



Explanation of Amending Agreement for Non-Eligible Source Blue Box Material Unit Price Adjustment

From: Circular Materials

To: Collection Contractors

Re: Amendment to establish consistent Non-Eligible Source Blue Box Material Unit Price

1. In the Compensation Exhibit of the Statements of Work, Section 1.1(b) or 1.1(c), as applicable, establishes a deduction from the Contract Price based on the amount of Blue Box Material collected from Non-Eligible Sources (the "Non-Eligible Source Deduction"). The Non-Eligible Source Deduction is calculated as the tonnes of Blue Box Material attributed to Non-Eligible Sources (based on the ratio of Non-Eligible Sources to the total of both Non-Eligible Sources and Eligible Sources) multiplied by the Non-Eligible Source Blue Box Material Tonne Price.
2. In the Statement of Work, prior to the execution of the amending agreement, the Non-Eligible Source Blue Box Material Tonne Price was adjusted using the same two-part process used to adjust the Unit Price: (1) a monthly fuel price adjustment for changes to the price of diesel fuel or natural gas, as applicable, based on the type and quantity of fuel utilized in the Collection Vehicles, beginning in the first calendar month immediately following the earliest Statement of Work Eligible Community Service Commencement Date, and (2) an annual consumer price index price adjustment, beginning on the first annual anniversary of the earliest Statement of Work Eligible Community Service Commencement Date.
3. As the earliest Statement of Work Eligible Community Service Commencement Dates vary, the adjusted Non-Eligible Source Blue Box Material Tonne Price evolved into a different value for each Statement of Work leading to disparity with respect to the value deducted for Blue Box Material collected from Non-Eligible Sources.
4. The amending agreement rectifies the problems identified in paragraph 3 by standardizing the calculation of the Non-Eligible Source Blue Box Material Tonne Price Adjustment for all Statements of Work for collection services. It does so by: (i) establishing a common reference point for all fuel price adjustments – the first week of July 2023; and (ii) establishing a consistent time to apply CPI price adjustment – April of each year. The result is the elimination of disparity among collection contractors.
5. As the Non-Eligible Source Blue Box Material Tonne Price represents the cost of activities required to receive and transfer materials at Receiving Facilities, pick-up materials from Receiving Facilities, haul materials to processors, process materials and deliver materials to end-markets, the type and quantity of fuel utilized in Collection Vehicles is not relevant for the fuel price adjustment.
6. The amending agreement rectifies the problem identified in paragraph 5 by removing the reference to fuel used in Collection Vehicles.