

Freeman & Williams, LLP3470 GS Richards Blvd.
Carson City, NV 89703
775-882-3201**Memo**

To: File
From: Freeman & Williams, LLP
Date: 6/5/08
Re: South Tahoe Refuse Co, Inc. – Rate Adjustment Calculation

Attached is a worksheet for calculation of rate adjustment and its support documentation.

A rate adjustment of 4.33% is consisted of:

2.74%	Increase in landfill tipping fees
1.37%	Increase in fuel cost
<u>0.22%</u>	Pass-through franchise fees
<u>4.33%</u>	Total

Summary of calculation:

Increase in landfill tipping fees of 2.74% is calculated as below: (See following pages for support of these percentages.)

	12.95%	Landfill tipping as a percentage of total cost of sales
x	<u>121.12%</u>	Increase in tipping fee at landfill (1/1/2007 – 9/2008)
=	15.69%	Landfill tipping as a percentage of total cost of sales accounting increase in landfill tipping fees
less	<u>12.95%</u>	Landfill tipping as a percentage of total cost of sales
=	<u>2.74%</u>	Net increase of cost of sales due to increase in landfill tipping fees

Increase in fuel cost of 1.37% is calculated as below: (See following pages for support of these percentages.)

	6.36%	Fuel cost as a percentage of total cost of sales
x	<u>121.56%</u>	Increase in fuel cost
=	7.73%	Fuel cost as a percentage of total cost of sales accounting increase in fuel cost
less	<u>6.36%</u>	Fuel cost as a percentage of total cost of sales
=	<u>1.37%</u>	Net increase of cost of sales due to increase in fuel cost

Increase in franchise fee of 0.22% is calculated as below: (See following pages for support of these percentages.)

	2.74%	Net increase of cost of sales due to increase in landfill tipping fees
+	<u>1.37%</u>	Net increase of cost of sales due to increase in fuel cost
=	4.11%	Net increase of cost of sales
divide	<u>95.00%</u>	(100% - Franchise fee rate of 5%)
=	4.33%	Net increase of cost of sales including franchise fees
less	<u>4.11%</u>	Net increase of cost of sales
	<u>0.22%</u>	Increase in franchise fees

South Tahoe Refuse Co., Inc.
Increase in Costs and Calculation of Rate Increase

	Base Rate at 1/1/2007	1st Increase 4/1/2007	2nd Increase 4/1/2008	3rd Increase 9/1/2008
Tipping Fee - Lockwood (W/M):				
Tipping Fee	\$ 11.27	\$ 11.87	\$ 12.45	\$ 13.65
Percentage increase in Tip Fee		5.32%	4.89%	9.64%
Effective rate increase	100.00%	105.32%	110.47%	121.12% (A)

	Base Rate at FYE 6/30/2006	1st Increase 6/30/2007	2nd Increase 4/21/2008
Fuel Cost:			
Average Fuel Cost per Gallon	\$ 2.78	\$ 2.82	\$ 3.38
Percentage increase in Fuel Cost		1.42%	19.86%
Effective rate increase	100.00%	101.42%	121.56% (A)

Calculation of Increase in STR Expense:

	(B) Cost of Sales	(B) Cost of Sales %	(A) (See above) Rate of increase	(C)=(A)x(B) Rate of increase x Cost of Sales%	(D)=(C)-(B) Increase in Cost of Sales
(1) Operating Exp. for 6 Months Ended 12/31/2007					
Tipping Fee	\$ 654,049	12.95%	121.12%	15.69%	2.74%
Fuel Cost	\$ 321,321	6.36%	121.56%	7.73%	1.37%
Total Operating Expense (Cost of Sales)	\$ 5,049,417	100.00%		104.11%	4.11% Target reimbursement

Franchise fees:

Douglas County = 3%
 El Dorado County = 5%
 City of SLT = 5%

Effective rate increase	5.00%	check figure
	4.33%	4.33%
		-0.22%
		4.11%

(1) Calculation is based upon actual operating expense for six month period ended December 31, 2007.

STR

Lockwood CPI Increase History

<http://data.bls.gov/cgi-bin/srgate>

Series ID : CUUR0000SEHG02

Jan-06	323.000				
Jan-07	<u>340.087</u>			4/1/2006 Old Rate	\$ 11.27
	17.087	5.3%		4/1/2007 New Rate	\$ 11.87
				\$ increase	\$ 0.60
				% increase	5.32%

Jan-07	340.087				
Jan-08	<u>356.901</u>			4/1/2007 Old Rate	\$ 11.87
	16.814	4.9%		4/1/2008 New Rate	\$ 12.45
				\$ increase	\$ 0.58
				% increase	4.89%

Special tip fee increase at Lockwood - no later than 9/1/08

				4/1/2008 Old Rate	\$ 12.45
				9/1/2008 New Rate	\$ 13.65
				\$ increase	\$ 1.20
				% increase	9.64%



Nevada Market Area

May 27, 2008

Terry Trease
South Tahoe Refuse Co, Inc.
2140 Ruth Ave
South Lake Tahoe, CA 96150

Dear Terry:

I'm sorry that Bill Carr and I missed you last week, but we appreciate the time that Gert, Jeanne and Ron spent with us. We appreciate your business and look forward to a continued long term relationship.

As we discussed in our meeting, there have been recent changes to the Nevada Revised Statutes regarding daily cover at municipal solid waste landfills. As a result of this change in legislation, effective April 1, 2008 the Lockwood Regional Landfill is now required to perform daily cover activities on both the MSW and C&D disposal cells. Since we have now been performing these activities for approximately 60 days, we have been able to determine the increased cost of operations to the Lockwood Landfill to be \$1.20 per ton.

Pursuant to Section IV(d) of the Agreement between South Tahoe Refuse and Lockwood landfill, we are, by way of this letter, notifying you of the intent of Lockwood Regional Landfill to increase your disposal rates to cover the increased cost of operation. This rate increase will be implemented by no later than September 1, 2008.

We have evaluated this change in legislation, and are requesting the same increase of \$1.20 per ton for every contract that has such "pass-through" provisions.

Again, we thank your for your business. If you have questions, please feel free to call either Bill Carr at (775) 342-2329 extension 200, or me at (775) 326-2318.

Sincerely,

Mark Severtson
Market Area Controller

South Tahoe Refuse Diesel Invoices							
Vendor's Name	Invoice Date	Invoice Number	Net Gallons	Total Price	Price Per Gallon	Monthly Average Per Gallon	Annual Average Per Gallon
Hunt and Sons, Inc.	7/5/2005	342402	7,442	\$18,988.71	2.55		
Hunt and Sons, Inc.	7/15/2005	343056	7,429	\$18,185.48	2.45		
Hunt and Sons, Inc.	7/25/2005	343548	5,653	\$14,509.16	2.57		
			20,524	\$51,683.35	2.52	2.52	
Hunt and Sons, Inc.	8/4/2005	344205	7,500	\$22,076.62	2.94		
Hunt and Sons, Inc.	8/11/2005	118436	113	\$434.32	3.84		
Hunt and Sons, Inc.	8/17/2005	345018	7,426	\$22,739.00	3.06		
Hunt and Sons, Inc.	8/29/2005	345713	7,426	\$22,498.95	3.03		
			22,465	\$67,748.89	3.02	3.02	
Hunt and Sons, Inc.	9/9/2005	346481	7,240	\$20,297.31	2.80		
Hunt and Sons, Inc.	9/23/2005	347403	7,492	\$22,214.52	2.97		
			14,732	\$42,511.83	2.89	2.89	
Hunt and Sons, Inc.	10/6/2005	348210	7,502	\$23,780.01	3.17		
Hunt and Sons, Inc.	10/19/2005	349041	7,461	\$22,122.62	2.97		
			14,963	\$45,902.63	3.07	3.07	
Hunt and Sons, Inc.	11/2/2005	349887	7,524	\$19,309.76	2.57		
Hunt and Sons, Inc.	11/15/2005	350629	7,474	\$18,456.68	2.47		
Hunt and Sons, Inc.	11/30/2005	351453	6,998	\$15,924.25	2.28		
			21,996	\$53,690.69	2.44	2.44	
Hunt and Sons, Inc.	12/16/2005	352450	7,244	\$17,969.90	2.48		
Hunt and Sons, Inc.	12/30/2005	353039	6,504	\$15,922.76	2.45		
			13,748	\$33,892.66	2.47	2.47	
Hunt and Sons, Inc.	1/13/2006	353746	6,505	\$16,345.76	2.51		
Hunt and Sons, Inc.	1/27/2006	354441	7,526	\$20,284.94	2.70		
			14,031	\$36,630.70	2.61	2.61	
Hunt and Sons, Inc.	2/14/2006	355412	7,206	\$18,572.47	2.58	2.58	
Hunt and Sons, Inc.	3/1/2006	356204	7,211	\$19,206.94	2.66		
Hunt and Sons, Inc.	3/17/2006	357037	7,505	\$19,747.20	2.63		
			14,716	\$38,954.14	2.65	2.65	
Hunt and Sons, Inc.	4/3/2006	357877	7,517	\$21,084.42	2.80		
Hunt and Sons, Inc.	4/20/2006	358756	7,510	\$22,925.95	3.05		
			15,027	\$44,010.37	2.93	2.93	
Hunt and Sons, Inc.	5/4/2006	359580	7,480	\$23,962.75	3.20		
Hunt and Sons, Inc.	5/17/2006	360544	7,483	\$22,682.29	3.03		
Hunt and Sons, Inc.	5/29/2006	361385	7,472	\$23,454.06	3.14		
			22,435	\$70,099.10	3.12	3.12	
Hunt and Sons, Inc.	6/9/2006	362000	7,757	\$24,097.69	3.11		
Hunt and Sons, Inc.	6/21/2006	362742	7,541	\$22,208.02	2.94		
			15,298	\$46,305.71	3.03	3.03	2.78

**South Tahoe Refuse
Diesel Invoices**

Vendor's Name	Invoice Date	Invoice Number	Net Gallons	Total Price	Price Per Gallon	Monthly Average Per Gallon	Annual Average Per Gallon
Hunt and Sons, Inc.	7/5/2006	363587	7,448	\$22,333.94	3.00		
Hunt and Sons, Inc.	7/7/2006	128863	800	\$2,369.73	2.96		
Hunt and Sons, Inc.	7/18/2006	364395	7,751	\$23,160.37	2.99		
Hunt and Sons, Inc.	7/27/2006	365050	7,413	\$22,467.77	3.03		
			23,412	\$70,331.81	3.00	3.00	
Hunt and Sons, Inc.	8/8/2006	365616	7,440	\$24,956.96	3.35		
Hunt and Sons, Inc.	8/21/2006	366680	7,546	\$23,848.90	3.16		
Hunt and Sons, Inc.	8/22/2006	366681	993	\$3,143.34	3.17		
			15,979	\$51,949.20	3.25	3.25	
Hunt and Sons, Inc.	9/1/2006	367326	7,446	\$22,891.08	3.07		
Hunt and Sons, Inc.	9/13/2006	367803	7,451	\$19,855.64	2.66		
Hunt and Sons, Inc.	9/25/2006	368749	7,598	\$19,510.44	2.57		
			22,495	\$62,257.16	2.77	2.77	
Hunt and Sons, Inc.	10/6/2006	369381	7,461	\$18,756.79	2.51		
Hunt and Sons, Inc.	10/19/2006	370234	7,472	\$18,381.88	2.46		
			14,933	\$37,138.67	2.49	2.49	
Hunt and Sons, Inc.	11/1/2006	371078	7,487	\$19,225.49	2.57		
Hunt and Sons, Inc.	11/14/2006	371801	7,461	\$19,239.14	2.58		
Hunt and Sons, Inc.	11/28/2006	372663	7,600	\$20,006.91	2.63		
			22,548	\$58,471.54	2.59	2.59	
Hunt and Sons, Inc.	12/14/2006	373574	7,517	\$20,598.45	2.74	2.74	
Hunt and Sons, Inc.	1/2/2007	374621	7,516	\$21,162.60	2.82		
Hunt and Sons, Inc.	1/17/2007	375320	7,541	\$19,607.89	2.60		
Hunt and Sons, Inc.	1/31/2007	376184	7,518	\$21,816.28	2.90		
			22,575	\$62,586.77	2.77	2.77	
Hunt and Sons, Inc.	2/20/2007	377247	7,524	\$21,185.11	2.82	2.82	
Hunt and Sons, Inc.	3/7/2007	378114	7,484	\$20,749.96	2.77		
Hunt and Sons, Inc.	3/22/2007	378941	7,505	\$20,484.70	2.73		
			14,989	\$41,234.66	2.75	2.75	
Hunt and Sons, Inc.	4/6/2007	379933	7,183	\$20,689.62	2.88		
Hunt and Sons, Inc.	4/20/2007	380795	7,208	\$20,450.94	2.84		
			14,391	\$41,140.56	2.86	2.86	
Hunt and Sons, Inc.	5/7/2007	381648	7,478	\$21,055.63	2.82		
Hunt and Sons, Inc.	5/21/2007	137471	2,800	\$8,189.19	2.92		
Hunt and Sons, Inc.	5/24/2007	382943	7,471	\$21,599.43	2.89		
			17,749	\$50,844.25	2.86	2.86	
Hunt and Sons, Inc.	6/4/2007	383519	7,466	\$21,665.42	2.90		
Hunt and Sons, Inc.	6/14/2007	384100	7,497	\$22,320.82	2.98		
Hunt and Sons, Inc.	6/25/2007	138248	3,180	\$9,676.71	3.04		
			18,143	\$53,662.95	2.96	2.96	2.82

**South Tahoe Refuse
Diesel Invoices**

Vendor's Name	Invoice Date	Invoice Number	Net Gallons	Total Price	Price Per Gallon	Monthly Average Per Gallon	Annual Average Per Gallon
Hunt and Sons, Inc.	7/2/2007	385312	7,546	\$22,547.97	2.99		
Hunt and Sons, Inc.	7/12/2007	385865	7,434	\$23,174.61	3.12		
Hunt and Sons, Inc.	7/23/2007	386707	7,529	\$23,632.94	3.14		
			22,509	\$69,355.52	3.08	3.08	
Hunt and Sons, Inc.	8/2/2007	387504	7,523	\$22,641.39	3.01		
Hunt and Sons, Inc.	8/13/2007	388375	7,459	\$21,404.00	2.87		
Hunt and Sons, Inc.	8/23/2007	389277	7,432	\$21,086.31	2.84		
			22,414	\$65,131.70	2.91	2.91	
Hunt and Sons, Inc	9/9/2007	389884	7,478	\$21,619.66	2.89		
Hunt and Sons, Inc	9/17/2007	140146	7,483	\$22,440.40	3.00		
Hunt and Sons, Inc	9/27/2007	391751	7,446	\$22,291.31	2.99		
			22,407	\$66,351.37	2.96	2.96	
Hunt and Sons, Inc	10/10/2007	392771	7,567	\$24,649.07	3.26		
Hunt and Sons, Inc	10/22/2007	393518	5,978	\$20,375.98	3.41		
			13,545	\$45,025.05	3.32	3.32	
Hunt and Sons, Inc	11/1/2007	394285	7,474	\$26,198.44	3.51		
Hunt and Sons, Inc	11/16/2007	396159	7,574	\$26,059.23	3.44		
Hunt and Sons, Inc	11/28/2007	142165	4,200	\$14,634.17	3.48		
			19,248	\$66,891.84	3.48	3.48	
Hunt and Sons, Inc	12/10/2007	397034	7,845	\$25,554.42	3.26		
Hunt and Sons, Inc	12/11/2007	142548	511	\$2,069.78	4.05		
Hunt and Sons, Inc	12/31/2007	398079	7,528	\$25,901.00	3.44		
			15,884	\$53,525.20	3.37	3.37	
Hunt and Sons, Inc	1/15/2008	399018	7,521	\$24,013.03	3.19		
			7,521	\$24,013.03	3.19	3.19	
Hunt and Sons, Inc	2/1/2008	400349	7,562	\$25,447.59	3.37		
Hunt and Sons, Inc	2/18/2008	401362	7,519	\$26,680.22	3.55		
			15,081	\$52,127.81	3.46	3.46	
Hunt and Sons, Inc	3/5/2008	402392	7,493	\$28,202.72	3.76		
Hunt and Sons, Inc	3/20/2008	403393	7,505	\$30,188.66	4.02		
			14,998	\$58,391.38	3.89	3.89	
Hunt and Sons, Inc	4/4/2008	404495	7,503	\$29,776.40	3.97		
Hunt and Sons, Inc	4/21/2008	405737	7,511	\$32,074.21	4.27		
			15,014	\$61,850.61	4.12	4.12	3.38