

SOLID WASTE SERVICES AGREEMENT

Between

EL DORADO COUNTY,

And

SOUTH TAHOE REFUSE, INC.

April 10, 2007

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This Solid Waste Services Agreement ("Agreement") is entered into effective April 10, 2007, between El Dorado County ("County"), and South Tahoe Refuse, Inc. for the collection, transportation, Processing and disposal of Solid Waste and Recyclable Materials.

RECITALS

WHEREAS, the Legislature of the State of California, by enactment of the California Integrated Waste Management Act of 1989 ("AB 939"), has declared that it is within the public interest to authorize and require local agencies to make adequate provisions for Solid Waste handling within their jurisdictions; and

WHEREAS, pursuant to California Public Resources Code Section 40059(a)(1), the Board of Supervisors has determined that the public health, safety and well-being require an exclusive franchise be awarded to a qualified Solid Waste enterprise for the collection and recovery of Solid Waste from certain residential, industrial and commercial areas in El Dorado County (the "County"); and

WHEREAS, County and Contractor are mindful of the provisions of the laws governing the safe collection, transport, recycling and disposal of solid waste, including AB 939, the Resource Conservation and Recovery Act ("RCRA"), and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"); and

WHEREAS, County has not and, by this Agreement does not, instruct Contractor on its collection methods, nor supervise the collection of Solid Waste; and

WHEREAS, Contractor has represented and warranted to County that it has the experience, responsibility and qualifications to arrange with residents, commercial, industrial, institutional and other entities in the Franchise Area for the collection and safe transport to disposal facilities of municipal Solid Wastes, and the Recycling of Recyclable Materials, the Board of Supervisors determines and finds that the public interest, health, safety and well-being would be best served if Contractor were to make arrangements with residents and other entities to perform these services; and

WHEREAS, the Contractor and the County are currently parties to two separate agreements governing: i) the collection of solid waste and recyclable materials, ii) the processing of solid waste and recyclable materials and the parties desire to now merge these two separate contracts into one agreement and to supersede and replace the existing agreements with this Agreement, upon the terms set forth herein; and

WHEREAS, Contractor wishes to finance and construct a Resource Recovery Facility in Contractor's existing corporation yard, which will enhance Contractor's ability to divert organic materials from having to be landfilled and is expected to substantially increase the County's overall diversion of Solid Waste from landfilling within the South Tahoe basin; and

WHEREAS, Contractor requires an extended and revised franchise agreement to finance construction of the new Resource Recovery Facility, and County is willing to grant Contractor

such an extension in view of Contractor's prior satisfactory service in the South Tahoe Basin and to enable the County to reach its State mandated recycling goals; and

WHEREAS, the Board of Supervisors declares its intention of maintaining reasonable rates for collection and transportation of Solid Waste within the area covered by this grant of franchise.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

SECTION 1 - DEFINITIONS

Whenever any term used in this Franchise Agreement has been defined by the El Dorado County Ordinance Code ("Ordinance Code") or Division 30, Part 1, Chapter 2 of the California Public Resources Code, the definitions in the Ordinance Code or Public Resources Code shall¹ apply unless the term is otherwise defined in this Agreement.

A. AB 939. "AB 939" shall mean the California Integrated Waste Management Act of 1989, as it may be amended from time to time.

B. Affiliate. "Affiliate" means the Contractor, its officers, directors, shareholders, employees and any corporation, partnership, joint venture or other entity directly or indirectly controlling the Contractor, or directly or indirectly owned or controlled by the Contractor or its principals.

C. Bulky Waste. "Bulky Waste" means large items of solid waste, such as appliances, furniture, large auto parts, branches, and other oversize wastes.

D. CIWMB. "CIWMB" means the California Integrated Waste Management Board.

E. Commercial Solid Waste. "Commercial Solid Waste" includes all types of solid wastes generated by commercial, industrial, governmental and other non-residential sources within the Franchise Area. The term "Commercial Solid Waste" does not include hazardous wastes, medical wastes and special wastes.

F. Commencement Date. "Commencement Date" means _____, or such later date when this Agreement is approved by the Board of Supervisors.

G. Compostable Materials. "Compostable Materials" means: plant material (leaves, grass clippings, branches, brush, flowers, roots, pine needles and pine cones, wood waste, etc.); debris commonly thrown away in the course of maintaining yards and gardens; and biodegradable waste otherwise approved for the yard waste program by Contractor and the County. It may also

¹To the extent that definitions contained in the County Code conflict with definitions in the Public Resources Code, the former shall control and govern the rights and obligations of the parties hereunder, provided, however, that should the Public Resource Code's definitions be made obligatory by the state legislature on the County, then the conflicting Public Resource Code's definitions shall apply.

include pre-or post consumer food waste, if Contractor begins a food waste collection program within the County.

H. Construction and Demolition Debris. "Construction and Demolition Debris" means solid wastes consisting of building materials; and packaging and rubble resulting from construction, remodeling, repair and demolition operations on pavements, houses, commercial buildings, and other structures. Construction refers to SIC Codes 152 through 1794, 1796, and 1799. Demolition refers to SIC Code 1795. (Reference: Title 14 CCR Section 18720(a)(14).) The term "Construction and Demolition Debris" also includes Recyclables generated by construction and demolition activities.

I. County. "County" means El Dorado County.

J. Electronic Waste. "E-waste" or "electronic waste" means discarded electronic equipment such as stereos, radios, speakers, televisions, computers, monitors, VCRs, printers, copiers, facsimile machines, DVDs, microwaves, telephones and similar items (including cathode ray tubes and other universal waste which may require special handling).

K. Franchise Area. "Franchise Area" shall mean the boundaries of the Franchise Area, together with all amendments and changes thereto resulting from binding amendments to this Agreement. The current boundaries of the franchise area are shown by maps incorporated herein by reference, and which are on file in the office of the Clerk of the Board of Supervisors.

L. Franchise Fee. "Franchise Fee" means the fee or assessment imposed by the County on Contractor solely because of its status as party to this Agreement, and which inter alia, is intended to compensate County for its expenses in administering this Agreement, and to fund other waste management activities.

M. Contractor. "Contractor" shall mean South Tahoe Refuse, Inc. and its current ownership. Contractor shall also mean any County-approved assignee, transferee or successor in interest of Contractor.

N. Gross Revenues. "Gross Revenues" means any and all revenue or compensation in any form derived directly or indirectly by Contractor, its affiliates, subsidiaries, parents or any other entity in which Contractor has a financial interest in collecting, transporting, arranging, handling and/or disposing of franchised Solid Wastes generated in the Franchise Area, but excluding revenue from the sale of Recyclable Materials.

O. [Intentionally Left Blank]

P. Hazardous Waste or Materials. "Hazardous Waste or Materials" means any and all of the following:

(a) Wastes, materials or substances defined or characterized as hazardous waste by the Federal Solid Waste Disposal Act, as amended, including the Resource

Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.) as amended from time to time, or regulations promulgated thereunder;

(b) Waste, materials or substances defined or characterized from time to time as hazardous waste by the principal agencies of the State of California (including, without limitation, the Department of Health Services, the Department of Toxic Substances Control, the California Water Resources Control Board, and the California Integrated Waste Management Board) having jurisdiction over hazardous waste generated by facilities within the State, and pursuant to any other applicable governmental regulations;

(c) Wastes, materials or substances, the storage, treatment, transportation or disposal of which is subject to regulation under the Toxic Substances Control Act, 15 U.S.C. §2601-2654, as amended from time to time, or regulations promulgated thereunder;

(d) Radioactive wastes, materials, substances or items, the storage, treatment, transportation or disposal of which is subject to governmental regulations.

The term "Hazardous Waste" will be construed to have the broader, more encompassing definition where a conflict exists in the definitions employed by two or more governmental entities having concurrent or overlapping jurisdiction over hazardous waste.

Q. Industrial Solid Waste. "Industrial Solid Waste" means all Solid Waste and semi-solid waste which results from industrial processes and manufacturing operations, except for Hazardous Wastes or Special Wastes.

R. Materials Recovery Facility. "Materials Recovery Facility" or "MRF" means the facility owned and operated by Contractor and located at Contractor's Transfer Station at: 2140 Ruth Avenue, South Lake Tahoe, California. At the Materials Recovery Facility various types of Recyclable Materials are separated from Solid Waste and from other Recyclable Materials, for the purpose of recovering and Recycling those materials.

S. Materials Recovery Services. "Materials Recovery Services" means the Processing of Solid Waste and Recyclable Materials at permitted materials recovery facilities, and the subsequent recovery, reuse, recycling, or other diversion of such materials from landfilling in such a manner that the County receives diversion credit for such materials and activities by the CIWMB.

T. Medical Waste. "Medical Waste" or "Infectious Waste" means waste which may cause disease or reasonably be suspected of harboring pathogenic organisms, including source-separated Medical or Infectious Waste resulting from medical clinics, dental offices, research laboratories, pharmaceutical industries, blood banks, mortuaries, veterinary facilities, hospitals, and similar facilities processing wastes which may include human or animal parts, contaminated bandages, pathological specimens, hypodermic needles, sharps, contaminated clothing and surgical gloves. (Reference: 17 CCR Section 314(d); Health and Safety Code Sections 118215 and 25015 et seq., especially 25117.5).

U. Multi-Family Units. "Multi-Family Units" shall mean a dwelling which includes three or more individual living units and which receives communal refuse and/or recycling services.

V. Operating Year. "Operating Year" means the twelve-month period from July 1st to June 30th, or any portion thereof, during the Term of this Agreement. Contractor's rates for services shall be adjusted annually for each new Operating Year as described in Section 22 of this Agreement.

W. Permanent Household Hazardous Waste Collection Facility. "Permanent Household Hazardous Waste Collection Facility" or "PHHWCF" means the permanent household hazardous waste collection facility constructed by Contractor and previously operated by Contractor or its subcontractor at the Material Recovery Facility.

X. Prior Agreements. "Prior Agreements" means: (a) the Agreement between South Tahoe Refuse, Inc. and the County dated January 24, 1995; and (b) the Materials Recovery Facility Construction and Operation Agreement between the South Lake Tahoe Basin Waste Management Authority and South Tahoe Refuse, Inc. dated March __, 1995; and all subsequent modifications or amendments to any such agreements.

Y. Processing. "Processing" or to "Process" means the separation, sorting, handling, and/or baling of Solid Waste and/or Recyclable Materials by automated or manual means at a Materials Recovery Facility, for the purpose of Recycling a portion of these materials. Material that is received at a Materials Recovery Facility and is directly loaded into a transfer van or other vehicle for delivery to a landfill for disposal without Recyclable Materials being sorted, separated, handled, and/or baled there from has not been "Processed" within the meaning of this definition.

Z. Recovered Materials. "Recovered Materials" means all Recyclable Materials that are removed for Recycling by Contractor from the total tonnage of all Solid Waste collected by Contractor in the Franchise Area, whether these materials are source separated or commingled upon collection, and Recyclable Materials recovered from Solid Waste generated within the Franchise Area as a result of Contractor's Material Recovery Services. Recovered Materials shall also include Recyclable Materials received by Contractor at any buy-back center, or by means of any other Recycling program operated by Contractor. All such Recyclable Materials must be Recycled by Contractor to be considered "Recovered Materials."

AA. Recyclables or Recyclable Material. "Recyclables" or "Recyclable Material" means materials which are reused, recovered, or Processed (or are in the future reused or processed) into a form suitable for reuse through reprocessing or remanufacture, and/or which qualify as diversion from landfilling consistent with the requirements of the California Integrated Waste Management Act and regulations thereunder. The terms "Recyclables" or "Recyclable Material" also include materials which are transformed to produce fuel, Compostable Materials, Recyclable Construction and Demolition Debris, alternative daily cover, materials processed for land application or as feed for livestock, provided all such uses and applications qualify as diversion consistent with the requirements of the California Integrated Waste Management Act and regulations thereunder, and any other uses or applications that qualify as diversion consistent with the requirements of the

California Integrated Waste Management Act and regulations thereunder. The terms "Recyclables" or "Recyclable Material" include but are not limited to paper, newsprint, printed matter, pasteboard, paper containers, cardboard, glass, aluminum, PET, HDPE, and other plastics, beverage containers, Compostable Materials, brick and stone, and such other materials designated by the County, or designated as recyclables by the California Integrated Waste Management Board, or any other agency with jurisdiction.

BB. Recycling. "Recycling," "Recycle" and "Recycled" refer to the recovery, reuse, transformation, recycling, or other diversion of Recyclable Materials from landfilling in such a manner that the County receives diversion credit for such materials and activities by the CIWMB.

CC. Residential Solid Waste. "Residential Solid Waste" means all types of Solid Waste that originates from Single-Family Units.

DD. Resource Recovery Facility. "Resource Recovery Facility" means construction of Phase I of the Resource Recovery Project. Phase I is more fully described and defined in Exhibit D.

EE. Single-Family Unit. "Single-Family Unit" means a dwelling which receives individual refuse collection service, but includes duplexes.

FF. Solid Waste. "Solid Waste" means all putrescible and non-putrescible solid, semi-solid, and liquid wastes, including residential, industrial, commercial and municipal garbage, trash, refuse, paper, rubbish, ashes, industrial wastes, compostable materials, Construction and Demolition Debris, discarded home and industrial appliances, manure, vegetable or animal solid and semi-solid wastes, and other discarded solid and semi-solid wastes; but excludes Hazardous Wastes, Special Wastes and Medical Wastes.

GG. Special Wastes. "Special waste" means any hazardous waste listed in section 66740 of title 17 of the California Code of Regulations, or any waste which has been classified as a special waste pursuant to section 66744 of title 22 of the California Code of Regulations, or which has been granted a variance for the purpose of storage, transportation, treatment, or disposal by the Department of Health Services pursuant to section 66310 of title 22 of the California Code of Regulations. Special waste also includes any solid waste that, because of its source of generation, physical, chemical or biological characteristics or unique disposal practices, is specifically conditioned in a solid waste facilities permit for handling and/or disposal. (Reference: Title 14 CCR Section 18720(a)(73).)

HH. Transform. "Transform" means incineration, pyrolysis, distillation, gasification, or biological conversion. Transformation does not include composting.

II. Wastestream. "Wastestream" means all Solid Waste and Recyclable Materials collected by Contractor pursuant to this Agreement or delivered by any Person to the Materials Recovery Facility.

SECTION 2 - PRIOR AGREEMENTS

The Prior Agreements shall remain in effect, and Contractor shall continue to collect, transfer, Process, Recycle and dispose of Solid Waste in the Franchise Area pursuant to the Prior Agreements, until the Commencement Date. Notwithstanding any other provision of this Agreement or of the Prior Agreements, upon the Commencement Date, the Prior Agreements shall expire and be of no further force or effect, except that: (a) any provisions of the Prior Agreements which provide for either party to defend and/or indemnify the other party for acts, omissions or occurrences prior to the Commencement Date, or which provide for insurance or record-keeping duties, shall survive termination; (b) any provisions of the Prior Agreements which expressly state that they shall survive expiration of the term or termination of the Prior Agreements shall survive; and (c) any amounts owed by Contractor to County pursuant to the Prior Agreements shall remain due and payable in accordance with the terms of the Prior Agreements. Notwithstanding the foregoing, the Prior Agreements shall not be terminated by this Section if this Agreement is terminated as a result of litigation challenging the award of this Agreement.

SECTION 3 - GRANT AND ACCEPTANCE OF EXCLUSIVE RESIDENTIAL AND COMMERCIAL FRANCHISE

A. Grant of Franchise. County grants to Contractor, for the term of and in accordance with this Agreement (including all extensions or renewals), the exclusive privilege and contractual duty to make and enter into independent arrangements with residents of Single Family Units, residents and/or owners of Multi-Family Units and persons in charge of commercial, industrial, institutional and other entities in the Franchise Area for the collection, transportation and removal to Solid Waste Processing and/or disposal facilities, of all Residential, Industrial and Commercial Solid Waste (including Recyclables and Recyclable Material), which has been generated within the Franchise Area covered by this Agreement and placed for collection. This grant of franchise is subject to all limitations imposed by applicable laws and regulations, and is subject to all limitations set forth in this Agreement. Notwithstanding the foregoing, Contractor shall not have an exclusive franchise to collect Construction and Demolition Debris. Contractor's collection of Construction and Demolition Debris on a non-exclusive basis is not subject to the terms and conditions of this Agreement.

B. Acceptance of Franchise. Contractor agrees to be bound by and comply with all the requirements of this Agreement. Contractor waives any right or claim to serve any part of the Franchise Area under any prior grant of franchise, contract, license or permit issued or granted by any governmental entity.

C. Exceptions to Exclusivity. The exclusive franchise granted by this Agreement shall not apply where:

(1) A person including employees (excluding a person who hires a third party for a fee) handles, hauls, or transports Solid Waste or Recyclables generated by or from his/her own residence or business operation for purposes of disposing of same at an authorized Processing or disposal facility or transfer station, not withstanding anything

herein to the contrary, this provision shall not in any way modify any mandatory solid waste ordinance or requirements; or

(2) A person or entity contracts for landscaping, gardening or similar work and where the contractor engaged therefore removes and recycles or otherwise disposes of garden and other compostable materials resulting therefrom, provided that such removal and recycling or disposal is incidental to the landscaping or gardening work performed by the contractor performing those services and not as a hauler or Recycler; or

(3) A person or entity has been given an exemption by the County from any mandatory collection ordinance that County may adopt in the future

(4) A person (excluding a person who hires a third party for a fee) handles, hauls, transports, Recycles and/or disposes of Construction and Demolition Debris, which includes Recyclables generated by construction and demolition activities to an authorized and permitted material recovery facility and/or resource recovery facility.

D. Sale or Donation of Recyclables. This Agreement is not intended to and does not affect or limit the right of any person to sell any Recyclable Material to any person lawfully engaged in business in the Franchise Area or to donate Recyclable Material to any bona fide charity, provided that all such Recyclable Material is substantially separated from non-Recyclable Solid Waste by the generator. Recyclables shall not be considered to have been sold or donated where the generator of such materials incurs a net expense in connection with the removal of those materials from the generator's premises.

E. Franchise Area. The Franchise Area covered by this Agreement shall be all areas, including, but not limited to, residential, commercial and industrial areas within the boundaries of the County as they exist on the effective date of this Agreement, as identified in Exhibit "A," (Franchise Area), to this Agreement, and as they may hereafter be changed by reason of annexation or de-annexation.

F. Rights Reserved as to Hazardous Wastes, Medical Wastes and Special Wastes. The County reserves the right to contract with other parties to have Hazardous, Medical and Special Wastes collected, transported, disposed of, Processed and/or diverted.

G. Enforcement of Exclusivity of Franchise. The County, may in its sole discretion, enforce the exclusivity provisions of this franchise against third party violators, taking into account the cost of doing so and other factors. Contractor may independently enforce the exclusivity provision of this Agreement against third party violators, including but not limited to seeking injunctive relief, and the County shall use good faith efforts to cooperate in such enforcement actions brought by Contractor. The County shall not be liable to Contractor in any manner, including for any costs or damages such as lost revenues or lost profits, should any person or entity refuse to use Contractor's Solid Waste collection services and/or performs collection services in competition with Contractor, and in doing so violates the exclusive grant of franchise given to Contractor in this Agreement. In such event, Contractor's sole and exclusive remedy shall be to seek an injunction, damages or other available judicial relief against any such third person or entity

that engages in any conduct or activity which violates Contractor's exclusive franchise rights under this Agreement.

SECTION 4 - FRANCHISE FEE

Contractor shall pay to County a Franchise Fee set by the Board of Supervisors by Resolution, which shall be a percentage of the Gross Revenues derived by Contractor from operations pursuant to this Agreement. The Franchise Fee is initially set at five percent (5%) of Contractor's Gross Revenues, and from time to time may be adjusted by Resolution of the Board of Supervisors. The Franchise Fee shall be due and payable quarterly within forty-five (45) days following the end of each quarter for Gross Revenues received during that quarter. If payment is not received within said forty-five (45) day period, interest shall accrue thereon at the rate of fifteen percent (15%) per annum or at the maximum interest rate permitted under California law, whichever is greater. County shall give Contractor a minimum of ninety (90) days' notice of any changes in the Franchise Fee. Any increase in the Franchise Fee shall result in a corresponding rate adjustment to Contractor's rates and/or be passed through to Contractor's customers.

Contractor shall also collect from its customers and pay to the County any surcharge set by the County to fund County solid waste management activities, AB 939 implementation programs and landfill remediation costs. This surcharge shall be treated for rate setting purposes as a Pass Through Cost in the same manner as the franchise fee. Any change in such surcharge shall be reflected in a corresponding adjustment to Contractor's rates.

SECTION 5 - COMPLIANCE WITH LAWS AND REGULATIONS

Contractor warrants that it will comply with all applicable federal and state laws legally binding on Contractor in effect during the term of this Agreement, including implementing regulations, as they may, from time to time, be amended, specifically including, but not limited to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. 9601, et seq., the California Integrated Waste Management Act of 1989 ("AB 939"), and all other applicable laws of the State of California. Moreover, Contractor shall comply with all local laws and regulations applicable to Contractor to the extent they are not inconsistent with the terms of this Agreement. Contractor shall comply with all final and binding judgments entered against Contractor regarding its services performed under this Agreement.

SECTION 6 - SOLID WASTE AND RECYCLABLE COLLECTION SERVICES PROVIDED BY CONTRACTOR

A. County to Approve All Services. The nature of the services Contractor offers and provides to customers residing or doing business in the Franchise Area shall be determined by the Board of Supervisors. The Board of Supervisors may require the Contractor to change the level of such services from time to time on reasonable notice to Contractor, provided that the Board of Supervisors shall adjust Contractor's rates to reflect Contractor's documented increased and reasonable costs caused by the change in service levels. The services that Contractor offers and provides to its customers affected by this Agreement shall be subject to the prior approval of the

Board of Supervisors or its designee. Nothing in this Agreement, however, shall be construed or interpreted as authorizing County to reduce or adversely affect Contractor's exclusive franchise rights as specified in Section 3 of this Agreement.

B. Service on County and Non-County Roads. The Contractor shall be required to provide garbage service to all customers on County-maintained roads. Contractor shall further provide service on all non-County maintained private roads, provided that said roads are kept in a safe and good traveling condition. Contractor may provide smaller collection trucks to provide collection services on non-County maintained roads in instances where such roads are not reasonably usable by Contractor's regular collection vehicles Contractor shall not provide collection services to Group Areas, not governed by mandatory collection provisions In the event any road is, in Contractor's reasonable judgment, unsafe or in such a state of disrepair that the road will be either hazardous or potentially cause injury to even the smaller sized vehicles of Contractor, Contractor shall not be required to provide service to customers on said road. In such event, this Franchise shall not include the customers located on the road or portion of the road that Contractor refuses to service, and the County may in its sole discretion franchise the provision of Solid Waste collection services to those customers to a person or entity other than Contractor. In addition, Contractor may request that customers on non-County maintained roads sign a waiver and indemnification agreement prior to receiving service from Contractor, and Contractor may refuse to provide service to any such customers that fail to sign such waiver and indemnification, but Contractor shall provide service to those customers that do sign such a waiver and indemnification. The form of this indemnification and waiver shall be subject to the advance written approval of the County, which shall not be unreasonably withheld.

C. Initial Service Levels; Expanded Services. The services that the Contractor shall provide to its customers under this Agreement upon the Commencement Date are set forth in Exhibit B.

D. Once-A-Week Service. In order to protect the public health and safety, arrangements made by Contractor with its customers in the Franchise Area for the collection of Solid Waste not defined in the Agreement as Recyclable Material, shall provide for the collection of such waste generated or accumulated in residential, commercial, and industrial premises within the Franchise Area at least once per week, or more frequently, as Contractor and its customers may agree.

(1) Single-Family Units. Except as otherwise set forth in Exhibit B, the Contractor shall collect from Single-Family Units Solid Waste (except Bulky Wastes and Special Wastes) which have been properly placed, kept or accumulated in authorized Solid Waste containers, at curbside or other authorized collection station(s) prior to Contractor's normal weekly collection time. Any excess refuse that does not fit within closed lid of the authorized Solid Waste container shall be deemed excess material and may be subject to the excess charges as described and limited by Exhibit C.

(2) Multi-Family Units. Contractor shall empty all multi-family authorized Solid Waste containers not less than once per week, and more frequently if required to

handle the Multi-Family Unit wastestream of the premises where the containers are located, in a manner consistent with public health and safety.

E. Hours of Collection. Contractor agrees that, in order to protect the peace and quiet of residents, its arrangements for the collection of solid waste will provide that collections for residential and commercial areas shall not start before 4:00 A.M., or continue after 7:00 P.M., seven (7) days per week. Contractor agrees to reasonably adjust the hours of commencement of collection operations in selected areas at the request of County where early collection activities have generated numerous complaints from nearby residents.

F. Collection on Holidays. Contractor has informed County that Contractor's arrangements with its Solid Waste customers will provide that if the day of collection on any given route falls on a legal holiday, i.e., New Year's Day, Christmas Day, July 4th, Labor Day, Memorial Day, or Thanksgiving Day ("Authorized Collection Holidays"), Contractor may provide collection service for such route on the work day next following such holiday or moved back one day at the discretion of Contractor.

G. Medical, Hazardous and Special Wastes. Contractor shall have the non-exclusive right under this franchise, but is not obligated to, collect, transport and dispose of material defined as Hazardous Waste or Special Waste herein. Contractor shall negotiate separate contracts and rates for Hazardous and Special Waste collection with each individual customer, which rates shall not require advance County approval, but may be reviewed by the County in its discretion at the request of any customer. Contractor shall not engage in the collection of Medical Waste; however, Contractor's principals may form a separate and independent company to engage in the collection and disposal of Medical Waste. County reserves the right to franchise other parties to perform Hazardous, Medical and Special Waste handling services.

H. County Approval of Contractor's Recycling Programs. Before initiating new Recycling programs or activities ("programs") within the Franchise Area, Contractor shall seek and obtain the express approval of County before implementing such Recycling programs. In seeking County's approval for such new programs, Contractor shall provide the County with a detailed description of the proposed program, as well as a projection of costs and revenues associated with the program, and the anticipated level of diversion to be achieved by such program. In determining whether to approve any such proposed program, County may, in its sole discretion, choose to completely or partially subsidize the program.

I. Bulky Waste Pick-Up. Contractor shall provide Bulky Waste pick-up for all customers within the Franchise Area, as described in Exhibit B, on an "on-call" basis, by appointment set between the customer and Contractor. Bulky items need not be placed in special containers for collection. Contractor shall pick up all bulky items left for collection at curbside by the customer for an additional per item charge subject to size and weight limitations. Contractor shall have no duty or responsibility to collect any Hazardous Waste except as otherwise required in this Agreement.

J. Pick-up of Illegally Disposed Waste. Contractor shall, at the written request of the County, pick up, dispose of or Recycle, as appropriate, illegally disposed waste within the

Franchise Area. Contractor may schedule such pick ups concurrent with Contractor's bulky waste pick ups, but no less often than once per week when requested by County. This section is not intended to replace the Clean Tahoe Program. If the County desires to replace its current litter abatement crews with Contractor-provided labor, then the County and Contractor shall negotiate mutually agreeable pricing terms for such services and shall adjust the rates set forth in this Agreement accordingly.

**SECTION 7 - MATERIALS RECOVERY SERVICES TO BE PROVIDED
BY CONTRACTOR**

A. General Responsibilities and Compensation. Contractor shall provide all Processing, Recycling and Materials Recovery Services described in this Agreement. Contractor's compensation for these services for Solid Waste and Recyclable Materials brought to the Materials Recovery Facility in Contractor's collection vehicles shall be included in Contractor's collection rates approved by the County. Contractor's compensation for these services for Solid Waste and Recyclable Materials brought to the Materials Recovery Facility by members of the public or other private third parties in their own vehicles shall be as set forth in the "Gate Rates" for the Materials Recovery Facility and/or Resource Recovery Facility. The initial Gate Rates for such public or private third party loads are set forth in Exhibit B attached hereto. These Gate Rates shall be subject to annual adjustment in accordance with Section 22 and otherwise under this Agreement.

B. Materials Recovery Facility. Contractor shall at its sole cost and expense, provide all management, supervision, personnel, materials, equipment, utilities, services and supplies necessary to operate, maintain and repair the Materials Recovery Facility in a manner consistent with good engineering, operational and maintenance practices and with industry standards, in order to receive, transfer and/or Process Solid Waste brought to the Materials Recovery Facility by Contractor, the public and others, and to divert from landfilling and to Recycle Recyclable Materials contained in such Solid Waste, to the extent practicable and in accordance with its reasonable business judgment. The services and functions to be performed at the Materials Recovery Facility are more fully described in the Operations Plan which is set forth in Exhibit E, which is attached hereto. Contractor's failure to comply with the plan for the facility set forth in Exhibit E shall constitute a material breach of this Agreement. Contractor shall receive Solid Waste from the public at the Transfer Station/Materials Recovery Facility during the following days and hours: Monday through Saturday, 8 a.m. to 5 p.m., except for Christmas Day and New Year's Day, which shall be deemed "Authorized MRF Holidays." In addition, subject to the prior approval of the County, Contractor may implement early closure of the South Tahoe Refuse Transfer Station/MRF (i.e., by 1:00 p.m.) on the following days: Christmas Eve, New Year's Eve, Easter Sunday, July 4th, and/or Thanksgiving Day.

Contractor shall install, maintain and operate video monitoring cameras at the MRF, the number and locations of which shall be approved by the County, and shall provide the County, with real time on line access to the video monitoring output.

**SECTION 8 – PERMANENT HOUSEHOLD HAZARDOUS WASTE
COLLECTION FACILITY**

A. Overall Responsibilities. The County shall be the Operator of the PHHWCF under the applicable regulations of the Department of Toxic Substances Control and hereby subcontracts with the Contractor such that the Contractor shall be responsible for the operations and closure and any required post-closure monitoring or maintenance of the PHHWCF on the County's behalf. In performing its duties as the County's subcontractor:

(1) The Contractor shall, at its sole cost and expense, provide management, supervision, personnel, materials, equipment, services and supplies necessary to operate, maintain and repair the PHHWCF, throughout the term of this Agreement, in a manner consistent with good engineering, operational and maintenance practices and procedures, and in compliance with all applicable federal, state and local laws, regulations and ordinances, in order to receive Household Hazardous Waste during the PHHWCF operating hours, and to store and arrange for recycling or disposal of such Hazardous Waste all in accordance with the terms of this Agreement. The operating hours of the PHHWCF shall be Tuesdays 9:00 a.m. to 12 noon and 1:00 p.m. to 4:00 p.m. and Saturdays, 9:00 a.m. to 11:30 a.m.

(2) The Contractor shall provide for the removal and transportation to Licensed Hazardous Waste Recycling Treatment or Disposal Facilities ("TSDFs") of all Hazardous Waste received at the PHHWCF. Wherever possible, Hazardous Waste shall be recycled or, if not possible, treated or incinerated. Any such recycling or material recovery shall count toward the Recycling Guarantee. If recycling, treatment and incineration all are not available alternatives, then, and only then, may Contractor arrange for the landfilling of Hazardous Waste. County hereby agrees that all Hazardous Waste Manifests for such removal, transportation and disposal shall bear the name of County as Generator of the waste, and shall be signed by Contractor as an authorized representative of County. Contractor shall dispose in the aforesaid manner of all Hazardous Waste received at the PHHWCF in accordance with all applicable federal, state, and local laws and regulations. Contractor shall remove such Hazardous Waste in a reasonable and cost-effective manner consistent with the other provisions of this section. Contractor shall determine the TSDFs to be used for recycling, treatment, incineration, or disposal of such Hazardous Wastes, and Contractor shall use such TSDFs for such purposes unless otherwise directed by the County or unless Uncontrollable Circumstances require use of an alternative TSDF. Notwithstanding any of the foregoing, Contractor shall obtain the prior written approval of the County before landfilling any Hazardous Waste.

B. Compliance With Laws. Throughout the duration of this Agreement, Contractor shall operate and maintain the PHHWCF, and shall arrange for the storage of Hazardous Waste at the PHHWCF and the shipment or delivery of Hazardous Waste to Licensed Hazardous Waste Recyclers or Disposal Facilities in compliance with all applicable federal, state and local statutes, laws, regulations and ordinances, as currently in existence or as may be enacted or modified during the Term of this Agreement. The Contractor shall comply with, and pay, any fine, penalty or other charge with respect to the Contractor's failure to adhere to, all requirements of any applicable

environmental laws and regulations or other applicable laws, ordinances, codes, regulations and rules, and any permits issued thereunder, which are necessary for the operation of the PHHWCF, unless such fine, penalty or other charge is imposed by reason of acts or omissions of County or other third parties beyond Contractor's control. In connection with the performance of work under this Contract, the Contractor agrees not to discriminate against any employee or applicant for employment because of sex, race, religion, color, national origin or handicap.

C. Safety of Persons and Property. Throughout the term of this Agreement the Contractor agrees that it will: (a) take all reasonable precautions to prevent damage, injury or loss, by reason of or related to the operation and maintenance of the PHHWCF, to any property on the PHHWCF Site or adjacent thereto, including equipment, structures and utilities; (b) establish and maintain safety procedures for the PHHWCF for the protection of employees of the Contractor and all other Persons, invitees and permittees at the PHHWCF in connection with the operation and maintenance thereof at a level consistent with applicable law and with good industry standards and practices for Hazardous Waste collection facilities; (c) comply with all applicable laws, ordinances, rules, regulations and lawful orders of any governmental agency relating to the safety of persons or property at the PHHWCF or their protection at the PHHWCF from damage, injury or loss; and (d) designate a qualified and responsible member of its organization at the PHHWCF Site whose duties shall include safety and the prevention of fires and accidents at the PHHWCF and the PHHWCF Site and to coordinate such activities as shall be necessary with federal, state, local, and municipal officials.

D. Repair and Maintenance of the PHHWCF and PHHWCF Site. The Contractor shall operate and maintain the PHHWCF and the PHHWCF Site in a good, clean and orderly condition, reasonable wear and tear excepted, including necessary repairs and equipment maintenance. Any capital improvements or major repairs shall be paid for by the County, or if paid by Contractor, shall be reflected in an adjustment to Contractor's rates; provided, however, that Contractor may not seek reimbursement through Contractor's rates for capital improvements or repairs not approved in advance in writing by the County.

E. Personnel. All of the Contractor's personnel assigned to the PHHWCF shall be appropriately trained in accordance with all applicable rules, regulations and law so that the PHHWCF will be operated and maintained in accordance with all applicable federal, state and local laws and regulations.

F. Operating Period; Receiving Time; Legal Holidays.

(a) The Contractor shall keep the PHHWCF open for receiving and shall receive Hazardous Waste from the general public and CESQGs on Tuesdays, from 9:00 a.m. to 12 noon and 1:00 p.m. to 4:00 p.m. and Saturdays, 9:00 a.m. to 11:30 a.m.

(b) The Contractor agrees to receive Hazardous Waste at the PHHWCF at hours other than the Receiving Time, if (i) requested by the County to accommodate unusual quantities of Hazardous Waste resulting from an emergency or from programs of the County or any local governmental entity designed to promote clean-up of an area serviced by the PHHWCF; (ii) the PHHWCF is able, in the reasonable judgment of the Contractor,

to receive such additional quantities of Hazardous Waste without adversely affecting the Contractor's operation or maintenance of the PHHWCF and/or the MRF; and (iii) the County provides the Contractor with reasonably adequate advance notice of such delivery of Hazardous Waste to enable the Contractor to respond to any such request. Written confirmation shall be provided within ten days of such event.

(c) Contractor, with the consent of the County (which shall not be unreasonably withheld) may change the list of Household Hazardous Waste materials that are acceptable for disposal at the PHHWCF. Contractor shall be under no obligation to accept or receive Hazardous Waste that is not identified as acceptable for disposal at the PHHWCF.

G. Gate fees for Conditionally Exempt Small Quantity Generator's Hazardous Waste. A gate fee (approved by County pursuant to the MRF) shall be established and collected for CESQG waste.

H. Closure. Contractor shall conduct the proper closure of the PHHWCF and any required post-closure monitoring or maintenance thereof, in accordance with any and all applicable federal or state laws and regulations now existing or which may hereafter be promulgated. Contractor shall be responsible for providing adequate financial assurances for the closure and post-closure of the PHHWCF and for establishing the existence of such financial assurances to the satisfaction of the County and any applicable regulatory agencies, and shall comply with the provisions of 22 CCR 67450.30 or any successor regulation or amendment thereof.

I. Subcontractor. Contractor may subcontract the operation of the PHHWCF to a third party, with the County's consent, provided that such consent shall not be unreasonably withheld. The parties acknowledge that as of the Commencement Date, Philip Environmental is an approved subcontractor to operate the PHHWCF, and shall be governed by the terms of this Section 8.

SECTION 9 – FACILITIES FOR PROCESSING AND DISPOSAL OF SOLID WASTE

A. Contractor To Provide Fully Permitted Disposal Facility. Contractor shall be responsible for choosing the facility for disposal of Solid Waste under this Agreement; provided, however, that any landfill utilized by the Contractor must be designed and constructed in accordance with applicable state and federal regulations. The landfill must have all required permits from federal, state, regional, county and city agencies necessary for it to operate as a Class II or III Sanitary Landfill and be in full regulatory compliance with all such permits. The Contractor shall provide copies to the County of all notices of violations, that could affect the Contractor's ability to perform under this Agreement, or amendments to permits, including any extensions. The landfill shall not maintain the co-disposal of municipal solid waste and hazardous waste (other than household hazardous waste) in the same lined cell.

Any landfill must be authorized to accept, under its existing permits, and have sufficient uncommitted capacity to accept, all Solid Waste delivered to it from the Franchise Area for the duration of this Agreement. The Contractor shall immediately notify the County of any notice of breach or default received from the landfill. The Contractor shall ensure that the landfill is in full

compliance with all closure and post-closure planning requirements applicable to the landfill, and the landfill has posted with the applicable governmental authorities all required financial assurances for closure and post-closure.

B. Contractor To Provide Fully Permitted Materials Recovery and Transfer Facilities. Any materials recovery or transfer facilities utilized by the Contractor must be designed and constructed in accordance with all applicable laws and regulations. The facilities must have all required permits from federal, state, regional, county and city agencies necessary for them to operate and be in full regulatory compliance with all such permits. The Contractor shall provide copies to the County of all notices of violations respecting any such facility used by Contractor, that could affect the Contractor's ability to perform under this Agreement, or amendments to permits, including any extensions. Any such facility must be authorized to accept, under its existing permits, and have sufficient uncommitted capacity to accept, all Solid Waste delivered to it from the Franchise Area for the duration of this Agreement.

C. Disposal in Compliance with Laws and Regulations. Throughout the term of this Agreement, it shall be the Contractor's sole responsibility and duty to dispose of the Solid Waste collected by virtue of this Agreement, and do so in a safe manner and in compliance with all federal, state, and to the extent not inconsistent with this Agreement, local laws and regulations.

SECTION 10 - CASH BOND AND INSURANCE

A. Cash Bond. In the event Contractor fails to make timely payment of any Franchise Fees owed to County, after ten days written notice from County demanding such payment, County may require Contractor, in addition to paying the late Franchise Fee payment plus default interest thereon, to deposit with County a cash bond, a performance bond or a letter of credit for the benefit of County in the sum of Seventy-Five thousand dollars (\$75,000.00) The County shall deposit the cash deposit in an interest-bearing account. The cash bond, performance bond or letter of credit shall be on terms acceptable to County's counsel. The cash bond, performance bond or letter of credit shall serve as security for the faithful performance by Contractor of all the provisions and obligations of this Agreement. All interest shall be paid to the Contractor.

(1) After thirty (30) days following Contractor's failure to pay the County an amount owing under this Agreement plus interest at the rate of fifteen percent (15%) per annum, or, if less, the maximum interest rate allowed by law, the cash bond or letter of credit may be assessed by the County upon five (5) days' prior written notice to the Contractor for purposes including, but not limited to:

(a) Failure of Contractor to pay the County sums due under the terms of the Agreement;

(b) Reimbursement of costs borne by the County to correct Agreement violations not corrected by Contractor, after due notice; and

(c) Monetary remedies or liquidated damages assessed against Contractor due to breach of Agreement.

(2) The Contractor shall deposit a sum of money sufficient to restore the cash bond or provide a renewed letter of credit to the original amount within thirty (30) days after notice from the County that any amount has been withdrawn from the cash bond or letter of credit.

B. Insurance. The Contractor shall provide proof of a policy of insurance satisfactory to the El Dorado County Risk Manager and documentation evidencing that the Contractor maintains insurance that meets the following requirements:

(1) Full Workers' Compensation and Employers' Liability Insurance covering all employees of the Contractor as required by law in the State of California.

(2) Commercial General Liability Insurance of not less than Five Million Dollars (\$5,000,000) combined single limit per occurrence for bodily injury and property damage, including but not limited to endorsements for the following coverage: Premises, personal injury, operations, products and completed operations, blanket contractual, and independent contractors liability.

(3) Automobile Liability Insurance of not less than Five Million Dollars (\$5,000,000) is required in the event motor vehicles are used by the Contractor in performance of the contract.

(4) Environmental Impairment Insurance in an amount not less than Five Million Dollars (\$5,000,000) per occurrence.

(5) Explosion, Collapse and Underground coverage is required when the scope of work includes XCU exposures.

(6) Contractor shall furnish proof of coverage satisfactory to the El Dorado County Risk Manager as evidence that the insurance required herein is being maintained. The insurance will be issued by an insurance company acceptable to the Risk Manager (which approval shall not be unreasonably withheld), or be provided through partial or total self-insurance likewise acceptable to the Risk Manager.

(7) The County of El Dorado, its officer, officials, employees, and volunteers are included as additional insured, but only insofar as the operations under this agreement are concerned. This provision shall apply to all liability policies except Workers' Compensation and professional liability insurance policies. Proof that the County is named additional insured shall be made by providing the Risk Manager with a certified copy, or other acceptable evidence, of an endorsement to Contractor's insurance policy naming the County additional insured.

(8) In the event Contractor cannot provide an occurrence policy, Contractor shall provide insurance covering claims made as a result of performance of this Contract for not less than three (3) years following completion of performance of this Agreement.

(9) Any deductibles or self-insured retentions must be declared to and approved by the County (which approval shall not be unreasonably withheld).

(10) The insurance required herein shall provide that no cancellation or material change in any policy shall become effective except upon thirty (30) days prior written notice to the County of El Dorado at the office of the Department of Environmental Management, 2850 Fairlane Court, Placerville, CA 95667.

(11) Contractor agrees that the insurance required herein shall be in effect at all times during the term of this agreement. In the event said insurance coverage expires at any time or times during the term of this contract, Contractor agrees to provide at least thirty (30) days prior to said expiration date, a new certificate of insurance evidencing insurance coverage as provided for herein for not less than the remainder of the term of the contract or for a period of not less than one (1) year (for an occurrence policy) or (3) years (for a claims made policy). New certificates of insurance are subject to the approval of the Risk Manager.

(12) Certificate shall meet such additional standards as may be reasonably determined by the contracting County Department either independently or in consultation with the Risk Manager, as essential for protection of the County.

(13) Contractor shall not commence performance of this Agreement unless and until compliance with each and every requirement of the insurance provisions is achieved.

(14) Failure of Contractor to maintain the insurance required herein, or to comply with any of the requirements of the insurance provisions, shall constitute a material breach of the entire Agreement.

(15) Any failure to comply with the reporting provisions of the policies shall not affect coverage provided to the County, its officers, officials, employees or volunteers.

(16) The Contractor's insurance coverage shall be primary insurance as respects to the County, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the County, its officers, officials, employees or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.

(17) The insurance companies shall have no recourse against the County, its officers, agents, employees or any of them for payment of any premiums or assessments under any policy issued by any insurance company.

(18) Contractor's indemnity and other obligations shall not be limited by the insurance required herein and shall survive the expiration of the Agreement.

(19) To the extent that this Section 7, "Contractor's Insurance," is inconsistent with 7-1.12, "Responsibility for Damage," of the State of California, Department of Transportation, Caltrans, Standard Specifications, July 1992, this Article shall govern; otherwise each and every provision of such Section 7-1.12 shall be applicable to this Agreement.

SECTION 11 - TERM

A. **Initial Term.** The Initial Term of this Agreement shall commence effective April 10, 2007 and terminate on December 31, 2028. However, if as of December 31, 2010, Contractor has not completed construction of Phase I of the proposed resource recovery facility described in Exhibit D attached hereto, and commenced the operation of said facility, this Agreement shall terminate on December 31, 2014. The December 31, 2010, date will be extended as necessary for any delays beyond the reasonable control of Contractor despite Contractor's use of reasonable business efforts to avoid or mitigate any such delay. The term "reasonable business efforts" shall mean "those efforts a reasonably prudent business person would expend under the same or similar circumstances in the exercise of such person's business judgment, intending in good faith to take steps calculated to satisfy the obligation that such person has undertaken to satisfy." If the contract term reverts back and will end on December 31, 2014, Contractor is relieved of any obligation or responsibility to construct the proposed resource recovering facility.

B. **Renewal Options.** The County shall have the right, in its sole discretion, to unilaterally extend the term of this Agreement for additional periods of one year each, up to a maximum of two such extensions. If the County elects to so extend this Agreement for either one or both of these optional extension periods, the County shall give the Contractor notice of its election to exercise each such option a minimum of ninety (90) days before the current termination date of this Agreement.

SECTION 12 - FRANCHISE TRANSFERABLE; COUNTY'S CONSENT REQUIRED

A. **No Assignment Without Consent** The franchise granted by this Agreement shall not be transferred, sold, hypothecated, sublet or assigned, nor shall any of the rights or privileges herein by hypothecated, leased, assigned, subcontracted, sold or transferred, either in whole or in part, nor shall title thereto, either legal or equitable, or any right, interest or property therein, pass to or vest in any person, except the Contractor, by act of the Contractor, without the prior written consent of the County expressed by Resolution of the Board of Supervisors. Any attempt by Contractor to assign this franchise without the consent of County shall be void. Notwithstanding the foregoing, Contractor may assign or subcontract this agreement or a portion thereof to another corporate affiliate of Contractor upon advance written notice to the County, provided that the assignor and Guarantor shall each shall remain liable for performance of this Agreement.

In the event of any assignment for which County consent is required pursuant to this Section, Contractor's assignee shall not be allowed to recover in its rates set pursuant to this Agreement any of the assignee's costs of acquisition of Contractor or to recoup any interest or financing charges incurred by such assignee relating to the costs of such acquisition; provided,

however, that nothing here shall be construed as disallowing any financing, interest or depreciation charges for Phase I of the resource recovery facility or for other capital costs incurred prior to the proposed assignment, to the extent that such charges were previously allowed to be recaptured in the rates set for Contractor.

B. Assignment Defined. The term "assignment" shall include any dissolution, merger, consolidation or other reorganization of the Contractor, which results in change of control of the Contractor, or the sale or other transfer of a controlling percentage of Contractor's capital stock to a person not a shareholder, immediate family member, management employee or principal of the Contractor or to an affiliate on the date of the execution of this Agreement.

C. "Change in Control" Defined. County consent is required for any change in control of Contractor. "Change in control" shall mean any sale, transfer or acquisition of Contractor. If Contractor is a corporation, any acquisition of more than ten percent (10%) of Contractor's voting stock by an entity or a person, or group of persons acting in concert, provided, however, any transfer of ownership of any or all of the stock of Contractor to a wholly owned subsidiary or corporate affiliate of Contractor or transfers, directly or indirectly, to an existing owner or transfer by an existing owner to another immediate family member or (including adopted or stepchildren) or any direct lineal descendant of the existing owners shall not constitute a change in ownership, provided that the transferor shall each remain liable for performance of this Agreement. In the event of any such excepted transfer, the transferee shall be subject to the provisions of this Agreement including the restrictions on any subsequent transfers.

D. Breach. Any assignment or change in control of the Contractor occurring without prior County approval shall constitute a material breach of this Agreement.

E. County's Option to Terminate; Conditions to Assignment. In the event the Contractor herein attempts to assign or subcontract this Agreement or any part hereof or any obligation hereunder in contravention of this Section 12, the County shall have the right to elect to terminate this Agreement forthwith, without suit or other proceeding. The County may in its reasonable discretion condition its consent to any assignment of this Agreement on the assignee's written agreement to incorporate additional terms and conditions in this Agreement, including provisions for liquidated damages, enhanced performance standards, and additional financial assurances and guarantees, in order to ensure that any such assignee continue to deliver the highest quality of services to its customers at reasonable rates

F. Conditions to Obtaining County's Consent. The County's consent to an assignment or change of control may be withheld in the County's sole and unfettered discretion and may also be withheld if, inter alia, the following conditions are not satisfied:

(1) The Contractor shall give the County at least ninety (90) days' advance written notice of the Contractor's intent to sell, transfer or assign this Agreement. As part of that notice, the Contractor shall provide to the County the following written information:

(a) The name, address and telephone number of the proposed assignee;

(b) The character of the legal entity owning or controlling the assignee, and the names, addresses and telephone numbers of all principals, partners and/or shareholders thereof, as the case may be; and

(c) Financial statements of the proposed assignee for the immediately preceding five (5) operating years, indicating that the proposed assignee's financial status is sufficient to perform all Contractor's obligations.

(d) Satisfactory proof that the proposed assignee or the management thereof has at least seven (7) years of municipal solid waste experience on a scale equal to or exceeding the scale of operations conducted by the Contractor and has operated in a manner consistent with its contractual obligations to other municipalities which it serves in respect of AB 939;

(e) Satisfactory proof that in the last seven (7) years, the proposed assignee has maintained its waste management operations in a manner satisfactory to other municipalities in which it operates and in compliance with applicable law and regulations

(c) A copy of any and all purchase and assignment agreements containing, at a minimum, the terms and conditions of the sale, transfer or assignment of this Agreement, and of Contractor's Solid Waste and Recycling business; provided, however, that the dollar amount of any financial consideration may be deleted from said copies unless and until said information becomes relevant to the review of Contractor's transferee rates under this Agreement. Further, however, that nothing in this Agreement shall obligate County to treat any of said acquisition costs as an allowable expense of said transferee for rate setting purposes.

(2) The proposed transferee must be shown, by credible and sufficient evidence, to be qualified, by financial condition, background and experience to be able to fully assume and satisfactorily perform all of the Contractor's obligations hereunder, and particularly, to be able to perform under this Agreement in a fashion that will assure the County of complying with AB 939.

(3) The transferee must be willing to, in writing, assume all of the obligations hereunder.

SECTION 13 - FRANCHISE TRANSFER; FEES

A. **Transfer Fee.** Any application for a franchise transfer shall be made in a manner prescribed by the County. The application shall include a transfer fee in an amount to be set by County by Resolution of the Board of Supervisors, to cover the anticipated cost of all direct administrative expenses of County, including consultants and attorneys, necessary to adequately analyze the application and to reimburse County for all direct and indirect expenses. Such transfer fee shall not exceed Ten Thousand Dollars (\$10,000). County's request for reimbursement shall be

supported with evidence of the expense or cost incurred. The applicant shall pay such bills within thirty (30) days of receipt.

B. Non-Recoverable Costs. These franchise transfer fees are over and above any franchise fees specified in this Agreement, and shall not be recoverable costs for rate setting purposes.

SECTION 14 - PERFORMANCE STANDARDS

[This Section 14 Intentionally Left Blank.]

SECTION 15 - TERMINATION

Each of the following shall constitute a material breach of this Agreement on the part of the Contractor:

A. Material Breach of Contractor's Obligations. The material failure or refusal of Contractor to comply with the obligations and duties imposed on Contractor pursuant to this Agreement. In the event of any material breach of any of the terms of this Agreement by Contractor, County and Contractor shall meet and confer in good faith in an effort to agree on a resolution and cure of the breach. If the parties are unable to agree on the informal resolution or cure of the breach, County shall have the right to terminate this Agreement if:

(1) The County shall have given prior written notice to the Contractor specifying that a particular default or defaults exist which will, unless corrected, constitute a material breach on the part of the Contractor of this Agreement; and

(2) The Contractor has not corrected such default within ninety (90) days from the date of the notice given pursuant to clause (A)(1) of this section, or, if said default is not reasonably correctable within said time, Contractor has not taken reasonable steps to commence to correct the same within said ninety (90) days, or thereafter does not diligently continue to take reasonable steps to correct such default.

(3) Any lender who has advanced or participated in the financing of the resource recovery facility will have thirty (30) days after Contractor's default cure period has expired to cure any Contractor defaults and reinstate this agreement on behalf of Contractor.

B. Events of Insolvency. The Contractor (i) being or becoming insolvent or bankrupt, or ceasing to pay its debts as they mature, or making an arrangement with or for the benefit of its creditors, or consenting to or acquiescing in the appointment of a receiver, trustee or liquidator for a substantial part of its property; or (ii) being or becoming a party to a voluntary or involuntary bankruptcy, winding up, reorganization, insolvency, arrangement or similar proceeding instituted by or against the Contractor under the laws of any jurisdiction, which proceeding, if involuntary in nature, has not been dismissed within sixty (60) days; or (iii) taking any action approving of, consenting to, or acquiescing in any such proceeding; or (iv) being a party to the levy of any

distress, execution or attachment upon the property of the Contractor which shall substantially interfere with the Contractor's performance hereunder. In the event of the Contractor being or becoming insolvent or bankrupt, the Contractor shall (i) assume or reject this Agreement within sixty (60) days after the order for relief; (ii) promptly cure any failure to perform its obligations or any event of default arising under this Agreement for reasons other than the event set forth in this paragraph; and (iii) provide adequate assurance of future performance under this Agreement under 111 USC Section 365(b)(1)(c), or any successor provision of the Federal Bankruptcy Code. The foregoing provisions shall not prevent the County from requesting such other conditions to assumption of this Agreement, as it deems reasonable and necessary.

C. No Waivers. Any waiver of a breach shall not be deemed to be a waiver of any subsequent breach or to be construed as approval of a course of conduct.

D. Termination. Upon the occurrence of a material breach and the declaration of termination of this Agreement by the Board of Supervisors, this Agreement and the franchise granted thereunder shall be of no further force and effect, excepting those provisions concerning County's right to indemnity and to temporarily assume Contractor's obligations. County then shall be free to enter into whatever other arrangements are deemed justified and necessary for the collection, removal and disposal of solid waste within the franchise area.

Should Contractor at any time contend that the County has breached any material provision of this Agreement, Contractor shall immediately notify the County in writing of Contractor's contention. The County shall have a reasonable time to cure any such alleged breach, which in all events shall not be less than ninety (90) days or any such longer period as reasonably needed to cure said breach. If County fails to cure the breach within such time, the Contractor may terminate this Agreement.

SECTION 16 - RIGHTS OF COUNTY TO PERFORM DURING EMERGENCY

A. Emergency Collection. Should Contractor, for any reason whatsoever, refuse or be unable to collect, transport and dispose of any or all of the Solid Waste which it is obligated under this Agreement to collect, transport and dispose of for a period of more than seventy-two (72) hours, and if as a result thereof, Solid Waste should accumulate in the Franchise Area to such an extent, in such a manner, or for such a time that the County in the exercise of his/her sole discretion, should find that such accumulation endangers or menaces the public health, safety or welfare, then in such event County shall have the right, upon twenty-four (24) hour prior written notice to Contractor, during the period of such emergency, to contract on a temporary basis with third parties to collect and transport any and all Solid Waste which Contractor would otherwise be obligated to collect and transport pursuant to this Agreement.

B. Contractor to Cooperate. Contractor agrees that in such event it will fully cooperate with County and its third-party contractor to effect such a transfer of operations in as smooth and efficient a fashion as is practicable.

C. Contractor to Pay Increased Costs. All costs, fees, rates and other expenses incurred by the County and/or its third-party contractor that exceed those which would have been

incurred by County had no such emergency arisen shall be the responsibility of the Contractor, and shall be paid to the County within thirty (30) days of Contractor's receipt of written notice to so pay unless such costs, fees, rates or other expenses shall have been a result of an event or condition of Force Majeure which prevented the Contractor from meeting its obligations hereunder.

SECTION 17 - PRIVACY

A. Privacy of Customer Information. Contractor shall use all reasonable efforts to observe and protect the rights of privacy of its employees and customers. Information identifying individual customers, or the composition or contents of a customer's refuse or recyclables shall not be intentionally revealed to any person, private agency or company, unless upon the request of federal or state law enforcement personnel, the authority of a court of law, by statute, or upon valid authorization of the customer. This provision shall not be construed to preclude Contractor from preparing, participating in, or assisting in the preparation of waste characterization studies or Wastestream analyses which may be required by AB 939, or any other reports requested by the County under the Agreement or required or requested by any governmental agency.

B. Mailing Lists. Contractor shall not market or distribute outside the normal course of its business, mailing lists with the names and addresses of customers.

C. Video Camera Monitoring. Contractor shall comply with all federal and states laws, including the Health Insurance Portability and Accountability Act of 1996, concerning the use of video monitoring cameras at Contractor's Transfer Station/Materials Recovery Facility/Resource Recovery Facility and other areas of Contractor's operations, and shall provide the County evidence of Contractor's compliance. The County shall use good faith efforts to notify Contractor of any theft, violence, or other criminal or otherwise unlawful behavior it observes in monitoring activities at Contractor's MRF.

SECTION 18 - RECORDS AND ACCOUNTING

A. Financial Reporting. Contractor shall maintain a proper set of books and records on an accrual basis, and an annual audited financial statement, in accordance with generally accepted accounting principles, accurately reflecting the business done by it under this Agreement. Contractor shall submit to the County each year a copy of its audited annual financial statement as soon as it is received by Contractor, but in all events no later than four months following the close of Contractor's fiscal year. In addition, Contractor shall provide County with quarterly reports showing the financial performance of its Materials Recovery Facility operations as well as the financial performance of Contractor's other recycling programs. These reports shall show (for each category of Recyclable Materials requested by County) actual diversion data, the actual cost of diverting such Recyclable Materials from the wastestream, and revenues received from the sale of such Recyclable Materials.

B. Service Records. Contractor shall maintain all records relating to the services provided hereunder, including, but not limited to, customer lists, billing records, route maps, AB 939 records, and customer complaints, for a period of five (5) years from the date of the generation of each such record. The County or its agent(s) shall have the right, upon ten (10)

business days' advance notice, to inspect all maps, AB 939 records, Contractor's books and records, customer complaints, and other like materials of the Contractor which reasonably relate to Contractor's compliance with the provisions of the Franchise Agreement. Such records shall be made available to County at Contractor's regular place of business, but in no event outside of County. Contractor shall further maintain and make available to County, records as to number of customers, total and by type, route maps/route listings, service records and other materials and operating statistics in such manner and with such detail as County may require. County shall treat the information required by this paragraph that affects the competitive position of the Contractor as confidential information to the extent permitted by law. County shall not make or retain copies or photocopies containing information set forth in Contractor's confidential financial and business records pertaining to the establishment of rates and payment of franchise fees without executing a Confidentiality Agreement providing that County shall hold and keep such copies and photocopies confidential. The Confidentiality Agreement shall be negotiated in good faith between the County and Contractor and commemorated in a separate legally binding document prior to any subsequent rate increase.

C. Underpayment of Franchise Fees. Should any examination or audit of Contractor's records reveal an underpayment of any fee required under this Franchise Agreement, the amount of such underpayment shall become due and payable to County not later than thirty (30) days after written notice of such underpayment is sent to Contractor by County. Should an underpayment of more than two percent (2%) be discovered, Contractor shall bear the entire cost of the County's audit or examination and said cost shall not be recoverable through rate setting.

D. Examination of Financial Records.

(1) The information required by this section shall pertain to Contractor's operations covered and regulated by this Agreement, and nothing contained herein shall require the Contractor to provide the County with information pertaining to the Contractor's operations which are not regulated by the County, except in conformance with this Section.

(2) The County's agents shall be entitled to examine the books, records and financial statements of Contractor and its Affiliates pertaining to operations not regulated by the County for the sole purpose of gathering information necessary to allow the agents to ascertain whether income, expenses, assets and liabilities are reasonably and consistently allocated among operations regulated by County and those not regulated by the County and to assess the reasonableness of any transactions between Contractor and any of its Affiliates. A transaction shall be deemed to be reasonable if in the judgment of County's agent, the price for any goods or services provided by an Affiliate to Contractor represent an established going market price for such goods or services. Contractor shall obtain County's written approval of its method of segregating its financial records between County-regulated and non-County regulated operations.

(3) Information gained from examination of records pertaining to operations not regulated by the County shall be treated by the County and its agents as confidential information in accordance with applicable state law. County's agents shall prepare a confidential report regarding the results of their examination of Contractor's non-

regulated operations and transactions with Affiliates. County's agent shall issue its report on Contractor's non-regulated operations and Contractor's transactions with Affiliates to County's counsel, and said report shall remain confidential, except that the dollar amount and general description of any costs that County's agent recommends be disallowed shall be disclosed to County's governing body. If Contractor appeals the conclusions of said report to County's governing body, Contractor shall decide what portions, if any, of said report shall be disclosed to County's governing body. County's governing body shall then consider Contractor's appeal but may, in its discretion, deny said appeal if inadequate information has been disclosed to County's governing body to make an informed decision on the appeal.

(4) For review of books and other financial records necessary to verify the Contractor's income, expenses, assets and liabilities, "Agent" shall mean an independent Certified Public Accountant or public accountancy firm or other independent agent designated by County.

E. Public Records. Nothing in this section will prevent County from allowing public access to County's records as provided for under the Applicable Laws of California and Nevada, and in the event any dispute arises as to the public access to information provided by Contractor under the terms of this Agreement, the County shall in its discretion provide public access to said information. Provided by grantee under the terms of this agreement, the Grantor shall in its discretion provide public access to said information according to law or tender the defense of any claims made against the Grantor concerning said information to Grantee. Grantor shall make a good faith effort to notify Grantee of the intended release.

F. County Access to Customer Lists. Upon reasonable notice or as otherwise agreed herein, and at those times designated by the County, Contractor shall supply to the County lists of the names of all customers of Contractor who are provided any service by Contractor within the Franchise Area. At the same or other time, the County may request and the Contractor shall provide information specifying each customer's address, type of service provided to that customer, the number and type of authorized Solid Waste containers used by or provided to each customer, whether and which customers are believed to be violating this Agreement, any mandatory subscription ordinance or any other provision of the law, and any other information that the County determines, in its sound discretion, reasonably required to monitor implementation of this Agreement and/or discharge the County's responsibilities under the law.

SECTION 19 - REPORTS AND ADVERSE INFORMATION

A. Annual Reports. Upon request by the County, within one hundred and twenty (120) days after the close of Contractor's fiscal year (Contractor's fiscal year ends on June 30th of each year), Contractor shall submit to the County a written annual report, in a form approved by the County, including, but not limited to, the following information:

(1) A summary of the previous year's activities (or in the case of the initial year, the initial year's activities), including, but not limited to, services begun or discontinued during the reporting year, and the number of customers for each class and level of service;

(2) A revenue statement setting forth quarterly Franchise Fees, and the basis for the calculation thereof, certified under penalty of perjury by an officer of Contractor; and

(3) A list of Contractor's officers and members of its Board of Directors.

B. Adverse Information. Contractor shall provide County with two (2) copies of all reports or other material adversely reflecting on Contractor's performance under this Agreement, submitted by Contractor to the California or U.S. EPA, the California Integrated Waste Management Board, or any other federal, state or county agency. Copies shall be submitted to County simultaneously with Contractor's filing of such matters with said agencies. Contractor's routine correspondence to said agencies need not be automatically submitted to County, but shall be made available to County upon written request, as provided in this section.

(1) The Contractor shall submit to County copies of all pleadings, applications, notifications, communications and documents of any kind, submitted by the Contractor to, as well as copies of all decisions, correspondence and actions by, any federal, state and local courts, regulatory agencies and other governmental bodies relating specifically to all material aspects of Contractor's performance of services pursuant to this Agreement. Any data which the Contractor seeks to be excluded from provisions of the California Public Records Act shall be clearly identified as such by Contractor with the basis for such exclusion clearly specified. In the event County receives a request under the Public Records Act, or by subpoena, the County shall notify Contractor to permit Contractor to object to the release of the information requested or subpoenaed.

(2) Contractor shall submit to the County such other information or reports in such forms and at such times as the County may reasonably request or require.

(3) All reports and records required under this or any other section shall be furnished by the Contractor, and the expense therefore in the gathering and preparation of such information, reports and records shall be included in the rate base.

C. AB 939 Requirements. During the term of this Agreement, Contractor shall submit to County quarterly, and more often if required by law, information reasonably required by County to meet its reporting obligations imposed by AB 939, and the regulations implementing AB 939, in a manner approved by County. Such reports include, but are not limited to: South Lake Tahoe Waste Management Authority – Monthly Waste Facility Diversion Summary, South Tahoe Refuse Transfer Station Export Report and Waste Generation Summary Report – Jurisdictional Allocation. Contractor agrees to submit such reports and information on computer disks, or by model, in format compatible with County's computers, if practicable. Contractor agrees to render all reasonable cooperation and assistance to the County in meeting the requirements of County's source reduction and recycling element and non-disposal facility element.

D. Waste Audits.

(1) Contractor shall conduct waste audits at the request of County where such waste audits are necessary to enable County to comply with the requirements of federal or state law.

(2) The results of such audits will be memorialized on forms either designed or approved by the County.

(3) The purpose of the audit will be to identify volume and characteristics of solid waste being generated by the customer.

(4) A copy of the audit shall be provided by the Contractor to the customer, the County, and to Contractor's own files.

E. Failure to Report. The refusal, failure or neglect of the Contractor to file any of the reports required, or to provide material information to County, or the intentional inclusion of any materially false or misleading statement or representation made knowingly by the Contractor shall be deemed a material breach of the Agreement, and shall subject the Contractor to all remedies, legal or equitable, which are available to the County under the Agreement.

SECTION 20 - REVIEW OF PERFORMANCE AND QUALITY OF SERVICE

A. Performance Review. From time to time, at its sole discretion, County may examine Contractor's operation in order to evaluate whether or not the Contractor is operating at a satisfactory level of efficiency and customer satisfaction according to industry standards. Contractor agrees to cooperate in any such examination, and shall permit County's representatives to inspect, at Contractor's principal place of business, such information pertaining to Contractor's obligations hereunder as County may require, including but not limited to, such things as customer inquiry records, collection routes and equipment records. Access to Contractor's records shall be subject to Section 18.

B. Public Hearing. At County's sole option, within ninety (90) days of the first anniversary of the effective date of this Agreement, and each year thereafter throughout the term of the Agreement, County may hold a public hearing at which the Contractor shall be present and shall participate, to review the Contractor's performance and quality of service. The reports required by this Agreement regarding customer complaints shall be utilized as the basis for review. In addition, any customer may submit comments or complaints during the review meetings, either orally or in writing, and these shall be considered.

C. Report on Performance. Within thirty (30) days after the conclusion of the public hearing, County shall issue a report with respect to the adequacy of performance and quality of service, using industry standards as a baseline for acceptable performance. If any non-compliance with the franchise is found, County may direct Contractor to correct the inadequacies or initiate default proceedings in accordance with Section 15 above.

D. Customer Surveys; Billing Information.

(1) Contractor shall provide prompt, efficient, continuous and professional service to its customers.

(2) Upon the request of the County, as part of the annual review of performance described above, Contractor shall, at a cost not to exceed \$20,000, conduct a survey or surveys of all customers to determine their satisfaction with Contractor's service, including, without limitation, response to customer complaints. The survey methodology, format and content shall be subject to the prior review and approval of the County. A copy of the survey results shall be sent to the County within sixty (60) days of completion of the survey. Nothing in this paragraph shall limit the right of the County to conduct additional surveys at its own expense. The Contractor shall reasonably cooperate with the County in such cases.

(3) Upon initiation of service Contractor shall send or deliver to its customers, information concerning the conditions of service, including, but not limited to, rates, fees, charges, service options, payment options, discounts (if any), days of collections, the amount and manner of refuse to be collected, service level and inquiry/complaint procedures, including the name, address and local telephone number of Contractor. The form and content shall be subject to the review and approval of the County.

SECTION 21 - SYSTEM AND SERVICES REVIEW

To provide for technological, economic and regulatory changes in solid waste collection, to facilitate recycling programs, to promote competition in the solid waste industry, and to achieve a continuing, advanced solid waste collection system, the following system and services review procedures are hereby established.

A. Public Hearing. At County's sole option, County may hold a public hearing on or about the first anniversary date of the Agreement to review Contractor's collection systems and services. Subsequent system and services review hearings may be scheduled by County each two (2) years thereafter. It is County's intent to conduct any system and services review concurrently with any annual review of performance and quality of service as provided for in Section 20, above.

B. Contractor's Report Sixty (60) days after receiving notice from the County, Contractor shall submit a report to County indicating the following:

(1) All solid waste collection and recycling services reported in solid waste collection and recycling industry trade journals that are being commonly provided on an operational basis, excluding tests and demonstrations, to communities in the United States with comparable populations, that are provided by Contractor to County;

(2) Changes recommended to improve the County's ability to meet the goals of AB 939; and

(3) Any specific plans for provision of such new services by the Contractor along with the estimated expenses and adjustments to rates necessary to compensate Contractor for providing such services, or a justification indicating why Contractor believes that such services are not feasible for the franchise area.

C. Services Review Topics. Topics for discussion and review at the system and services review hearing shall include, but shall not be limited to, services provided, customer complaints, rights of privacy, amendments to the Agreement, developments in the law, and new initiatives for meeting or exceeding AB 939's goals and regulatory constraints.

D. Contractor Cooperation. County and the Contractor may each select additional topics for discussion at any system and services review hearing. The Contractor agrees to cooperate in any such examination and shall provide for inspection to the County or its designated representatives, at the Contractor's principal place of business, such information as the County may require, including, but not limited to, such things as collection routes and equipment records.

E. County's Report. After the conclusion of each system and services review hearing, County may issue a report. The report shall summarize the systems and services review hearing and address services not being provided to County that is considered technically and economically feasible by County. County may require Contractor to provide such services within a reasonable time, for reasonable rates and compensation.

SECTION 22 - COMPENSATION

A. Contractor Rates. Contractor shall provide all management, supervision, personnel, materials, equipment, utilities, services, supplies and all other things necessary to perform all services, obligations, covenants and other acts required of Contractor under this Agreement for the rates specified in Exhibit C and Exhibit B as adjusted pursuant to this Section. Contractor shall pay all real estate taxes and assessments, general or special, ordinary or extraordinary, of every name, nature and kind whatsoever, and any possessory interest tax, which may be levied, assessed, charged or imposed, or may be or become a lien or charge upon any of the buildings, improvements, equipment or other real or personal property of Contractor. Contractor shall not receive any form of payment or other consideration from the County for its performance under this Agreement except for the grant of the exclusive franchise provided in this Agreement. Contractor instead shall look solely to its customers in the Franchise Area for payment for all of Contractor's services and performance hereunder.

(1) Effective Date. The rates specified in Exhibit C are the rates of Contractor that became effective as of April 1, 2005. The rates in Exhibit C shall be further increased by 9% on January 1, 2006 and increased by an additional 9% on January 1, 2007. When each 9% rate goes into effect, Contractor shall receive 3% of each 9% increase with 6% of each 9% increase being paid to and held by the JPA and not passed on until Milestones #1 and #2 below have been completed. In other words, upon completion of Milestone #1, Contractor will receive the 6% rate increase held by the JPA pursuant to the January 1, 2006, rate increase and upon completion of Milestone #2, Contractor will receive the 6% rate increase held by the JPA pursuant to the January 1, 2007, rate increase.

Milestone #1 – Contractor will provide County with verification of all required permits and financing for initiation of construction of Phase I of the Resource Recovery Facility.

Milestone #2 – Contractor will provide County with verification of completion of 50% of construction of Phase I of the Resource Recovery Facility.

(2) County's Powers. The Board of Supervisors shall set and regulate all other rates and charges assessed by Contractor for any and all services and activities it performs or engages in the Franchise Area.

(3) Extra Charges. Contractor shall not impose extra charges on Customers for extra services or for other reasons, except where expressly allowed by the Rate Schedule approved by the Board of Supervisors.

B. Time for Rate Settings, Rate Settings Procedures and COLA Increases. The Board of Supervisors shall set the rates to be charged by Contractor pursuant to this Agreement. Commencing January 1, 2008, and every four (4) years thereafter, Contractor may apply as hereinafter provided for a general rate increase. Contractor's rates shall remain unchanged (except for COLA increases) unless Contractor submits a written request to the Board of Supervisors for a general rate adjustment no earlier than September 1 and no later than November 1 of the year prior to when a general rate adjustment can be applied for. In the intervening years that Contractor cannot apply for a general rate adjustment, Contractor shall be entitled to increase its rates January 1 of each year pursuant to a cost-of-living adjustment (COLA) in accordance with the COLA adjustment formula set forth in Exhibit "E", attached hereto and incorporated herein. If the Board of Supervisors determines to regulate the rates of only some of Contractor's services and activities, that shall not be construed as a waiver of the County's rights to regulate services not so regulated. When applying for a general rate adjustment, Contractor shall submit to the Board of Supervisors a rate application in a form to be determined by the Board of Supervisors, which shall include proposed collection rates and revenues and Operating Cost and Pass-Through Cost projections for the upcoming two-year period, which projections shall have a reasonable factual basis. Rates shall be set with the intent to reimburse Contractor for allowed Operating and Pass-Through and Allowed Profit. The Board of Supervisors shall have the right to review the projections and if it determines that the Contractor's projections and/or any component thereof are unreasonable, then they may make adjustments, with a reasonable factual basis, in Contractor's projections of its Operating Costs and Pass-Through Costs and in setting rates. If the Contractor feels the Board of Supervisors has acted unreasonably, it shall have the right to commence an action in law or equity to determine the reasonableness of the Contractor's projections or component thereof and the rates determined thereby. By this Agreement, neither the County nor its governing body or staff agree, guarantee or warrant that such projections or adjustments will be accurate or that Contractor will in fact achieve reimbursement of all of its Operating Costs or Pass-Through Costs, or that Contractor will achieve its projected profit margin. Contractor expressly assumes the risk that its costs may be higher than projected in the rate setting process and that its revenues may be lower than projected. When a general rate adjustment has been requested, as hereinabove provided, Contractor shall provide written notice to each rate payer, in a form approved by the County, of the

time, date and place of each hearing set by the Board of Supervisors to set rates. Contractor shall provide said notice of at least ten (10) but not more than sixty (60) days prior to such date.

Notwithstanding the foregoing, the Board of Supervisors may initiate a general review of Contractor's rates to be effective at any time after January 1, 2008. Such rate review shall be conducted in accordance with the provisions of this Section.

Contractor shall also be entitled to a rate increase whenever Contractor's landfill disposal costs increase due to a rate increase at the landfill used by Contractor, but only for the purpose of passing through said disposal cost increase in Contractor's collection rates. Contractor shall provide the Board of Supervisors with a minimum of thirty (30) days' advance written notice of said proposed increase, including satisfactory evidence of the landfill tipping fee increase and a calculation showing the amount of the increase in Contractor's collection rates needed to recoup the disposal cost increase. The Board of Supervisors may reasonably request further information from Contractor justifying the proposed rate adjustment, and shall consider the request for an increase within said thirty- (30) day period.

In addition, the Board of Supervisors shall consider revising Contractor's rates whenever Contractor establishes to the satisfaction of the Board that unforeseen circumstances have arisen which have materially affected the Contractor's costs or revenues under this Franchise Agreement.

C. Operating Costs. Operating Costs used to determine rates include Solid Waste collection, processing and disposal costs. Such costs shall include costs of operating Contractor's transfer station and the Materials Recovery Facility and the Resource Recovery Facility, prorated to reflect the amount of County's franchised Solid Waste processed at said facilities compared to all Solid Waste processed at said facilities. Operating Costs shall exclude the following:

- (a) income taxes,
- (b) payments to Affiliates of Contractor other than reasonable compensation for goods or services rendered,
- (c) entertainment expenses,
- (d) fines and penalties,
- (e) cost of repairs due to operator negligence,
- (f) charitable and political donations,
- (g) expenses not associated with Solid Waste operations franchised under this Agreement,
- (h) unreasonable expenses in kind or amount,

(i) capital costs, depreciation and amortization expenses associated with the Materials Recovery Facility building and the Resource Recovery Facility buildings (however, reasonable depreciation of equipment located therein shall be allowed as an Operating Cost),

(j) the principal portion of any loan repayments, and

(k) any other costs disallowed under the terms of this Agreement.

D. Officers' Salaries. Operating costs shall include reasonable salaries and bonus compensation. The parties hereto agree that for the fiscal year July 1, 2004, through June 30, 2005, County has accepted, as reasonable operating costs of Contractor, combined salaries and bonus compensation for all officers of Contractor the sum of \$716,244.00 per year. This amount does not include health insurance and pension plan benefits. Commencing July 1, 2005, and on the same day of each and every year thereafter through the end of this Agreement, absent an adjustment in this total cost as provided for below, the above-referenced salary amount shall be adjusted annually based on changes in the Consumer Price Index for all consumers, San Francisco Bay Area. The base year index to be used will be 2004.

Notwithstanding the foregoing, Contractor may apply as part of a general rate review for an adjustment in this total officer's compensation number based on a demonstration by Contractor of the reasonable necessity for increased officers' salaries or the hiring of additional officers, and similarly the County may revise this total cost number for officers' compensation during a general rate review if the County reasonably determines that a different total cost for combined salaries and bonus compensation for all officers of Contractor is more reasonable.

E. Pass-Through Costs. Pass-Through Costs shall be allowed as an expense for purposes of setting Contractor's collection rates, but shall not be included as an eligible cost for purposes of calculating Contractor's profit margin. Pass-Through Costs include the following:

(a) The debt service (principal and interest payments) on the loan given Contractor by the South Lake Tahoe Basin Waste Management Authority for the construction of the Materials Recovery Facility building (but the principal payment of any loans to purchase equipment located therein shall not be an allowed cost), and the debt service (principal and interest payments) on the loan for the construction of the Resource Recovery Center buildings (but the principal payment of any loans to purchase equipment located therein shall not be an allowed cost), including any expenses incurred by Contractor arising out of said loans;

(b) interest charges on other obligations of Contractor;

(c) the Franchise Fee set pursuant to this Agreement; and

(d) fees, surcharges and other amounts collected by Contractor as the agent of or for the benefit of County or the South Lake Tahoe Basin Waste Management Authority or other federal, state or local agency.

F. Operating Ratio and Allowed Profit. The Contractor shall be entitled to a profit on its Operating Costs, to be determined by use of an Operating Ratio.

The Operating Ratio number will be determined using a sliding scale, under which the Operating Ratio number will decrease (and, thus, the Contractor's profit margin will increase) the more Recyclable Materials collected by Contractor are diverted by Contractor from landfilling (i.e., "Recovered Materials" as defined in this Agreement). The percentage of Recovered Materials diverted from landfilling by Contractor shall be measured by determining the percentage by weight (in tons) of Recovered Materials diverted by Contractor from landfilling out of: (a) all Solid Waste collected by Contractor in the South Lake Tahoe Basin Waste Management Authority Franchise Area from collection routes; (b) all Solid Waste received by Contractor at the Materials Recovery Facility from haulers other than Contractor's collection trucks; and (c) all Recyclable Materials collected at Contractor's buyback centers and through other recycling programs operated by Contractor (hereinafter the "Recovery Percentage"). Contractor shall not receive diversion credit for the recovery of Recyclable Materials collected outside of the Authority Franchise Area or from recycling programs operated by third parties. The Recovery Percentage shall be rounded to the nearest whole number.

The Operating Ratio number shall vary with Contractor's Recovery Percentage in accordance with the following sliding scale:

<u>Operating Ratio Number</u>	<u>Recovery Percentage</u>
94.34	0-15%
93.90	16
93.46	17
93.02	18
92.59	19
92.17	20
91.74	21
91.32	22
90.90	23
90.50	24
89	25-28
88	29-32
87	33-100

The amount of profit ("Allowed Profit") to be received by Contractor for a given period shall be determined by multiplying the total projected Operating Costs for the period by a fraction, in which the numerator shall be one hundred (100) and the denominator shall be the Operating Ratio number applicable to the period as determined by using the foregoing sliding scale. The Allowed Profit shall then be determined by subtracting the projected Operating Costs from the product of the aforesaid multiplication. For example, if projected Operating Costs for a year were \$5,000,000 and the Operating Ratio number to be used was 90, the Allowed Profit would be calculated as follows:

$$100/90 = 1.11 \text{ (rounded off to one one-hundredths)}$$

$$\$5,000,000 \times 1.11 = \$5,550,000$$

$$\$5,550,000 - 5,000,000 = \$550,000$$

$$\text{Allowed Profit} = \$550,000$$

G. Recycling Revenue Bonus for Extraordinary Diversion. In addition to the foregoing calculation of Allowed Profit, Contractor shall be entitled to receive as and for additional profit, twenty-five percent (25%) of Contractor's gross revenues from the sale of Recyclable Materials diverted from landfilling by Contractor pursuant to this Agreement for those rate periods in which Contractor's Recovery Percentage is equal to or greater than thirty-seven percent (37%), and a total of fifty percent (50%) of Contractor's gross revenues from the sale of Recyclable Materials diverted from landfilling by Contractor pursuant to this Agreement for those rate periods in which Contractor's Recovery Percentage is equal to or greater than forty percent (40%).

H. Resolution of Issues Regarding the Rate Adjustments. Any issue regarding rates, or the computation thereof, or any other question regarding Contractor's reimbursement for fees, special services or extraordinary costs shall be decided by the Board of Supervisors. The rates in effect at the time any issue or dispute is submitted to the Board of Supervisors shall remain in effect pending resolution of any issue or dispute. The effective date of any dispute resolution, whether retroactive or prospective, shall reasonably be determined by the Board of Supervisors.

I. Billing and Payment.

(1) Contractor shall bill all customers for all services, whether regular or special. Contractor shall provide itemized bills, distinctly showing charges for all classifications of services, including the charges for late payment and, where applicable, tipping fees. The Contractor shall also collect and remit to County any AB 939 fees and other surcharges imposed by the Board of Supervisors on customers within the Franchise Area. Billings may be made no less frequently than every quarter and may be mailed at the beginning of the billing period for all services to residential and commercial customers.

(2) County may, at County's sole option, upon such terms and conditions as may be mutually agreed upon between the parties, elect to bill residents for solid waste collection. If County elects to do so, mutually agreed upon guidelines will be established and amended into this Agreement.

J. Refunds. Contractor shall refund to each customer, on a pro-rata basis, any advance service payments made by such customer for service not provided when service is discontinued by the customer after reasonable advance written notice or for service not provided by Contractor due to no fault of the customer, except as modified by any mandatory collection ordinance.

SECTION 23 - COLLECTION EQUIPMENT

A. Vehicle Standards. Contractor warrants that it shall provide an adequate number of vehicles and equipment for the collection and transportation services for which it is responsible under this Agreement. All vehicles used by Contractor under this Agreement shall be registered with the Department of Motor Vehicles of the State of California, shall be kept clean and in good repair, and shall be uniformly painted. Solid waste collection vehicles shall be washed such that they are maintained in a reasonably clean and sanitary condition. Contractor's name, telephone number and vehicle number shall be visibly displayed on its vehicles. Loads shall be kept completely covered at all times except when material is being loaded or unloaded, or when vehicles are in the process of collection. Collection vehicles shall be designed and operated while in route in such a manner as to prevent solid waste, including leachate and garbage juice, from leaking, escaping or spilling. Any spillage of materials shall be immediately cleaned up by Contractor at Contractor's sole expense. The noise level generated by compaction vehicles using compaction mechanisms during the stationary compaction process shall be such that it does not unreasonably interfere with the quiet enjoyment of nearby properties unless mandated by any applicable law. The equipment of Contractor used under this Agreement shall be subject to inspection by County on a semi-annual basis but shall not be subject to any permit fees therefore.

Notwithstanding the generality of the foregoing, Contractor's equipment shall at all times be in conformance with the Ordinance Code provisions applicable thereto.

B. Low Emissions Requirement. If changes in federal, state or local laws, including, but by no means limited to, the proposed California Air Resources Board Heavy Duty Engine Standards to be contained in CCR Title 13, Section 2020 et seq., and the Federal EPA's Highway Diesel Fuel Sulfur regulations, mandate that Contractor convert or retrofit its collection fleet to use the most cost-effective means to reduce air pollutant emissions, Contractor shall take all necessary steps to so comply, and shall be in full compliance with all other local, state and federal clean air requirements.

C. Equipment List. Upon County's request, the Contractor shall provide the County a written list of all equipment (including trucks and containers) being used within the franchise area, including make and model, age, mileage or hours of operation and type of vehicle.

SECTION 24 - PUBLIC ACCESS TO CONTRACTOR

A. Office Hours. Contractor's office hours shall be, at a minimum, from 8:00 A.M. to 12:00 noon and from 1:00 p.m. to 5:00 P.M., Monday through Friday, except holidays. An adequate number of customer service representatives of Contractor shall be available during office hours for communication with the public in person and by telephone at Contractor's principal office in South Lake Tahoe. Contractor shall also provide County with an emergency telephone number for use during other than normal business hours. Contractor shall have a representative or answering service available at said after-hours telephone number during all hours other than normal office hours.

B. Withholding of Residential Service. Service may be withheld during any period in which bills for prior service remain delinquent, such bills becoming delinquent forty five (45) days after the end of each full month for which services have been rendered. Contractor shall notify the County in writing before stopping service to any residential customer of the customer's name, address and phone number, and the amount and time period covered by all unpaid bills for Contractor's services. Notwithstanding the foregoing, Contractor may not withhold service from a given customer in mandatory collection areas without the County's prior written consent as to each such affected customer.

C. Service Complaints.

(1) All customer complaints shall be directed to Contractor. Contractor shall record all complaints received by mail, by telephone, or in person (including date, name, address of complainant and nature of complaint). Contractor agrees to use its best efforts to resolve all complaints by the close of business of the second business day (waste collection) following the date on which such complaint is received. Service complaints may be investigated by the County or his/her designee. Unless a settlement satisfactory to the complainant and the Contractor is reached, the complainant may refer the matter to the County or his/her designee for review.

(2) Contractor will maintain records listing the date of customer complaints, the customer, describing the nature of the complaint or request, and when and what action was taken by the Contractor to resolve the complaint. All such records shall be maintained for a period of twenty-four (24) months and shall be available for inspection by the County.

D. Regular Meetings With County. At the reasonable request of County, Contractor shall meet with the County at 2850 Fairlane Court, Placerville, to discuss matters of mutual concern, including, but not limited to, problems in Contractor's service, compliance with AB 939 and future planning. The person attending these meetings on behalf of Contractor shall be vested with sufficient authority to make decisions binding on Contractor.

SECTION 25 - CUSTOMER COMPLAINTS

A. Complaint Resolution. The Contractor will use its best efforts to resolve all complaints by close of business of the second business day following the date on which the

complaint is received. The Contractor shall notify customers service complaints may be reviewed by the County Environmental Management Department if a satisfactory solution is not reached.

B. Non-Collection Tags. County shall approve in advance Contractor's written procedures for determining when not to collect Solid Waste, and Contractor shall adhere to these approved written procedures in making such determinations.

C. County Review of Complaints. A customer dissatisfied with Contractor's decision regarding a complaint may ask the County to review the complaint. To obtain this review, the customer must request County's review within thirty (30) days of receipt of Contractor's response to the complaint, or within forty-five (45) days of submitting the complaint to the Contractor if the Contractor has failed to respond to the complaint. The County may extend the time to request its review for good cause.

D. Remedy. The County or his/her designee shall determine if the customer's complaint is justified, and if so, what remedy, if any, shall be imposed. The remedy under this Section shall be limited to a rebate of customer charges related to the period of breach of any of the terms of this Agreement.

SECTION 26 - SERVICE EXCEPTIONS; HAZARDOUS WASTE NOTIFICATIONS

A. Compliance With Hazardous Waste Laws. The parties hereto recognize that federal, state and local agencies with responsibility for defining Hazardous Waste and for regulating the collection, hauling or disposing of such substances, are continually providing new definitions, tests and regulations concerning these substances. Under this Agreement, it is Contractor's responsibility to keep current with the regulations and tests on such substances, and to identify such substances, and to comply with all federal, state, and to the extent not inconsistent with this agreement, local regulations concerning such substances. Contractor shall make every reasonable effort to prohibit the collection and the disposal of Hazardous Waste in any manner inconsistent with federal and state law. Contractor shall have no duty or responsibility to collect or manage Hazardous Waste, other than as explicitly set forth in this Agreement.

B. Notice to Agencies Regarding Toxics. Contractor has represented to County that Contractor will carry out its duties to notify all agencies with jurisdiction, including the California Department of Toxic Substances Control and local emergency response providers, and, if appropriate, the National Response Center, of reportable quantities of Hazardous Waste, found or observed by Contractor in Solid Waste anywhere within the County, including on, in, under or about County's property, including streets, easements, right of ways and County's waste containers. In addition to other required notifications, if Contractor observes any substances which it or its employees reasonably believe or suspect to contain Hazardous Wastes unlawfully disposed of or released on County's property, including streets, storm drains, or public right of ways, Contractor will also immediately notify the County or his/her designee.

C. Inspection for Toxics. Contractor shall conduct a visual inspection, consistent with its normal operating procedures, of all Solid Wastes that it collects, transports and/or disposes

pursuant to this Agreement for the purpose of discovering, identifying and refusing to collect, transport and dispose of Hazardous Wastes or materials.

D. No Collection or Disposal of Hazardous Waste. Except as provided in this subsection, Contractor shall not knowingly collect, handle, process, transport, arrange for the transport of or dispose of Hazardous Waste pursuant to this Agreement.

E. Hazardous Waste Program. Notwithstanding subsection D above, Contractor agrees to provide, upon County's request and with appropriate fee reimbursement, a program for residents in Contractor's Franchise Area, identifying Hazardous Waste and complying with all federal, state, and to the extent not inconsistent with this Agreement, local statutes and regulations dealing with Hazardous Waste.

SECTION 27 - INDEMNIFICATION

A. Indemnification of County. Contractor shall protect, defend (with counsel selected by Contractor and reasonably acceptable to County), indemnify and hold harmless County, its board members, officers, directors, employees, agents, consultants, successors and assigns (hereinafter "County Indemnified Parties") from and against any and all claims, suits, losses, damages and liability for damages of every name, kind and description, including attorneys fees and costs incurred, brought for, or on account of, injuries to or death of any person, including but not limited to workers, County employees, and the public, or damage to property, or any economic or consequential losses, which are claimed to or in any way arise out of or are connected with the Contractor's services, operations, or performance hereunder, regardless of the existence or degree of fault or negligence on the part of the County Indemnified Parties, except for the sole active negligence of the County, its officers and employees, or as expressly prohibited by statute provided that if a final decision or judgment allocates liability by determining that any portion of damages awarded is attributable to a wrongful act, error or omission or the active negligence of a County Indemnified Party, then County shall pay such portion of damages . This duty of Contractor to indemnify and save the County Indemnified Parties harmless includes the duties to defend set forth in California Civil Code Section 2778.

B. Hazardous Substance Indemnification. Contractor shall protect, defend (with counsel selected by Contractor and reasonably acceptable to County), indemnify and hold harmless the County, its board members, officers, directors, employees, agents, consultants, successors and assigns (hereinafter "County Indemnified Parties"), from and against all claims for actual damages (including but not limited to special and consequential damages), natural resources damages, punitive damages, restitution, injuries, costs, response costs, remediation and removal costs, losses, demands, debts, liens, liabilities, causes of action, suits, legal or administrative proceedings, interest, fines, charges, penalties and expenses (including but not limited to attorneys' and expert witness fees and costs incurred in connection with defending against any of the foregoing or in enforcing this indemnity) of any kind whatsoever paid, incurred or suffered by, or asserted against, the County Indemnified Parties, arising out of or resulting from any repair, cleanup, detoxification, or preparation and implementation of any removal, remedial, response, closure, corrective action or other plan (regardless of whether undertaken due to governmental action), concerning the

release or threatened release of any hazardous substance or Hazardous or municipal Solid Waste at any place where Hazardous or Solid Waste is or has been transported, transferred, processed, stored, disposed or has otherwise come to be located by Contractor pursuant to the Franchise Agreement, which may result in a release of Hazardous Waste or hazardous substance into the environment. As used herein, the phrases “hazardous substance” and “Hazardous Waste” shall coincide with the broadest definition thereof contained in any present or future federal or state laws. The foregoing indemnity is intended to operate as an agreement pursuant to Section 107(e) of the Comprehensive Environmental Response and Liability Act ("CERCLA"), 42 U.S.C. Section 9607(e), and California Health and Safety Code Section 25364, to defend, protect and hold harmless and indemnify the County Indemnified Parties from liability. This provision shall survive the termination of this agreement between Contractor and the County. The foregoing indemnity shall not have any dollar limitation. The foregoing indemnity is for the exclusive benefit of the County Indemnified Parties and in no event shall such indemnity inure to the benefit of any third party.

The foregoing indemnity shall not apply with respect to: (1) any Hazardous Waste or hazardous substance generated by the County and delivered by the County to Contractor; (2) the closure and post-closure of Meyers Landfill; (3) the disposal or release of hazardous substances or Hazardous Waste, which disposal or release has resulted from the negligence or willful misconduct of County in collecting or delivering hazardous substances or Hazardous Waste in County vehicles to Contractor’s facilities; or (4) Contractor’s operation of the PHHWCF, unless the release is caused by the negligence of Contractor. This indemnity shall include and cover any activities of Contractor under the Prior Agreements. Nothing in these exclusions shall be deemed a waiver of any other rights or claims the County may have against the Contractor independent of this indemnity.

C. AB 939 Indemnification. Contractor shall protect, defend with counsel reasonably acceptable to the County, indemnify and hold the County harmless from any and all fines, penalties and assessments levied against or threatened to be levied against the County for the County's failure to meet the requirements of AB 939, its amendments or any successor legislation and/or all rules and regulations promulgated thereunder, but only to the extent such liability is caused by Contractor's failure to comply with Contractor’s express obligations under this Agreement and/or Contractor's failure to comply with said laws, rules or regulations binding on Contractor, including but not limited to failing to timely supply the County with information or reports in order to comply with AB 939. Contractor shall not be obligated to indemnify County for fines or penalties caused by County's modifications of Contractor's information, by a change by the County in the scope of work hereunder which materially and negatively affects the ability of Contractor to perform diversion activities which contribute to the County’s compliance with AB 939, or by County's own acts or omissions which result in County's failure to provide timely reports to the state. In addition, the Contractor’s duty to indemnify under this Section is subject to the following restrictions:

1. The Contractor’s obligation to indemnify the County shall not be enforceable if the Board-imposed penalty is based solely upon the failure of the County to establish and maintain a source reduction and recycling element pursuant to Sections 41000 et seq. of the Public Resources Code.

2. No payment required under the Contractor's obligation to indemnify the County may exceed that portion of any penalty assessed by the Board against the County that was caused by Contractor's failure to comply with an express obligation or requirement of this Agreement. Further, the Company shall not be liable under the indemnity obligation to the extent that the Company's failure to comply resulted from County's action or failure to act, determined as a result of judicial review, hearing or appeal to the California Integrated Waste Management Board.

SECTION 28 - GENERAL PROVISIONS

A. **Force Majeure.** Contractor shall not be in default under this Agreement in the event that the collection, processing, transportation and/or disposal services of Contractor are temporarily interrupted or discontinued for reasons outside the reasonable control of the Contractor, including but not limited to riots, wars, sabotage, civil disturbances, acts of terrorism, insurrection, explosion, natural disasters such as floods, earthquakes, landslides and fires, strikes, lockouts and other labor disturbances, excessive snow, acts of God, or other similar or dissimilar events which are beyond the reasonable control of Contractor. Other events do not include the financial inability of the Contractor to perform or the failure of the Contractor to obtain any necessary permits or licenses from other governmental agencies, or the right to use the facilities of any public utility where such failure is due solely to the acts or omissions of the Contractor. In the event a labor disturbance interrupts collection, transportation and/or disposal of solid waste by Contractor as required under this Agreement, County may elect to exercise its rights under Section 16 of this Agreement.

B. **Independent Contractor.** Contractor is an independent contractor, and not an officer, agent, servant or employee of County. Contractor is solely responsible for the acts and omissions of its officers, agents, employees, Contractors and subcontractors, if any. Nothing in this Agreement shall be construed as creating a partnership or joint venture between County and Contractor. Neither Contractor nor its officers, employees, agents or subcontractors shall obtain any rights to retirement or other benefits, which accrue, to County's employees.

C. **Right of Entry.** Contractor shall have the right, until written notice revoking permission to pass is delivered to Contractor, to enter or drive on any private street, court, place, easement or other private property for the purpose of collecting or transporting solid waste pursuant to this Agreement.

D. **Law to Govern; Venue.** The law of the State of California shall govern this Agreement. In the event of litigation between the parties, venue in state trial courts shall lie exclusively in the County of El Dorado. In the event of litigation in a U.S. District Court, exclusive venue shall lie in the Eastern District of California.

E. **Fees and Gratuities.** Contractor shall not, nor shall it permit any agent, employee or subcontractor employed by it, to request, solicit, demand or accept, either directly or indirectly, any compensation or gratuity for the collection of solid waste otherwise required to be collected under this Agreement.

F. Prior Agreements and Amendments. No amendment of this Agreement shall be valid unless in writing duly executed by the parties. This Agreement contains the entire agreement between the parties, and no promises, representations, warranty or covenant not included in this Agreement have been or are relied upon by either party. This Agreement is intended to supersede and replace all prior agreements between the parties, except as otherwise specifically provided in this Agreement.

G. Compliance With Agreement. Contractor shall comply with those provisions of the Ordinance Code which are applicable, and with any and all amendments to such applicable provisions during the term of this Agreement, provided that such provisions are not inconsistent with the terms of this Agreement.

H. Notices. All notices required or permitted to be given under this Agreement shall be in writing and shall be personally delivered or sent by telecopier or United States certified mail, postage prepaid, return receipt requested, addressed as follows:

To County: Director
 Environmental Management Department
 2850 Fairlane Court
 Placerville, CA 95667

To Contractor: Jeff Tillman, President
 South Tahoe Refuse Co, Inc.
 2140 Ruth Avenue
 South Lake Tahoe CA 96150

or to such other address as either party may from time to time designate by notice to the other given in accordance with this section. Notice shall be deemed effective on the date personally served or sent by telecopier or, if mailed, three (3) business days from the date such notice is deposited in the United States mail.

I. Savings Clause and Entirety. If any non-material provision of this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect the validity and enforceability of any of the remaining provisions of this Agreement.

J. Exhibits Incorporated. Exhibits "A" through "E" are attached hereto and incorporated in this Agreement by reference.

K. Joint Drafting. This Agreement was drafted jointly by the parties to the Agreement.

L. Judicial Review. Nothing in this Agreement shall be construed to prevent either party from seeking redress to the Courts for the purposes of legal review of administrative proceedings in regard to rate setting or County's actions taken pursuant to this Agreement, or for the purpose of interpreting or enforcing the provisions contained in this Agreement.

M. Police Powers Nothing in this Agreement is intended to or may limit County's authority pursuant to its police power.

N. Successors and Assigns. Subject to the other terms and conditions herein, this Agreement shall be binding upon and inure to the benefit of the respective successors, permitted assigns, administrators and trustees of the County and Contractor.

O. Survival. All confidentiality and indemnification provisions of this Agreement shall survive this Agreement.

P. Administrator. The County Officer or employee with responsibility for administering this Agreement is Gerri Silva, Interim Director, Environmental Department or her successor.

IN WITNESS THEREOF, County and Contractor have executed this Agreement this __ day of _____, 2007.

COUNTY OF EL DORADO

By _____

Helen Baumann, Chairman
Board of Supervisors

ATTEST:
Cindy Keck, Clerk of the
Board of Supervisors

By _____

Contractor

By: _____

Its: President

By: _____

Its: Secretary

EXHIBIT A
SOUTH TAHOE REFUSE CO., INC.
DEFINITION OF FRANCHISE AREA

The area for which this franchise is granted and to which it shall apply is all that portion of the unincorporated territory of the County of El Dorado, State of California, described as follows: All of Township 10 North, Range 8 East; all of Townships 10 North, Range 9 East; Township 10 North, Range 10 East; Township 10 North, Range 11 East; and Township 10 North, Range 12 East, M.D.B. & M.

All of Sections 31, 32, 33, 34, 35 and 36 of Township 11 North, Range 9 East, M.D.B. & M.,

All of Sections 31, 32, 33, 34 and those portions of Section 35, 36 and 25 lying south of the South Fork of the American River, in Township 11 North, Range 10 East, M.D.B. & M.

All those portions of Township 11 North, Range 11 East, and Township 11 North, Range 12 East, M.D.B. & M., lying south of the South Fork of the American River.

All of Sections 30, 31 and that portion of Section 19 lying South of the South Fork of the American River, Township 11 North, Range 13 East, M.D.B. & M.

All of Sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31 and 32 of Township 10 North, Range 13 East, M.D.B. & M.

All of Sections 5, 6, 7, and 8 of Township 9 North, Range 12 East, M.D.B. & M.

All of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 17 and 18, and those portions of Sections 15, 16, 19 and 20 lying north of the North Fork of the Cosumnes River, Township 9 North, Range 11 East, M.D.B. & M.

All of Section 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and that part of Section 24 lying North of the North Fork of the Cosumnes River, Township 9 North, Range 11 East, M.D.B. & M.

All of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24, Township 9 North, Range 9 East, M.D.B. & M.

EXCEPTING THEREFROM the following real property located in and near the City of Placerville, to wit:

All of Sections 5, 6, 7, 8, 9, 10, 16, 17, 18 and those portions of Sections 15, 19, 20, 21, and 22 lying north of Weber Creek, Township 10 North, Range 11 East, M.D.B. & M.

All of Sections 1, 12, those portions of Sections 13 and 24 lying north of Weber Creek, the South Half of the Southeast Quarter of Section 11, and the North Half of the Northeast Quarter of Section 14, Township 10 North, Range 10 East, M.D.B. & M.

EXHIBIT B
LEVEL OF SERVICE

1. GENERAL

Contractor will perform the following services under the Agreement:

Weekly Solid Waste Collection

- Residential service using existing 32 “trash cans”
- Commercial service using existing 32 gallon “trash cans”, bins or compactors
- Commercial commingled recycling for high volume generators.
- House service at no additional charge for disabled or frail elderly residential customers
- Recyclable Materials processing and marketing services.
- Green Waste Materials processing and marketing services.

Other services include:

- Transfer Station services for recycling and disposal by self-haul public customers
- Permanent Household Hazardous Waste Collection Facility for residents and CESQGs
- Consolidation Point for Home Generated Sharps
- Certified oil collection facility
- Annual Clean Tahoe Day Event
- Christmas tree collection recycling program
- Certified Recycling buy-back center
- Additional programs as mutually agreed upon by County and Contractor and funded as set forth in Section 6.A.

2. SOLID WASTE COLLECTION

The Solid Waste Collection Services will include the following services:

Residential Solid Waste Collection
Commercial Solid Waste Collection

Contractor is responsible for collecting and transporting Solid Waste to Disposal, Transfer, and/or Material Recovery Facilities. Contractor will conform to the applicable receiving facility’s unloading standards and hours of operation. The Contractor is responsible for paying the tipping fee at the applicable receiving facility for all tonnage delivered as part of conducting the Collection Services.

Residential Service

The Contractor will provide weekly Solid Waste collection services to Residential customers. Residential collection is mandatory, unlimited service in all portions of the franchise area. The trash service will continue to be serviced on a one time per week basis. The collection service will include collection at the curb using either manual, semi-automated or automated collection vehicles. Disabled and frail elderly Residential

customers shall be provided house service at no cost in accordance with El Dorado County's qualifying procedure.

Commercial Service

Contractor will provide collection of Solid Waste generated by Commercial customers with container sizes and collection frequencies to serve the needs of the customer.

Multi-Family and Mobile Home Park Solid Waste Collection

Contractor will collect Solid Waste from Multi-family and Mobile Home Park customers pursuant to the mandatory collection ordinance.

Debris Box and Compactor Solid Waste

The Contractor will provide compactors and/or debris boxes for regular and on-call Residential and Commercial customers. The debris box size will be variable and will include debris boxes providing 6, 8, 20, 30 and 40 cubic yards of capacity. The Contractor will arrange, on an on-call-basis, to provide debris box customers with boxes sized to appropriately service their needs. The Contractor is responsible for collecting the compactor or debris box and transporting it to the applicable Disposal, Transfer or Material Recovery Facility. The Contractor must conform to the receiving facility's receiving and unloading standards.

5. COMMERCIAL RECYCLING

Contractor may, at its option, provide Recyclables collection to Commercial customers.

6. GREEN WASTE MATERIALS COLLECTION

Upon completion of Phase I of the resource recovery facility, and upon mutual agreement between County and Contractor, a Green Waste program will be developed pursuant to the provisions of Section 6.A.

7. RECYCLABLE MATERIALS PROCESSING AND MARKETING

The Contractor will be responsible for all Recyclable and Green Waste Materials processing and marketing services associated with the collection of Recyclable and Green Waste Materials under this Agreement. The Contractor shall provide adequate processing facility capacity. In meeting the obligation to provide processing facility capacity, the Contractor may purchase, lease, subcontract, or make other arrangements with a new or existing facility for the processing and marketing of the Recyclable and Green Waste Materials collected in the County. Ownership or leasing arrangements will be the sole responsibility of the Contractor. The Contractor will have the responsibility to ensure the technical and environmental suitability of any processing site for its intended purpose. The Contractor will be compensated for Recyclable and Green Waste Materials processing and marketing solely through the Service Rates.

The Contractor shall arrange for the transportation of the Recyclable, Green Waste or other Solid Waste Materials to the processing, transfer or disposal facility. If the Contractor chooses to consolidate the Recyclable or Green Waste Materials to reduce transportation costs to a distant processing site, the Contractor will be responsible for securing and

operating a staging area for temporary storage, consolidation, and loading of materials into transfer vehicles for long-hauling to the processing facility.

In accordance with the terms of the Agreement, the Contractor shall receive and process the source separated Recyclable and Green Waste Materials, prepare Recyclable and Green Waste Materials for markets, and market the recovered materials for sale, reuse, or other beneficial purpose. All revenues earned from the sale of the Recyclable or Green Waste Materials will be retained by the Contractor.

By mutual written agreement, the Contractor will process and market additional types of Recyclables.

Disposal of residue remaining after the segregation of the Recyclable or Green Waste Materials will be the Contractor's responsibility. The costs of residue transportation and disposal will be borne by the Contractor and shall be included in the Rates.

8. CHRISTMAS TREE COLLECTION

The Contractor will, without additional compensation, collect all Christmas trees discarded by all Single-family, multi-family, and mobile home park residents during the first two regularly scheduled collection days after Christmas Day for each collection route. Christmas trees must be cut to three (3) foot by three (3) foot dimensions and placed next to the cart on the scheduled service day. Residential customers will also have the option to deliver their tree to the South Tahoe Refuse Transfer Station/MRF facility during the month of January.

10. BULKY ITEMS PICK-UP BY APPOINTMENT

Contractor shall provide Bulky Item pick-up on an as-requested basis, by appointment, for an additional charge, at rates to be negotiated in good faith by the Contractor and the County. Customers will be required to contact the Contractor to arrange for an appointment to collect their Bulky Items.

11. HOUSE SERVICE FOR DISABLED AND FRAIL ELDERLY RESIDENTIAL CUSTOMERS

Qualified individuals requiring house service, due to physical disability or frailty and as determined by the County's qualification procedure, will be provided this service by the Contractor at no additional fee. The house service will include collection of Solid Waste, Recyclable Materials and Green Waste Materials.

12. E-WASTE COLLECTION PROGRAM

In the event the County opts to phase out its current single day collection event for electronic waste (e.g., computers), the County and Contractor will work in cooperation to have Contractor establish a curbside collection program for E-Waste, upon terms and at rates that are mutually agreed upon by the parties.

13. MANDATORY SERVICE

Contractor shall provide mandatory collection service in accordance with County's mandatory collection ordinance.

EXHIBIT C
SCHEDULE OF RATES

SOUTH TAHOE REFUSE, INC. EL DORADO COUNTY					
Description	RESIDENTIAL Unlimited/ Weekly Pickup		COMMERCIAL		
	Regular	Senior	Per Loose Yard	Per Compacted Yard	Per Can
Current Rates	21.83	19.36	26.17	35.05	4.58
Rates Effective 1/1/2007	23.79	21.10	28.53	38.20	4.99

EXHIBIT D
RESOURCE RECYCLING FACILITY PROJECT DESCRIPTION

The Resource Recovery Project allows us to maximize recycling in our South Lake Tahoe and Tahoe Township communities by recovering the large volume of organic materials generated in this service area. Currently, organic materials are recovered along with other recyclables from the mixed waste in the existing Materials Recovery Facility (MRF). The new facilities will provide a more efficient and effective process by directing these natural resources to a single, dedicated operation. This project is designed to meet state mandated recycling goals for our local jurisdictions.

The facility expansion is structured in two phases. Phase I provides a 33,700 square foot building accepting organic materials as well as structures for truck parking on adjacent property. Initially the project will recycle natural vegetation such as pine needles, slash, brush, trees, and stumps as well as a large volume of milled wood. These organic materials will be shredded to reduce volume and weight. Other organics, such as grass, green residuals from grocery stores, and fiber materials, may be added as markets become available for high organic-content products. Clean, native organics such as pine needles and wood chips will be stored in bunkers for use in local erosion and revegetation projects. The remainder of the recovered organic materials will be transported to regional composting operations.

Recovery of other recyclables in the existing Material Recovery Facility (MRF) will increase as the organics are diverted from that process. Contamination will be reduced, MRF sorting will be more efficient, and traffic flows will be safer, improving overall MRF operations.

Phase II of the project is scheduled for consideration in the long-term future based on recovery achieved by Phase I, new markets and conversion technologies for recovered materials, and the status of state recycling mandates. Phase II includes the installation of bio-cells, based on a computerized European technology, that will further reduce the weight and volume of organic materials through a fully enclosed system. This advanced technology is fully automated and includes air filtration and wastewater discharge systems. The process is completed in 7 days and the product is transported to composting and/or energy generation projects.

The benefits of this project are significant to our South Lake Tahoe communities, including materials recycled into new products; native, sustainable resources for local revegetation projects; support for fuels reduction and fire prevention projects; landfill disposal reduced; and potential market expansion into conversion technologies, all making wise use of our natural resources.

The Resource Recovery Project allows the South Lake Tahoe and Tahoe Township communities to maximize recycling in the South Lake Tahoe area by recovering the large volume of organic materials generated in this portion of the Lake Tahoe basin. This project is designed to meet and exceed state mandated recycling goals for these local jurisdictions.

Currently, all solid waste collected in the South Lake Tahoe service area is consolidated at the existing Materials Recovery Facility (MRF) located at the South Tahoe Refuse Transfer Station, 2140 Ruth Avenue, South Lake Tahoe, California. Within the one building, wood, vegetation and other organic materials are recovered from the mixed solid waste along with over 20 other recyclable materials.

The MRF services STR collection and roll-off trucks as well as a steady number of public vehicles, residents, private contractors and small business owners. During the summer season, traffic often exceeds 200 vehicle trips per day. Although separate areas, and discounted rates, are provided for pre-sorted recyclables, most materials arrive mixed and are recovered by STR employees within the facility. Recycling rates over the past few years remain in the 40% range, due mainly to space limitations and the requirement that materials be processed through the building within 24 to 48 hours. Residual materials, consisting of mixed materials and materials for which markets are not currently available, are transported out of the Lake Tahoe basin to a regional, permitted landfill east of Reno, Nevada, on a daily basis.

The facility expansion is structured in two phases. Phase I provides a 33,700 square foot building accepting organic materials. The new Resource Recovery Facility will increase efficiency by directing organic materials to a single, dedicated operation with existing markets and end-uses for these resources. Residential curbside collection routes for yard or “green” waste will further increase the efficient recovery of these materials. Green waste collection will also be available to commercial properties, according to their needs.

The open-span building is designed to accommodate unloading by the large end-dump trucks that currently deliver organics to STR facilities. Shredding equipment will reduce the volume of the material and maximize transport capacity for materials bound for regional composting sites. All unloading, processing and loading of materials will take place inside the new facility, eliminating nuisance dust and noise concerns. Temporary bunkers will provide storage capacity for clean, native organics, such as pine needles and wood chips, currently sought for local erosion and re-vegetation projects. A computerized scale system will monitor inbound and outbound loads. A public education area and employee facilities are also provided.

Initially, the facility will recycle natural vegetation such as pine needles, slash, brush, trees, and stumps as well as a large volume of milled wood. Other organics, such as grass, green residuals from grocery stores, and fiber materials, may be added as markets become available for high organic-content products.

Recovery of other recyclables in the existing Material Recovery Facility (MRF) will increase as the organics are diverted from that process. Contamination from yard waste will be significantly reduced, making MRF sorting more efficient and effective and opening up adequate space to target non-organics, like metals, plastics and special wastes.

Redirecting organic-content loads to the Resource Recovery Facility on Eloise Street and development of collection and transport truck facilities across Ruth Avenue will significantly improve traffic flows at the MRF, improving public safety and overall MRF recovery operations. The Ruth Avenue truck facility includes ancillary services for these trucks, such as fueling, wash rack, tire shop, container storage and employee parking, eliminating the current congestion as these operations conflict with and impede MRF recovery and recycling activities.

Phase II of the Project is scheduled for consideration in the long-term future. At that point, the local agencies will review the level of recovery achieved under Phase I, the status of state recycling mandates and new market developments. Phase II anticipates the installation of bio-cells, based on a computerized European technology, that will further reduce the weight and volume of organic materials through a fully enclosed system. First, shredded waste is loaded into concrete boxes. When filled, the boxes are closed and sealed and the organic materials break down. Air controls the decaying process and water is removed as the organics becomes biologically stable. This advanced technology is fully automated and includes air filtration and wastewater treatment systems. The process for each cell is completed in 7 days and the product is transported out of the Lake Tahoe basin for further processing and eventually to composting and/or energy generation/conversion projects.

The benefits of this project are significant to our South Lake Tahoe and Tahoe Township communities. The combined MRF and Resource Recovery facilities will increase the materials recycled into new products; improve water quality by providing native mulches for erosion projects and compost for sustainable agriculture operations; support fuels reduction projects that reduce the threat of wildfire; reduce landfill disposal; enhance environmentally responsible management of special wastes; and position ourselves for potential market expansion into conversion technologies; all making wise use of our natural resources. The Resource Recovery Project is a large investment to us all, residents and businesses alike; but it is truly an investment in our future.

EXHIBIT E
COLA FORMULA

Contractor's Collection Rates shall be subject to annual adjustment, commencing in January 1, 2008, and each succeeding January 1st (the "Rate Adjustment Date") of each year thereafter during the remaining Term of this Agreement, except for those years when Contractor may apply to County for a general rate increase or the County may initiate a general rate review, using a Cost-of-Living adjustment formula ("COLA"), as follows:

COLA = [.09(A) + .03(B) + .13(C) + .37(D) + .09(E) + .11(F) + .18(G)] + in addition, the Board of Supervisors shall consider revising Contractor's rates whenever Contractor establishes to the satisfaction of the Board or the Board determines on its own initiative that unforeseen circumstances have arisen which have materially affected the Contractor's costs or revenues under this Franchise Agreement.

Where:

A= LANDFILL DISPOSAL COST

This component represents the percentage increase in landfill disposal costs for the Lockwood Landfill from the prior year. For example, the April 1, 2007, percentage rate increase at the Lockwood Landfill would be used for the January 1, 2008, COLA calculation. Contractor shall not agree to any increases in disposal costs at the Lockwood Landfill except as required under the current disposal agreement between Contractor and Lockwood Landfill, or any amendment thereto subsequently approved by the County. Landfill disposal costs other than annual COLA adjustments under the disposal agreement between Contractor and the Lockwood Landfill shall be subject to review and approval of the Board of Supervisors as to their justification under the disposal agreement.

B= FUEL COST

This component represents the percentage change in the annual average of the U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index (PPI)-Commodities, Series ID: wpu057303, Not Seasonally Adjusted, Group: Fuels and related products and power, Item #2 diesel fuel, Base Date: 8200. The adjustment will be based on the percentage change between the annual average of the index for the most recently completed fiscal year and the corresponding index published 12 months earlier. For example, the change for the 2008 rate year would be the percentage change in the annual average for the period July 1, 2006, to June 30, 2007, compared to the annual average for the period July 1, 2005, to June 30, 2006.

C= INSURANCE COST

This component respects the actual percentage change for the cost of insurance for workers compensation, health, property and casualty insurance over the prior year. The adjustment will be based on the percentage change between actual insurance expenses for the most recently completed fiscal year and the actual insurance expenses for the prior fiscal year as reflected in the Contractor's financial statement. For example, the change for the 2008 rate year would be the percentage change in the actual insurance expense for

the period July 1, 2006, to June 30, 2007, compared to the actual insurance expense for the period July 1, 2005, to June 30, 2006.

D= GENERAL LABOR COST

This component represents the percentage change in the annual average of the U.S. Department of Labor, Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics Survey (National), Series ID: ceu6056210006, Not Seasonally Adjusted, Professional and business services, Industry: Waste collection, NAICS Code: 5621, Data Type: average hourly earnings of production workers. The adjustment will be based on the percentage change between the annual average of the index for the most recently completed fiscal year and the corresponding index published 12 months earlier. For example, the change for the 2008 rate year would be the percentage change in the annual average for the period July 1, 2006, to June 30, 2007, compared to the annual average for the period July 1, 2005, to June 30, 2006.

E= OFFICERS AND ADMINISTRATIVE LABOR COST

This component represents the percentage change in the annual average in the #9240 San Francisco/Oakland/San Jose Consumer Price Index Urban Wage Earners and Clerical Workers Index. The adjustment will be based on the percentage change between the annual average of the index for the most recently completed fiscal year and the corresponding index published 12 month earlier. For example, the change for the 2008 rate year would be the percentage change in the annual average for the period July 1, 2006, to June 30, 2007, compared to the annual average for the period July 1, 2005, to June 30, 2006.

F= EQUIPMENT REPLACEMENT AND MAINTENANCE COST

This component will blend the weighted percentage change in the annual average of the three indices for motor vehicle body mfg (25%), truck trailer mfg with axle rating of 10,000 pounds or more (25%) and vehicle maintenance (50%). The indices used will be the U.S. Department of Labor, Bureau of Labor Statistics, PPI Industry Date:

1. Vehicle Replacement, Weight = 25%. Series ID: pcu3362113362113, Not Seasonally Adjusted, Industry: Motor Vehicle body mfg, Product: Complete vehicles produced on purchased chassis, Base Date: 8212.
2. Vehicle Replacement, Weight = 25%. Series ID: pcu3362123362121, Not Seasonally Adjusted, Industry: Truck trailer mfg, Product: Truck trailers and chassis, with axle rating of 10,000 lbs or more, Base Date: 7912.
3. Vehicle Maintenance, Weight = 50%. Series ID: pcu333924333924, Not Seasonally Adjusted, Industry: Industrial truck, tractor, trailer, stacker machinery mfg, Product: Industrial truck, tractor, trailer, stacker machinery mfg, Base Date: 7912.

The rate adjustment will be based on the weighted percentage change between the most recently completed fiscal year and the corresponding index published 12 months earlier. For example, the change for the 2008 rate year would be the percentage change in the annual average for the period July 1, 2006, to June 30, 2007, compared to the annual average for the period July 1, 2005, to June 30, 2006.

G= GENERAL OPERATING AND ADMINISTRATIVE COST

Any other cost not included in one of the above categories will be included here and will be adjusted based on the percentage change in the national #9340 Producer Price Index for Industrial Commodities. The adjustment will be based on the weighted percentage change between the most recently completed fiscal year and the corresponding index published 12 months earlier. For example, the change for the 2008 rate year would be the percentage change in the annual average for the period July 1, 2006, to June 30, 2007, compared to the annual average for the period July 1, 2005, to June 30, 2006.