



Rethink your relationship with tires

March 12<sup>th</sup> 2014

## Re: Processor Performance Bond

Dear Registered Processor,

On May 5<sup>th</sup> 2014 the revised Processor Registration Agreements will come into effect, providing greater clarity to the roles and responsibilities of both the Processor and Ontario Tire Stewardship (OTS) under the Used Tire Program (UTP). One of the new Obligations of the Processor under section 2.4 of the Agreement is to post a Performance Bond in favor of OTS. The posting of this bond is intended to ensure OTS and the UTP are properly indemnified against financial impacts associated with (but not limited to) breaches of the Agreement by the Processor, costs associated with the failure of a Processor to meet their commercial obligations or costs associated with the cessation of operation of a Processor.

The requirement for a Processor to post the required Performance Bond will come into effect **January 1<sup>st</sup> 2015**.

In the Consultation process OTS proposed a Performance Bond Calculation based on a combination of the tonnes of tires received by a Processor in the previous year and the Processor's prior year Processing Incentive (PI) claims. Based on an analysis of the financial implications of the formula presented in the Consultation session OTS has further refined the requirements to better reflect the exposure(s) that OTS is seeking to protect against.

The formula for calculating the amount of Performance Bond to be posted by a Processor is as follows:

$$\begin{array}{l} \text{\$ Processor} \\ \text{Performance} \\ \text{Bond} \end{array} = \left[ \left( \begin{array}{l} \text{Total Tonnes of Tires} \\ \text{Received during} \\ \text{previous calendar year} \end{array} \times \frac{1}{6} \right) \times \begin{array}{l} \text{Provincial Average TI} \\ \text{Rate from previous} \\ \text{calendar year} \end{array} \right]$$

The Performance Bond must be posted by the Processor in the form of an irrevocable letter of credit or as a cash payment to OTS (any interest earned by OTS will be credited back to the Processor's account annually). Should the Processor wish to post the Performance Bond in another form pre-approval from OTS is required.

The Performance Bond requirement and formula may be reviewed annually by OTS.

OTS will continue to seek to work closely with you and all other OTS program stakeholders, and looks forward to collaborating to ensure Ontario's Used Tires are responsibly recycled. Should you have any questions or wish to discuss the UTP further please do not hesitate to contact me at [ahorsman@rethinktires.ca](mailto:ahorsman@rethinktires.ca) or 647-426-6252.

Regards,

Andrew Horsman  
Executive Director