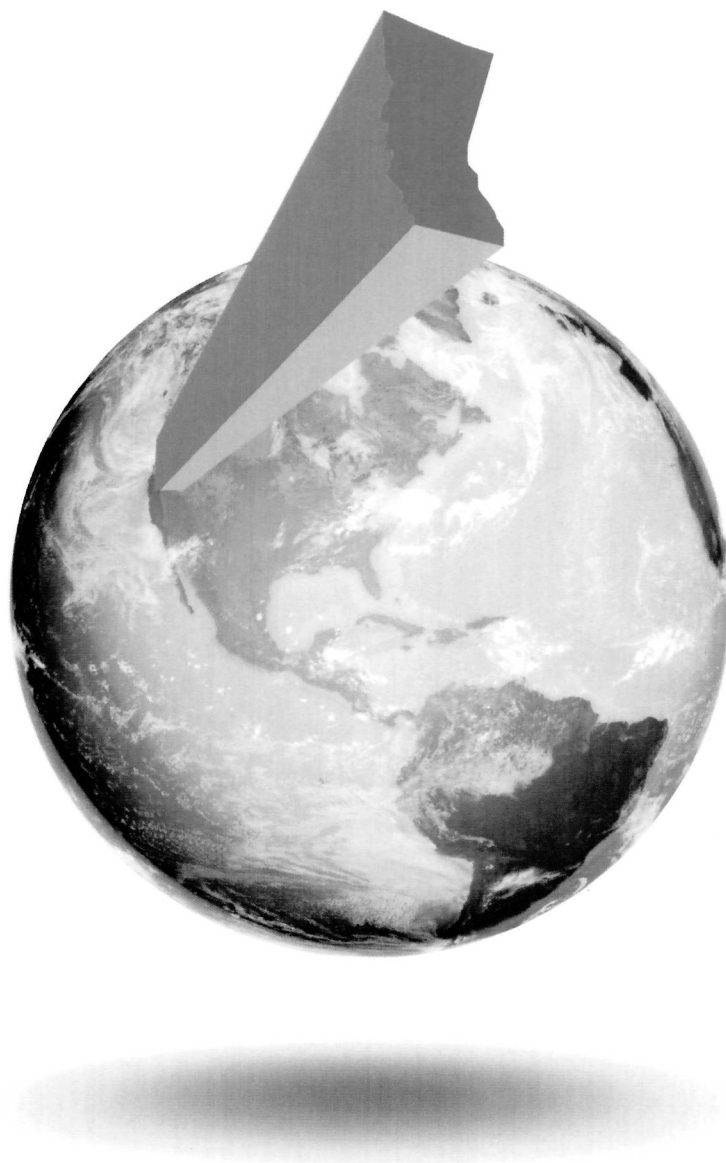


2012 PRODUCT STEWARDSHIP ANNUAL REPORT
INTERSTATE BATTERY SYSTEM OF CANADA • BRITISH COLUMBIA



INTERSTATE BATTERIES OF CANADA ANNUAL STEWARDSHIP REPORT CALENDAR YEAR - Jan. 1, 2012 – Dec. 31, 2012

Interstate Battery System of Canada, Inc. (IBSC) is a wholly owned subsidiary of Interstate Batteries, Inc. based in Dallas, Texas. This annual report will cover scrap lead acid battery recycling activity in British Columbia for the Calendar years of 2012.

The IBSC Stewardship Plan for the recovery of scrap lead acid batteries was approved by the British Columbia Ministry of Environment on Aug. 17, 2011. The Minister's letter asked IBSC to provide non-financial information according to The Environmental Management Act Recycling Regulation (BC Reg 449/2004) which would include information from the following Sections:

- BC Reg 449/2004, Section 8 (2) (b) asks us to identify location of collection facilities, and any changes in the number and location of collection facilities from our previous report.
- BC Reg 449/2004, Section 8 (2) (d) is looking for a description of how the recovered product, in this case scrap lead acid batteries, was managed in accordance with the pollution prevention hierarchy.
- BC Reg 449/2004, Section 8, (2) (e) asks IBSC to provide the total amount of the producer's product sold and collected and our recovery rate.

EDUCATIONAL MATERIALS AND STRATEGIES

Pursuant to BC reg. 449/2004, the Environmental Management Act Recycling Regulation, Section 8 (2), each of our three distributorships in the Province of British Columbia made efforts to educate the general public and let our customers know about our scrap battery recycling program. Storefront advertising displayed at our four warehouses directs residents of the general public to those sites to recycle scrap lead acid batteries.

At our Coastal British Columbia location in Vancouver, BC, our distributorship sponsored “Spring Clean-up Day” in the town of Collwood where residents could drop their batteries off for free at the Public Works Yard. All lead acid batteries received at that location were recycled as part of our regular program. Area residents already know our distributorship collects scrap batteries daily and get them recycled. Besides the everyday handling of scrap batteries, Interstate personnel are educating their dealers and others about the Green Standard; an industry leading Training, Packing and Tracking process using Load Safe™ materials to ensure batteries are properly handled when sent in for recycling. Coastal British Columbia continues to offer a fundraising program to area schools and their sports teams to be paid for scrap lead acid batteries brought to the distributorship.

In Eastern British Columbia our distributor posts signs in the front windows of both the Kelowna and Prince George Interstate Batteries Warehouses. Signage is also provided to the landfills that recycle with Interstate Batteries as well as all the Bottle Recycling Depots across the province so when residents bring in their bottles and cans for recycling, they can also bring in their scrap SLA batteries and know they will be properly handled. Additionally, advertising is purchased in all the various Yellow Pages in the region.

At Interstate Batteries in Langley, our distributor provides metal signs at our warehouse to promote the recovery of scrap lead acid batteries. Ads are published in the Yellow Pages and on the radio talking about battery recycling, and consumers and the public can get a lot of information about proper battery recycling on the Interstate Batteries website. This year, Interstate Batteries advertised on Craig’s list in an effort to drive scrap batteries to the distributorship for collection and proper recycling.

In addition to the consumer awareness items identified above, residents of British Columbia interested in learning more about lead acid battery recycling can go to the Government of British Columbia’s Ministry of the Environment’s web-page to find out more about IBSC’s program. The web address is:
<http://www.env.gov.bc.ca/epd/recycling/batt/index.htm>

COLLECTION FACILITIES

(Non-financial Information Requirement: BC Reg 449/2004, Section B (2) (b): the location of its collection facilities and any changes in the number of collection facilities from the previous report)

Interstate Batteries of Canada continues to operate three collection facilities in the province of British Columbia and one satellite warehouse in Prince George, BC, which is managed by our Eastern BC distributorship.

Collection Facility	Address
Interstate Batteries of Eastern British Columbia	311 Banks Road Kelowna, BC V1X-6A1
Interstate Batteries of Eastern BC – Prince George	462 Central Street East Prince George, BC V2M-3B6
Interstate Batteries of British Columbia	20148-102 nd Ave. Langley, BC V1M-3E5
Interstate Batteries of Coastal British Columbia	1651 Old Island Highway Victoria, BC V9B-1H9

BATTERY MANAGEMENT

(Non-financial Information Requirement: BC Reg 449/2004, section 8 (2) (d) – A description of how the recovered product was managed in accordance with the pollution prevention hierarchy.)

Using its fleet of trucks and warehouses in British Columbia IBSC collects many more scrap batteries than new batteries sold or distributed. IBSC has the ability to collect scrap batteries in the urban locations of the province as well as from remote locations such as Gibsons, Sechelt, Powell River, Lund, Liard River, Fort Nelson, Nelson Forks, and Kitimat. IBSC's standard program routinely delivers new lead acid batteries by route truck to our customers in British Columbia. Our service model of traveling to our dealers to sell them new batteries also allows our distributors to pick-up battery cores or scrap batteries on a one-for-one exchange. Additionally, our drivers collect, and in some cases buy, additional scrap batteries throughout the province which helps remove the scrap battery cores (hazardous material) from the environment.

Customers in urban and more populated cities and towns are serviced by our trucks every two to three weeks, while more remote locations are serviced every three to six weeks. The scrap batteries retrieved at these locations are returned to one of the four warehouses in the province where they are inspected and properly packaged according to our own Green Standard, Canadian law and transported to a Canadian approved smelting operation.

IBSC sells new lead acid batteries and collects battery cores which are ultimately returned to smelters for recycling. Interstate Batteries trucks carrying the different types of vehicle batteries we sell will visit more than 1,000 Interstate Batteries Distributors located throughout the province on a regular basis. New batteries are on consignment at businesses that sell the batteries. When a new Interstate Battery is sold, a core battery should be returned and given to our route manager servicing that account so the core can be recycled. Over the years, our distribution and recovery process has evolved into an efficient system that allows us to track how many new batteries were sold throughout the province, how many scrap batteries were retrieved and how many of the batteries retrieved could be recharged and sold as a used battery. The raw materials from the scrap batteries recovered are used to manufacture new batteries.

Before the majority of the scrap batteries are sent back to smelters for recycling, our trained personnel examine each auto or vehicular battery to see if it could be recharged and sold as a used battery. BC Reg 449/2004 Section 5 (3) (d-f) suggests the product should try to be reused first, before it is recycled, or if material or energy can be recovered from the product before otherwise disposing of the waste in compliance with the Act. IBSC personnel handle every scrap battery they recover in the field. This allows them to inspect and test vehicular batteries and recharge them for continued use if feasible. Some recharged scrap batteries can be sold as used batteries that may last another couple of years, before eventually having to be recycled at an approved smelter. This year we are able to provide a summary of the volume of scrap batteries we recovered that were recharged and sold as used batteries at our warehouses (See Pg. 8). Only Automobile SLI-type batteries can be recharged and sold as used batteries.

Being able to reuse some of the scrap batteries by recharging them and selling them as Used or "Econo" batteries keep the batteries out of the physical breaking and recycling process a little longer, thus meeting BC Reg. 449/2004 Section 8 (2) (d) showing recovered product being reused before sending for recycling.

THE GREEN STANDARD



At Interstate, keeping it “Green” has always meant combining our system of best practices with our dedication to exceed government regulations. In 2012, Interstate Batteries introduced the Green Standard to all of our distributorships in the U.S. and Canada. The Green Standard is the most comprehensive scrap battery collection and recycling process in the business, ensuring the safe and secure handling of all battery cores we collect. The Green Standard emphasizes the “Closed-Loop” battery recycling program we’ve been a part of for years. This closed loop system applies the highest environmental standards in the industry.

All scrap batteries coming through our warehouses in British Columbia follow the Green Standard. The Load Safe™ packaging materials include a stronger gage shrink wrap, thicker bags that are used to overpack batteries that may be cracked or leaking, and labels on each pallet so we can track their route from the distributor to the smelter. As our distributors pick-up scrap batteries and cores on their regular routes, they inspect each battery. Those cores are returned to our warehouses where they are combined with other cores and packaged according to the Green Standard.

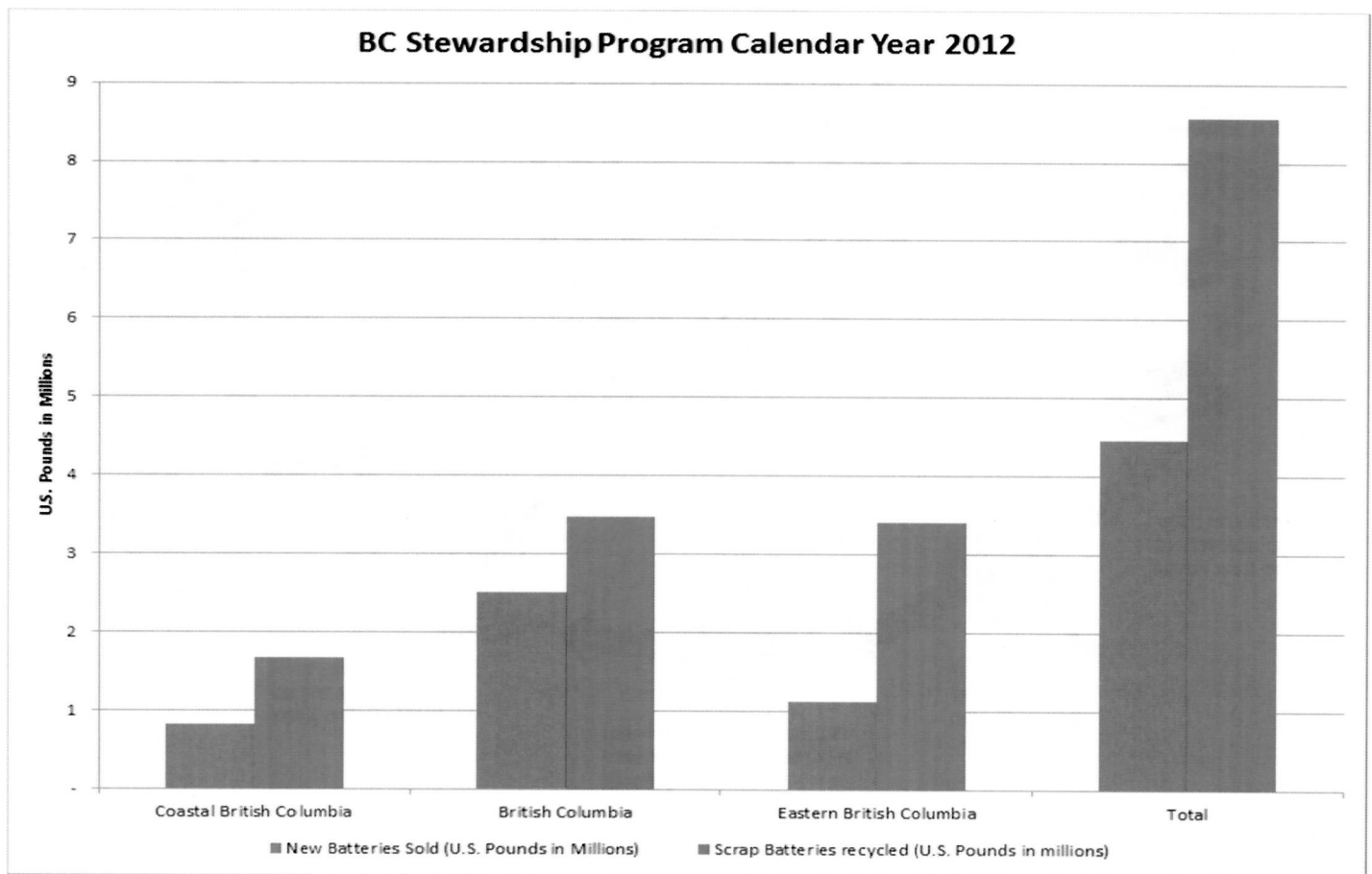
Interstate’s Green Standard process provides the following:

- Training certification and annual audits for all personnel who collect, transport or handle battery cores.
- Individual battery inspection for leaking cores with on-site packaging and clean-up before they are transported to the smelter.
- Unique packaging and materials to ensure safe transport to an approved smelter.
- ID tracking to trace the shipment back to its origin and ensure accountability.

PRODUCT SOLD AND RECOVERED

(Non-financial Information Requirement: BC Reg 449/2004, section 8 (2) (e) – the total amount of the producer's product sold and collected, and, if applicable, the producer's recovery rate.

In 2012, our three distributorships managing four warehouses sold about 4.466 million pounds (US) of new batteries yet they recycled more than 8.564 million pounds (US) of scrap lead acid batteries throughout the province of British Columbia. While there are many different types of SLA batteries that are recycled through Interstate, the numbers provided are based on the majority of batteries we recover being Auto-sized batteries weighing an average of 36.8 lbs each. This leads to a scrap battery recovery rate in British Columbia for 2012 of approximately 192%. In 2011, the three Interstate Distributorships in BC recycled approximately 270% scrap battery weight to new batteries sold. There are many reasons the numbers can change year to year such as supply and demand for new batteries (fewer new battery sales means fewer scrap batteries being returned on a 1-4-1 exchange), weather, smelter needs, and scrap competition among other battery recyclers to name a few.

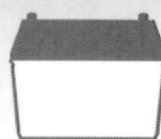


THE LEAD RECYCLING PROCESS

TRANSPORTATION



The same network that distributes new batteries also safely collects and returns used batteries for recycling.



At the recycling facility, used batteries are broken apart and separated into components to begin the recycling process



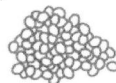
PLASTIC

Plastic pellets recycled from battery cases and covers are used to manufacture new cases and covers.

Crush the case and covers



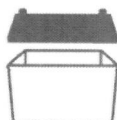
Plastic pellets



NEW COVERS AND CASES

New battery covers and cases are manufactured using recycled plastic pellets.

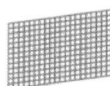
New cases and covers



LEAD

Lead ingots recycled from battery grids, other battery parts (e.g., posts and terminals) and lead oxide are used to manufacture lead for new grids, parts, and lead oxide.

Melt grids



Lead ingots

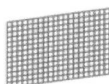


NEW GRIDS AND LEAD OXIDE

New battery grids are manufactured from recycled lead. Recovered lead oxide is also used in new battery manufacturing.

New grids

Lead oxide



ELECTROLYTE: OPTION 1

Sodium sulfate crystals separated from used electrolyte (dilute sulfuric acid) are recycled and sold for use in textiles, glass and detergent manufacturing.

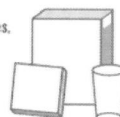
Neutralize electrolyte



Sodium sulfate crystals



Glass, textiles, detergent



ELECTROLYTE: OPTION 2

At some recyclers, used electrolyte is reclaimed and reused in manufacturing new batteries. At others, it is neutralized and managed according to federal and state water permits.



OR

Electrolyte is neutralized and sent to a water treatment plant.

Electrolyte is chemically treated and reused.