

Representing The Wiping Materials, Recycled Clothing, New Textile By Products and Fiber Industries

2006 Convention Is a Perfect Fit for All Members

SMART Annual Convention – March 19 - 23



Upon arriving next week at the fabulous Ritz-Carlton Golf Resort, Naples for the 2006 Annual Convention SMART members will be treated to a full schedule of activities and programs---all carefully designed

to provide the maximum business, personal and social benefit for everyone.

SMART's Keynote Speaker

Expert speakers with in-depth knowledge are featured on the program each day. McChelle Callen is a nationally known expert in the critically important arena of employee hiring and retention. It is a well-known fact that if you can't keep your best employees, your bottom line will suffer. Callen will address the opening General Session on Monday, March 20 and will work with the Wiping Material Converters and Distributors Chapter on Tuesday, March 21 to discuss details of the specific techniques employers can use to recruit the very best employees possible. (All members invited to attend.)

From Africa to the World of Employment Projections and Trends

African trade issues impact many SMART businesses. Constance Hamilton, Deputy Assistant

U.S. Trade Representative for Africa, is our expert who will help clarify the current world market, its hurdles, and possible solutions. Hamilton will speak before the meeting of the Recycled Clothing Chapter on Tuesday, March 21. Some of the issues to be discussed include Kenya and Tanzania, EACU's higher tariffs, the SACU-FTA, how the U.S. deals with pre-shipment inspection companies and AGOA.

As SMART members look to and plan for the future, one key item that seems to be common is how to best deal with increasing labor costs. Michael Wald, Branch Chief and Regional Economist with the U.S. Department of Labor, will share with SMART members the extensive information compiled by the Bureau of Labor Statistics. Wald is perhaps the leading expert in the U.S. as he specializes in presenting to the public in a clear and understandable way the trends and forecasts of the labor market.

Kick back Relax and Enjoy

When meetings are not in session the schedule is packed with activities to keep every member happy:

- Sunday, March 19 – Women of SMART Reception and Skin Care Presentation, Gala Welcome Reception followed by an evening of Poker/Bunco
- Monday, March 20 – Continental Breakfast, Tour of the Everglades National Park



SECONDARY MATERIALS AND RECYCLED TEXTILES

7910 WOODMONT AVE., SUITE 1130, BETHESDA, MD 20814

301/656-1077 • Fax 301/656-1079 • bernie@smartasn.org

www.smartasn.org

Printed on Recycled Paper

- Tuesday, March 21 – Continental Breakfast, Women of SMART Luncheon, Annual Golf Tournament and SMART Sunset Reception
- Wednesday, Continental Breakfast & General Session

The Ritz-Carlton is beautiful hotel. All hotel guests will have full privileges at the nearby Ritz-Carlton Beach Resort as well throughout their stay. The city of Naples is charming and ready to receive you with many terrific restaurants and attractions.

**DON'T WAIT ANOTHER MOMENT!
REGISTER FOR SMART'S 2007 ANNUAL CONVENTION TODAY. CALL MARY ANN SCHILLING AT THE SMART OFFICE AT 301/656-1077 EXT. 103 OR EMAIL HER AT MARYANN@SMARTASN.ORG.**

Small Business Health Plans (SBHP) / Association Health Plans (AHPs).

The "Small Business Health Fairness Act" (H.R. 525 and S. 406) affords small businesses the opportunity to join together through bona fide trade associations, such as SMART, and negotiate health care coverage for their employees and their families. On July 26, 2005, the House passed H.R. 525 by a vote of 263-165, with the support of 36 Democrats.

Address Change:

The Standard Companies has moved to a new location. Their new address is:

The Standard Companies
2601 S. Archer
Chicago, IL 60608
Same phone and fax numbers

President's Column

Bo b Travis

My second term as president of SMART will soon end. It's with positive feelings that I step down and leave the running of SMART to our next president, Bill Schapiro. If I can leave any message, I would sum it up in one word "Involvement." The old adage "you only get out of it what you put into it" is truly correct. The more involved I've been with SMART, the more it has helped my company's sales. The more regional meetings I attend, the more people I meet, thus more contacts I have.

In an age of marketing, SMART helps my company gain the exposure and visibility needed for our products. I cannot suggest more strongly the concept of involvement in our association. Sure it's challenging work, but the outcome is that it creates opportunities and advantages for our member companies. Don't be a passive member; be an active member and derive everything you can from your SMART membership.

In closing, I wish to thank the officers, my executive board, the board of directors and committee chairpersons for the opportunity to again be SMART's President. I also want to thank Bernie Brill for his constant help over the past year. At the same time, I also congratulate Bill and his new administration. Please give them your full support and participation.

Thank you.

Manufacturing Sector Grows For 32nd Month

Economic activity in the manufacturing sector grew in January for the 32nd consecutive month, while the overall economy grew for the 51st consecutive month, and the PMI came in at 54.8 percent, according to the nation's supply executives in the latest *Manufacturing ISM Report On Business*. The report was issued by Norbert J. Ore, C.P.M., chair of the Institute for Supply Management Manufacturing Business Survey Committee.

“The manufacturing sector had another good month during January, as measured by the ISM data. Both New Orders and Production remain relatively strong, and the panel of respondents is generally upbeat about their business. It appears that the sector has recovered from the disruptions and dislocations caused by the hurricanes in the Gulf Coast. The Prices Index rose slightly during the month; however, the list of commodities reported ‘Up in Price’ is significantly reduced from December.”

The 13 industries reporting growth in January, listed in order, are: apparel; primary metals; miscellaneous; textiles; food; transportation and equipment; fabricated metals; electronic components and equipment; industrial and commercial equipment and computers; furniture; instruments and photographic equipment; rubber and plastic products; and chemicals.



The PMI indicates that the manufacturing economy grew in January for the 32nd consecutive month. The PMI for January registered 54.8 percent, a decrease of 0.8 percentage points when compared to December’s seasonally adjusted reading of 55.6 percent. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

A PMI in excess of 42 percent, over a period of time, generally indicates an expansion of the overall economy. The January PMI indicates that both the overall economy and the manufacturing sector are growing. The past relationship between the PMI and the overall economy indicates that the PMI for January (54.8 percent) corresponds to a 4.4 percent increase in real gross domestic product on an annual basis.

ISM’s New Orders Index grew in January with a reading of 58 percent. The index is 1.1 percentage points lower than the seasonally adjusted 59.1 percent registered in December, and January is the 33rd consecutive month the index has exceeded 50 percent. A New Orders Index above 51.1 percent, over time, is generally consistent with an increase in the Census Bureau’s series on manufacturing orders (in constant 2000 dollars).

ISM’s Production Index registered 56.6 percent in January, 1.2 percentage points lower than the seasonally adjusted 57.8 percent reported in December. January is the 33rd consecutive month of growth in the index. An index

above 50 percent, over time, is generally consistent with an increase in the Federal Reserve Board’s Industrial Production figures.

ISM’s Employment Index expanded for the eighth consecutive month in January. The index registered 51.3 percent in January compared to the seasonally adjusted 53.6 percent in December, a decrease of 2.3 percentage points. An Employment Index above 48.9 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics data on manufacturing employment.

In January, the ISM Prices Index was 65 percent, indicating an increase in pricing activity compared to December. While 38 percent of supply executives reported paying higher prices and 8 percent reported paying lower prices, the majority of respondents (54 percent) reported that prices were unchanged from the preceding month. A Prices Index above 47.1 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics Index of Manufacturers Prices.

The Manufacturing *ISM Report On Business* is based on data compiled from monthly replies to questions asked of purchasing and supply executives in approximately 400 industrial companies. Membership of the Business Survey Committee is diversified by Standard Industrial Classification category, based on each industry’s contribution to gross domestic product. Survey responses reflect the change, if any, in the current month compared to the previous month.

Martex Fibers Southern Corp Launches New Division

Martex Fiber Southern Corporation has created a new division to its corporate line-up. The new subsidiary, Eco-Wipers, provides a line of ecologically responsible wiping cloths to the public as well as institutional and industrial markets. This line is in addition to the company’s other environmentally friendly offerings, which include Jimtex Yarns for apparel and home furnishings and Martex Fibers’ industrial fill and batting products, all made from recycled fibers.



The new product line will include new flat and fleeced knit wipers in colors, bleached, and unbleached. Packed in five, 10, 25, and 50 pound cases, national distribution is underway from the company’s Bluestone

facility in Spartanburg SC. End users include food service companies, janitorial firms, paint companies, and also the general public who will be able to purchase the wiping cloths through major retailers.

Jimmy Jarrett, president of Eco-Wipers is enthusiastic about the company's future: "For 30 years, Martex has had a major presence in the wholesale distribution of wiper cloths. Now, Eco-Wipers gives us the sales presence we need to become a leading supplier in the retail wiping cloth industry," he said.

To help achieve this ambitious goal, Jerry Satterfield has been hired as Vice President of Sales. Satterfield joins Eco-Wipers with more than 30 years of experience in the textile waste business, including 26 years with Leggett & Platt Inc.

"We are aggressively seeking new customers," Satterfield said. "I am confident that a strong market exists for our high quality products. Our commitment to environmentally responsible wipers will also be a way to reach customers who want to make purchasing decisions that add to the sustainability of our planet."

All Eco-Wipers are made from pre-consumer cloth that has been reclaimed by Martex Fiber after the cut and sew process of making apparel. There is no need to grow new cotton for yarns or make new knitted fabric, so water is spared and no toxic chemicals and dyes are added to our water streams.

For more information visit www.MartexFiber.com or www.JimtexYarns.com. Or call Jerry Satterfield (864) 583-6412 or visit our web site: www.eco-wipers.com

Megatex Update

Over half exhibiting companies at ATME-I from outside U.S.

The growing internationalization of the textile market is impacting on the ATME-I 2006 show in Atlanta. According to organizer, Mack Brooks Exhibitions, the proportion of exhibiting companies now contracted to attend the event from outside the U.S. market has risen to over 50%.

Recent trade figures confirm increased international trade with the U.S. market, showing an increase of 27% U.S. Dollar spent on imported textile equipment to the

U.S. market from January to September 2005. Encouragingly, U.S.-based equipment suppliers are also doing well internationally, posting a 6% increase in textile machinery exports over the same period.

Justin Akinleye, Sales Manager on ATME-I 2006: *"Eight straight months of increased U.S. textile production has added a renewed confidence in the American market. We're seeing this both domestically and through increased interest from overseas suppliers who wish to grow their presence."*

For information on reserving a booth, please call Justin Akinleye toll-free from the USA: 1-866-414-4342; rest of the world: +44 (0)1727 814400; e-mail: justin.akinleye@mackbrooks.co.uk

Energy Savings Becoming Available



Energy costs have remained high this winter. However, SMART Members in Massachusetts, New York, and Texas have several options for savings. Based on recent tariff rate increases, using APPI's services may lower a company's costs by as much as 119 percent.

Maryland members will have to wait several months before electricity opportunities will be available. The electricity tariff changes scheduled to take effect in June 2006 may create an opportunity for savings later this year.

For more information please contact Mandi Krack at mkrack@appienergy.com or call 800/520-6685.

SMART Meets with U.S. Customs Officials

Two weeks ago, the U.S. Customs Agency contacted SMART's attorney requesting a meeting to discuss the association's request to have the agency modify their interpretation of the definition of "used clothing." In a 1998 ruling by Customs, the agency dictated that in order for the clothing to be classified as used clothing under Harmonized Code #6309 it must show "appreciable wear." Under this classification, used clothing coming into the U.S. comes in duty free. To be listed under a different classification would require duty being paid on the clothing imports. Even a load of uncut wipers coming in from Canada would not be considered as "appreciably

worn” unless they were ripped, torn, stained or meets one of the various definitions as set forth by U.S. Customs.



While it is recognized that the amount of used clothing coming into the U.S. is very small, this ruling could have damaging long term implications for members who are exporting products. While the current ruling could negatively impact trade

between Canadian and U.S. members, the same standard, if adopted by other countries, could seriously jeopardize the future of this segment of the industry. Under the current scenario, a company would be incorrectly describing their shipment if they listed it as worn clothing!

Of course, the irony is that at a time when the association is working diligently trying to get foreign governments to remove their trade bans on used clothing, the U.S. policy could greatly limit the trade if it decided to strictly enforce the regulation. The fear is that if this policy was adopted by importing countries, used clothing as it is now known would be prohibited.

Last summer the SMART Board of Directors decided to take on this issue. Since then, legal counsel has been retained to petition U.S. Customs and at the same time, begin the process to bring a legislative solution to this problem.

On Wednesday, March 8 SMART Vice President Bill Schapiro, Executive Director Bernie Brill and attorneys Howard Slavit and Harvey Fox took our argument to U.S. Customs. The association’s position was simply to ask Customs to broaden their interpretation of definition of used clothing and to allow for the consideration of value into their interpretation of how they define used clothing. SMART was also asking for a de minimus amount of other items to be allowed. Currently, U.S. Customs can reject a shipment, or assign a different classification, if even only one new item is found in the load.

Representing Customs were:

Gail Hamill, Chief Tariff Classification & Marking Branch
Teresa Frazier, U.S. Customs Attorney
Brian Fennessy, Branch Chief, Textile Policy & Textile Initiatives

Howard Slavit told Customs that their current ruling was difficult to understand, difficult to implement, and the result of their ruling is different from the original intent. Slavit said this current interpretation poses a potential

serious matter if African countries who are now importing used clothing adopted a similar position.

In explaining their position to SMART, U.S. Customs has taken their position in fear of China smuggling goods into the U.S. under this classification to escape tariffs and quotas. SMART highlighted the many differences between new clothing and used clothing including how it was packaged, shipped, priced, and the fact it was mixed. However, this did not satisfy Customs. They suggested seeing invoices showing actual prices for when used clothing is purchased from the institutions and when it is sold in overseas markets. Customs also put the onus on SMART to come up with a definition they could use to differentiate between new clothing and used clothing.

As part of this initiative to change custom’s treatment of used clothing, SMART has proposed legislation to alter the definition of worn clothing by replacing “appreciable wear” as the main description with the notion that the product should be defined by its post consumer attributes. As it now stands, Customs predicted that SMART would be unable to have its proposed legislation approved. They are unwilling to accept just visual inspection or the fact that there is a substantial difference between the value of new and used clothing. Customs suggested SMART come back with specific descriptions, evidence as to what EU countries are doing, pictures of bales, documentation of the size of bales, and anything else that can prove that wearable used clothing differs significantly from new clothing.



Although the meeting with Customs was more difficult than expected, there were some positives. According to Slavit, “We are asking Customs to modify a policy which has been in place for about seven years and that is politically very sensitive. Moreover, one of SMART's members, through its own ruling request gave Customs an opportunity just last year to "reinforce" its policy; and through the member's request for reconsideration of that unfavorable ruling, Customs had yet a further opportunity to do this. That Customs was at least receptive to trying to work with us to loosen up the policy in some way favorable to the industry I view as somewhat encouraging and in part is because of the legal (and to some extent policy) arguments we've made. Of course, even if SMART decides to proceed with the further submission, we have no assurance that Customs

will change their policy. This is why SMART also is seeking to try to change the policy through legislation.”

SMART Members are being asked to creatively think of ways that can be used to make our case. In the meantime, SMART will again reach out to Goodwill International and other organizations and ask for their help and support.

Should you wish to discuss this matter further or have ideas on how best to present industry’s position, please contact SMART.

Fax laws

SMART has learned that a court ruling in the litigation challenging California’s fax law favors business. The lawsuit was filed in 2005 by the U.S. Chamber of Commerce and others to invalidate the California law as it applies to interstate faxes. The state’s law, which was under a court-ordered stay until February 27, prohibited unsolicited fax advertisements that were both interstate and intrastate in nature without prior consent, and conflicted with the federal law that grants an exemption for unsolicited fax advertisements in cases where the sender has an "established business relationship" (EBR) with the recipient.



On February 27, 2006, a U.S. District Court in California held that California’s fax law (SB 833) is preempted by the federal "Junk Fax Prevention Act" as it applies to interstate faxes. The federal law went

into effect in the summer of 2005. What this ruling means for associations is that they can safely send faxes to or from California in cases where they have an EBR with the recipient (and if they follow the requirements of the federal law, such as inclusion of an opt-out notice). This is regarded by the Fax Ban Coalition as a major victory in the effort to preempt any state attempts to regulate interstate fax advertising.

However, it is important to note that, in its ruling, the court did not address intrastate faxes (faxes sent from one fax number in California to another within the state), and SB 833 still will apply to these faxes. The court also still needs to decide the "severability" of the law, thereby determining if it can strike just the interstate portion of the law or it must rule against the entire measure.

In the spirit of compromise, Senator Enzi (R-WY), Chairman of the Senate Health, Labor, Education and Pensions Committee, introduced the "Health Insurance Marketplace Modernization and Affordability Act" (S. 1955). While this legislation is similar to the traditional AHP bill by allowing the creation of fully insured small business health plans and permitting associations to pool independently with its members, it retains state oversight and supervision of insurance coverage. S. 1955 also gives associations the flexibility to create benefit options that meet members’ needs as long as they offer a comprehensive benefit option modeling the high-cost option of one of the five largest state employee health benefit plans. The five states are: California, New York, Illinois, Texas, and Florida. The committee is expected to take up S. 1955 on March 8.

SMART Welcomes New Members

Please welcome to SMART:

5 Amigos Trading Co.

36 Sam Perl Blvd.
Brownsville, TX 78520
Ph: 956/541-5888; Fax: 956-541-5550;
Email: 5amigostx@sbcglobal.net
Sam Manatt III, President
Hilda Manatt, Vice President
Claudia Buentello, Controller
Brokers and buyer of credential, new and used clothing;
new and used shoes; wiping cloths, and general
merchandise

General Business USA, LLC

171 Main St.
West Orange, NJ 07052
Ph: 973/325-3939; Fax: 973-325-3991;
Email: sameer827@yahoo.com
Sameer Hakim, President
Exporter of used clothing and shoes

MISSION STATEMENT



SMART’s Mission-- SMART (Secondary Materials and Recycled Textiles) is an international association that seeks to strengthen the economic opportunities of its diverse members. It promotes the interdependence of all its industry segments by providing a common forum for networking, education, and trade.

