

February 1, 2012

Dear Valued Customer –

On January 4, 2012 the U.S. EPA published a proposed rule titled “Protection of Stratospheric Ozone: Adjustments to the Allowance System for Controlling HCFC Production, Import and Export”. The intent of the proposed rule is to adjust and reduce HCFC allowances (i.e. the right to produce and/or import virgin R-22) over the period 2012-2014.

The reductions being proposed by the EPA are significant, ranging from 11-47% per year over the period 2012-2014, and are in-addition-to the 10% annual reductions already built into the 2009 final rule. The rationale for these proposed reductions is based on new information received by the EPA from industry stakeholders indicating 1) there is significant, system-wide inventory in the value chain, 2) reclaim capacity has increased significantly, and 3) supermarket retrofits to HFCs have created additional supply of used R-22 for servicing existing equipment.

In brief, the PROPOSED 3-year rule will allow a range of R-22 to be made and/or imported as follows (in pounds):

	Previous Allocation	PROPOSED ALLOCATION	
		Maximum	Minimum
2012	90M	80M	55M
2013	79M	69M	46M
2014	69M	58M	36M

While the final EPA rule will not likely be out until Q2 or Q3 of this year, suppliers have reacted to this proposed rule by increasing prices for R-22 significantly, effective immediately. Due to the magnitude of these increases, we too must pass them through to you.

Based on this proposed EPA rule and the significant price increases, we recommend the following immediate courses of action:

- **Protect your current assets, now!** – Make sure to protect the R-22 currently in your systems and save significant dollars by:
 - Check & validate your leak-detection systems; you may need to increase the frequency of your leak checking, and



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- If you do not have a leak detection system, it would be prudent to evaluate and consider installing one

Source is ready to assist with sound solutions to save and protect your refrigerant assets!

- **Develop and implement a conversion plan** - Create a systematic plan for converting your existing R-22 (or other HCFCs) systems to HFC refrigerants. Source has effective conversion programs to help you through this process, which include some of the following steps:
 - Develop a detailed conversion plan, prioritizing stores that are the best candidates for refrigerant changes.
 - ⊖ Assist in choosing the correct refrigerant to fit your corporate objectives.
 - ⊖ Execute conversions to match your service refrigerant needs, as well as providing a buffer for minimizing supply risk going forward.
 - Define a plan to track and handle reclaimed refrigerant.

The significant price increases on R-22 has put a major financial burden on all of us, and if the proposed rule becomes official in Q2 or Q3 as expected, supply shortages of R-22 in 2013 are likely. We highly recommend being proactive in protecting your current R-22 assets and planning for your conversions now!

Please contact Source today at 888-473-3715 or R22@sourcerefrigeration.com to let us know about your R-22 situation and how we can work with you to minimize your R-22 costs and develop conversion plans for the imminent supply challenges. We look forward to working with you to develop solutions for your specific needs.

Best Regards,

A handwritten signature in black ink, appearing to read "Mike Ochoa", with a long, sweeping underline.

Mike Ochoa
Sr. Vice President of Marketing