	X	X	X	X			
October 2018	October 2018 Processor Mandatory Yard Count Reminder	BAU		X	X				
October 2018	October Monthly Participant Wind-Up Newsletter	WIND -UP		X	X	X			X
November 2018	November Monthly Participant Wind-Up Newsletter	WIND -UP		X	X	X			X

December 2018	December Monthly Participant Wind-Up Newsletter	WIND -UP		X	X	X				X
December 2018	End-of-Program TreadMarks Retirement Reminder	WIND -UP		X	X					
December 2018	End-of-Program iPad Recall Reminder	WIND -UP		X	X	X				
January 2019	End-of-Program TreadMarks Retirement Reminder	WIND -UP		X	X					
January 2019	End-of-Program iPad Recall Reminder	WIND -UP		X	X	X				
February 2019	End-of-Program TreadMarks Retirement Reminder	WIND -UP		X	X					
February 2019	End-of-Program iPad Recall Reminder	WIND -UP		X	X	X				
March 2019	Processor Final Claims Submission Reminder	WIND -UP		X	X					
March 2019	End-of-Program TreadMarks Retirement Final Reminder	WIND -UP		X	X					
March 2019	End-of-Program iPad Recall Final Reminder	WIND -UP		X	X	X				
April 2019	Processor Final Claims Submission Reminder #2	WIND -UP		X	X					
April 2019	Processor Final Claims Submission Reminder #3	WIND -UP		X	X					
TBC	Wind-Up Plan Submission Announcement	WIND -UP	X	X	X	X				X
TBC	Wind-Up Plan Approval Announcement	WIND -UP	X	X	X	X				X
TBC	Processor "What This Means For Me" Overview	WIND -UP	X	X	X		X	X		X
TBC	Processor "What You Need To Know" Webcast Session	WIND -UP		X	X		X	X		X

Sample Monthly Schedule of Communications - September 2018

Subject	Type	WHO					HOW						
		Steward	Collector	Haule	Processor	RPM	New slett er	Email	Web	Social	In-Perso n	Webinar	Associations
December 3rd Party RPM Yard Count Notice	WIND-UP					X		X	X				
OTS Technical Committee Meeting in September	BAU		X	X	X	X		X			X	X	X
Collector April to June 2018 Reminder #2	BAU		X				X	X					

October 2018 Processor Mandatory Yard Count Reminder #2	BAU				X			X					
October 2018 Hauler Mandatory Yard Count Notice	BAU			X				X	X				
Stakeholder & Consumer Q3 Newsletter	BAU	X	X	X	X	X		X	X	X			
End-of-Program TreadMarks Retirement Announcement	WIND-UP	X	X	X	X	X	X	X	X				X
End-of-Program iPad Recall Announcement	WIND-UP			X	X		X	X	X	X			

Key Communications Activity By Month:

December 2017, January 2018

- Notification of Termination (UTP Program Participants)

January 2018

- Stakeholder Newsletter

February 2018

- Technical Committee Meeting

March 2018

- Stakeholder Newsletter

April 2018

- Plan Approval Notification (email & web)
 - Conference calls
 - 1:1 Meetings
- Plan Approval/Program Windup Notification Letter to Government, Associations

May 2018

- 2017 Annual Report
- Technical Committee Meeting
- Program Participant “What This Means For You” Information

June 2018

- Stakeholder Newsletter
- Windup Plan “What You Need To Know” Information Sessions

July 2018

- Notice of Asset Availability for Download

August 2018

- Program Participant Windup Dates & Deadlines Information

September 2018

- Stakeholder Newsletter
- Technical Committee Meeting
- 90 Days’ Notification of Termination to service providers, suppliers & vendors
- News release on Windup of operations
- TreadMarks Retirement Notification
- iPad Recall Notification

October 2018

- Windup Newsletter
- Notification of Windup Filings Deadlines to Participants

November 2018

- Windup Newsletter

December 2018

- Windup of Social Media accounts
- Final Stakeholder Newsletter
- Scale down of rethinktires.ca branded site on December 31, 2018
- iPad Recall

January 2019

- Final Claims Submission Reminders to Collectors/Haulers
- iPad Recall

March 2019

- Final Claims Submission Reminders to Processors/RPMs
- iPad Recall
- 2018 Annual Report

OTS ORGANIZATION

