



August 17, 2015

Ms. Evangelina "Vangie" Y. Garcia, Contract Manager
Hidalgo County Purchasing Department
2812 S. Business Hwy. 281
Edinburg, Texas 78539

Dear Vangie,

Thank you for welcoming me to the Hidalgo County (HC) facility in Edinburg, TX on Thursday August, 13, it was very nice to meet you. You asked that I send you my agenda prior to the meeting and I have recapped those agenda items below for reference.

- Determine HC's level of satisfaction with the quality of services we provide.
- Assure HC that we will provide services according to the Terms & Conditions and at the prices detailed in the agreement for the duration of the base year of the agreement, which as I understand it expires at the end of October.
- Respectfully request that HC put this work out for bid, rather than exercise renewal options, because @ \$1.10/gallon we are losing quite a bit of money and I'm sure that HC does not require their vendors to lose money.

Thanks to your efficiency we quickly covered these points. The purpose of this letter is to provide HC with supportive documentation in the hopes that HC would put the oil collection services out for bid rather than exercise HC unilateral option to extend the contract for another contract year(s). Our predecessor, FCC Environmental made an agreement that may have seemed like a good idea at the time but put us in a position to lose a substantial amount of money due the precipitous decline of oil values. By the contract we are to pay HC \$1.10 / gallon for used oil. When we met I handed you the August 11, 2015 edition of the USA Today. On the front cover it stated that crude oil had fallen to \$43.24/barrel (West Texas Intermediate – WTI index), crude values are even lower today. There are 42 gallons in a barrel of oil so \$43.24/barrel = \$1.03/gallon. Used oil is worth less than crude oil. Crude oil prices are quoted "at market". We are paying HC \$1.10/gallon at your facilities. When you add the cost to get the used oil from your HC location to our San Antonio, TX branch to the regional processing facility to the recycled fuel oil markets in the Gulf area you can easily understand that we're losing money. Unfavorable economics are neither an excuse for poor service nor a reason for not honoring a contractual agreement. We will provide quality service and we will honor the agreement, however losing money for multiple years is unsustainable. You mentioned that if HC were to put the oil services out for bid next year you would probably need the 60 day extension to switch vendors, we would gladly agree to that. Please let me know if you need anything else from me.

Thank you for your business, time and consideration.

A handwritten signature in blue ink that reads "Marc J. Kroll".

Marc J. Kroll
Divisional Vice President
Heritage_Crystal Clean, LLC
928-308-2570