



July 31, 2018

Mr. Douglas L. Smith
City Manager
City of Norfolk
1101 City Hall Building
810 Union Street
Norfolk, Virginia 23510

RE: Collection Service Agreement

Dear Mr. Smith:

For over forty years, TFC Recycling has served as a frontline environmental steward of Hampton Roads by providing recycling collection and processing to the residents and businesses of our great communities. In the course of that history, we have continually strived to increase the types of materials collected and processed as well as invested millions of dollars to be able to process them as economically as possible. Our environmental stewardship has also encompassed our collection fleet, which in the past seven years we have managed to take from diesel power only to nearly half the fleet operating on cleaner burning compressed natural gas.

While we are proud of our history and thankful for the opportunities and trust given to us by the communities and businesses we serve, we find ourselves and our industry in a watershed moment in history. For decades, developing nations have eagerly purchased America's scrap material to feed their growing industrial base and product mills. Premiere among these purchasers has been China, whose rapid development into a modern economy in the past twenty years has made the typical collection and processing arrangements beneficial to all. This dynamic has undergone a dramatic and irreversible shift that demands a behavior and paradigm shift in the American consumer, the municipalities responsible for handling waste, and those of us in the recycling industry to be able to preserve our environment for future generations.

In July of 2017, the Chinese government implemented extensive bans on the importation of scrap material and elevated the acceptable standard for scrap paper grades by an order of magnitude.

For instance, whereas the industry standard for allowable outthrows in the most traded grade of scrap cardboard is 5%, China demanded that their imported scrap cardboard have no more than 0.5% outthrows. The Chinese government began vigorously enforcing this standard in 2018, sending shockwaves through the recycling and scrap industries in the United States and worldwide.

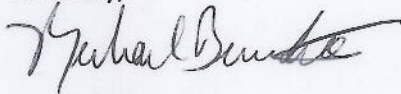
TFC Recycling has done everything in its power to respond to this new challenge and we continue to press forward in our pursuit of excellence in service and efficiency to provide our environmental stewardship services at the best value to our communities and customers. In addition, we have sought to reach out and educate the municipalities we serve as this market shift approached and then eventually broke through on the shores of our national economy. I personally met with the leaders of the City's Public Works Department in May of this year to brief them on the challenges. In the present circumstance, two-thirds of the material placed in the recycling bins has a negative value. These items include trash contaminants, glass, and mixed paper. We appealed to the City to make contractual changes to no avail.

Absent other options, TFC Recycling can no longer sustain providing the collection services to the City of Norfolk under our current arrangement. The decisions of foreign powers, which are clearly out of TFC Recycling's control, have made the business model foundation upon which the agreement was built no longer viable or applicable. Unfortunately, we find ourselves left with only one option.

Section 6.01 of Article VI of our current agreement states "This Agreement may be terminated by either party by giving ninety (90) days prior written notice." It is with great sadness that I must inform you of our intent to terminate this agreement ninety (90) days from the date of this notice or November 1, 2018, whichever is more convenient to you. We would like to meet with the City and the staff responsible for managing the contract to work through transition to make it as smooth as possible.

It is my belief and sincere hope that the City of Norfolk remains committed to the environmental stewardship it has historically exhibited and embraced. TFC Recycling certainly stands ready to continue offering our expertise and services to the City of Norfolk to make those environmental stewardship efforts effective and enduring. I trust that we will be given the opportunity to do so as we all move forward to tackle the challenge of responsibly dealing with the waste produced by us all.

Sincerely,



Michael Benedetto

President