

**SETTLEMENT AGREEMENT
AND MUTUAL LIMITED RELEASE**

A. PARTIES; DATE

This **SETTLEMENT AGREEMENT AND MUTUAL LIMITED RELEASE** (this "**Agreement**") is dated as of January 12, 2010 (the "**Reference Date**"), and is by and between Waste Connections of California, Inc., a California corporation d/b/a El Dorado Disposal Service ("**WCI**"), and County of El Dorado ("**County**"). The parties to this Agreement are herein collectively referred to as the "**Parties**."

B. RECITALS

1. County and USA Waste of California, Inc., a Delaware corporation d/b/a El Dorado Disposal Services ("**USA Waste**"), entered into a written contract entitled "Solid Waste Services Agreement" on or about August 23, 2004 (the "**Franchise Agreement**").

2. WCI succeeded to USA Waste's rights and duties under the Franchise Agreement when it acquired the assets of the El Dorado Disposal Service business, including the Franchise Agreement, from USA Waste on or about June 6, 2006.

3. Subsection 22(C) of the Franchise Agreement states that the rates for services provided by WCI pursuant to the Franchise Agreement "shall be adjusted, upward or downward, annually, effective July 1st of each year during the Term of this Agreement, commencing on July 1, 2005, based on the increase or decrease in the Consumer Price Index – All Items – for the State of California, published by the U.S. Bureau of Labor Statistics ("**CPI**") during the most recent twelve month period ending no later than December 30 of the calendar year preceding the upcoming Operating Year" (the "**Annual CPI Adjustment**"). Since the U.S. Bureau of Labor Statistics does not publish an index entitled "Consumer Price Index – All Items – for the State of California," the Parties have instead relied on an index published by the California Division of Labor Statistics & Research entitled "California CPI – All Urban Consumers" to determine the Annual CPI Adjustment.

4. The subject of dispute between the Parties is the methodology used to calculate the Annual CPI Adjustment under the Franchise Agreement for 2009 and the remainder of the term of the Franchise Agreement (the "**CPI Methodology Dispute**").

5. For the Annual CPI Adjustments that were approved by the Board and implemented in July of 2005, 2006, 2007 and 2008, the Annual CPI Adjustment was equivalent to the percentage increase of the "Annual Average" of the immediately preceding year over the Annual Average for the next preceding year (the "**Annual Average Methodology**").

6. On or about June 23, 2009, the Board of Supervisors of County (the "**Board**") passed a resolution (Resolution 143-2009) (the "**Resolution**"), whereby the Board approved the Annual CPI Adjustment for 2009 based upon the percentage change in the Index from December of 2007 to December of 2008 to set WCI's rate for services for the year (the "**Point-to-Point Methodology**").

7. On or about August 31, 2009, WCI filed an administrative claim with County in accordance with the California Tort Claims Act (the "Claim") contending that County breached the Franchise Agreement by passing and implementing the Resolution. The Claim was deemed rejected by County on October 15, 2009.

8. On or about October 16, 2009, WCI filed a Complaint for Breach of Written Contract and Declaratory Relief (the "Complaint") in El Dorado County Superior Court against County. The case is captioned *Waste Connections of California, Inc., d/b/a El Dorado Disposal Services v. County of El Dorado, et al.*, El Dorado County Superior Court, Case No.: PC-20090649 (the "Action").

9. To avoid the substantial time, expense and uncertainties involved with legal proceedings, the Parties now wish to compromise, settle and resolve the CPI Methodology Dispute.

C. AGREEMENTS

1. The Board agrees to schedule a rate setting hearing at which it will consider a three and 3/10 percent (3.3%) increase in the rates that WCI may charge for services provided pursuant to the Franchise Agreement during the Franchise Agreement year July 1, 2009, through June 30, 2010. The increase shall be effective (without any retroactivity to July 1, 2009) as of January 1, 2010.

2. The Parties agree to amend the Franchise Agreement to clarify that the CPI methodology that will be used in determining the Annual CPI Adjustment on a going forward basis will be the Point-to-Point Methodology (*i.e.*, December to December); in all cases effective July 1 of each year. The amendment to the Franchise Agreement is attached hereto as Exhibit A.

3. For purposes of the 2010 rate adjustment (effective July 1, 2010), the rate will be adjusted in an amount equal to the amount determined using the Point-to-Point Methodology or one and one-half percent (1.5%), whichever is greater.

4. Section 11.B. of the Franchise Agreement shall be amended to state that in the event County exercises its options to extend the term of the Franchise Agreement for one or both years (*i.e.*, from December 31, 2012, to December 31, 2013, and from December 31, 2013, to December 31, 2014) then the rate will be adjusted in an amount equal to the amount determined using the Point-to-Point Methodology or zero percent (0%), whichever is greater. The amendment to the Franchise Agreement is attached hereto as Exhibit A.

5. WCI agrees to waive all past damages arising from, relating to, or incurred in connection with, the CPI Methodology Dispute.

6. If the Board formally approves this Agreement in every aspect and approves the proposed three and 3/10 percent (3.3%) rate increase at its January 12, 2010 rate hearing, WCI shall dismiss the Complaint with prejudice within ten (10) days thereafter. If the Board does not formally approve this Agreement in every respect and approve the proposed three and 3/10

percent (3.3%) rate increase at its January 12, 2010 hearing, this Agreement shall be null and void and of no force and effect.

7. Each party agrees to bear its own attorney's fees and costs arising from, relating to, or incurred in connection with, the CPI Methodology Dispute and the preparation and negotiation of this Agreement.

D. MUTUAL LIMITED RELEASE

1. Subject to and effective upon the Board's formal approval of this Agreement as set forth in paragraph C.6, above, including the Board's approval of a three and 3/10 percent (3.3%) rate increase, WCI releases County and its current and former agents, employees, successors, assigns and attorneys from any and all injuries, damages, losses, claims, liabilities and causes of action whatsoever, of whatever kind or nature, whether known or unknown, suspected or unsuspected, incident, connected, or related to the CPI Methodology Dispute.

2. Subject to and effective upon the Board's formal approval of this Agreement as set forth in paragraph C.6., above, including the Board's approval of a three and 3/10 percent (3.3%) rate increase, County releases WCI and its current and former agents, employees, managers, principals, officers, directors, shareholders, predecessors, successors, subsidiaries, affiliates, assigns and attorneys from any and all injuries, damages, losses, claims, liabilities and causes of action whatsoever, of whatever kind or nature, whether known or unknown, suspected or unsuspected, incident, connected, or related to the CPI Methodology Dispute.

3. The Parties acknowledge and agree that there is a risk that after execution of this Agreement, they will incur or discover claims, losses, damages, or injuries which are in some way caused by or related to the matters released by the Parties in paragraphs 1 and 2 above (collectively, "Claims"), but which are unknown and unanticipated at the time this Agreement is signed. The Parties hereby assume the above-mentioned risks and understand that this Agreement shall apply to all unknown or unanticipated claims, losses, damages, or injuries which are in some way caused by or related to the Claims, as well as those known and anticipated, and upon advice of counsel, waive any and all rights under California Civil Code section 1542 which section has been explained and reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

4. The mutual limited releases stated above do not affect the Parties' obligations set forth in this Agreement.

E. MISCELLANEOUS

1. Execution of Agreement. By signing this Agreement, the Parties and the respective representatives for the Parties confirm that they have read this Agreement and

understand its contents, agree to its terms, have consulted with their respective attorneys and are voluntarily entering into this Agreement. This Agreement is only effective when signed by all Parties.

2. Amendment. The Parties agree that any modification of this Agreement must be in writing, signed by authorized representatives for each of the Parties, and must refer specifically to this Agreement and the provisions modified.

3. Severability. If any provision of this Agreement is deemed invalid or unenforceable, the remainder of this Agreement shall remain in full force and effect.

4. Construction. Each party has cooperated in the drafting and preparation of this Agreement. The terms of this Agreement shall not be construed against any particular party.

5. Attorneys' Fees. In the event of any litigation between the Parties relating to a breach of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees, expenses and costs, including expert witness fees and costs.

6. No Third Party Beneficiary. This Agreement, and each and every provision hereof, is for the exclusive benefit of the Parties hereof and not for the benefit of any third party.

7. California Law. This Agreement shall be governed by and construed and interpreted under the laws of the State of California.

8. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

9. Delivery of Signatures. Duly executed signatures to this Agreement may be delivered by facsimile or other electronic means, so long as confirmation of good transmission is received, and such signature pages shall be deemed equivalent to and of the same force and effect as original signature pages.

10. Successors and Assigns. This Agreement is binding on the successors and assigns of each of the Parties.

11. No Admission of Liability. This Agreement is intended to settle and dispose of claims which are contested and denied. Nothing herein shall be construed as an admission by any Party of any liability of any kind to any other Party.

12. Further Assurances. The Parties shall cooperate and promptly execute any and all documents and perform any and all acts necessary to effectuate the provisions of this Agreement. The Parties agree to execute any further documentation that may be required to carry out the purposes of this Agreement.

13. Authority. Each signatory below represents and warrants that he or she is duly authorized to enter into this Agreement on behalf of the person or entity indicated.

14. Recitals. The Recitals are hereby incorporated into this Agreement by this reference and made expressly a part hereof.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties enter into this Agreement as of the Reference Date set forth above.

**WASTE CONNECTIONS OF CALIFORNIA, INC.
D/B/A EL DORADO DISPOSAL SERVICE**

By: 

Ronald J. Mittelstaedt
Chief Executive Officer

COUNTY OF EL DORADO

By: 

Chair, Supervisor Norma Santiago
Board of Supervisors

ATTEST: Suzanne Allen de Sanchez

By: 

Clerk of the Board of Supervisors
Deputy Clerk

EXHIBIT A

AMENDMENT TO FRANCHISE AGREEMENT

Attached hereto.

FIRST AMENDMENT OF SOLID WASTE SERVICES AGREEMENT

This First Amendment of Solid Waste Services Agreement (this "Amendment") is entered into by and between the County of El Dorado ("County") and Waste Connections of California, Inc., a California corporation d/b/a El Dorado Disposal Service ("Grantee"), and is effective as of January 1, 2010. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in that certain Solid Waste Services Agreement, dated August 23, 2004 (the "Agreement"), between El Dorado County and USA Waste of California, Inc., d/b/a El Dorado Disposal Services (as the predecessor in interest to Grantee) ("USA Waste").

This Amendment is made with reference to the following recitals:

Whereas, effective August 23, 2004, the County entered into the Agreement with USA Waste, which granted USA Waste the exclusive right and obligation, subject to certain limitations, until December 31, 2012, to, among other things, collect and dispose of municipal solid waste generated by residential, commercial and industrial customers in the Franchise Area which encompasses a portion of the unincorporated West Slope of El Dorado County, as specifically identified in Exhibit A of the Agreement; and

Whereas, effective June 6, 2006, Grantee acquired certain assets, including, without limitation, the Agreement, from USA Waste; and

Whereas, effective June 6, 2006, the County consented to the assignment of the Agreement from USA Waste to Grantee; and

Whereas, the County and Grantee wish to amend the Agreement in certain respects to, among other things, clarify how rates under the Agreement are adjusted to reflect changes in the cost of living index.

NOW THEREFORE, the parties agree as follows:

1. Section 11.B of the Agreement is hereby amended in its entirety to read as follows:

Section 11 – Term

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 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 at least ninety (90) days before the current termination date of this Agreement. In the event the County exercises its options to extend the terms of the Franchise Agreement for one or both years, the rate setting procedures for the extension term will be in accordance with the December base period point to point CPI calculation as described in Section 22 herein or 0% whichever is greater.

2. Section 22.C of the Agreement is hereby amended in its entirety to read as follows:

Section 22 - Compensation

C. Inflation/Deflation Adjustment – Subject to the limitations specified in the foregoing paragraphs regarding New Services, Contractor’s rates for services described in Exhibit C (but exclusive of Franchise Fees) shall be adjusted annually effective July 1st of each year during the Term of this Agreement based on the Consumer Price Index- All Items - All Urban Consumers - California as published by the State of California, Department of Industrial Relations, Division of Labor Statistics and Research (Attachment A). The month to be used for purpose of measuring the point-to-point base period for which the adjustment shall be determined is December. Each December following the commencement of this Amendment shall be used for comparison purposes of the annual rate setting adjustment. By way of illustration, if the index for December 2008 is 120 and the index for December 2009 is 125 the rate adjustment for this period shall be a proposed rate increase of 4.2%.

In the event the CPI index is no longer published, the parties shall confer in good faith to select an alternative index and shall confirm their agreement on a substitute index in writing. If the parties are unable to agree on a substitute index, either party may submit the selection of the substitute index to binding arbitration before a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. All percentages shall be computed to the second decimal place and the change in Contractor’s rates shall be calculated to the nearest cent (\$.01).

For purposes of the 2010 rate adjustment, the rate will be adjusted in the amount equal to the December base period point to point CPI described herein or 1.5% whichever is greater.

3. The recitals set forth above are hereby incorporated into this Amendment.
4. This Amendment may be executed in one or more facsimile or original counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.
5. All terms and provisions of the Agreement not amended hereby, either expressly or by necessary implication, shall remain in full force and effect. From and after the date of this Amendment, all references to the term “Agreement” in this Amendment and in the original Agreement shall include the terms contained in this Amendment.
6. In the event of any conflict between the original terms of the Agreement and this Amendment, the terms of this Amendment shall prevail.
7. Each party executing this Amendment represents and warrants that it is duly authorized to cause this Amendment to be executed and delivered.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year last below written.

- - COUNTY OF EL DORADO - -
-County-

Dated: _____

By: _____
Chair, Supervisor Norma Santiago
Board of Supervisors

ATTEST:

Dated: _____

By: _____
Clerk of the
Board of Supervisors

- - WASTE CONNECTIONS OF CALIFORNIA, INC.
d/b/a EL DORADO DISPOSAL SERVICE - -
-Grantee-

Dated: _____

By: _____
Ronald J. Mittelstaedt
Chief Executive Officer

ATTACHMENT A

See attached.

STATE OF CALIFORNIA
DEPARTMENT OF INDUSTRIAL RELATIONS

DIVISION OF LABOR STATISTICS AND RESEARCH
P. O. Box 420603, San Francisco, California 94142

http://www.dir.ca.gov/DISR

CONSUMER PRICE INDEX - CALIFORNIA

Los Angeles-Riverside-Orange Co., San Francisco-Oakland-San Jose, San Diego
United States City Average, 2008-2009

All Items
1982 - 1984 = 100

Year & Month	All Urban Consumers					Urban Wage Earners and Clerical Workers				
	California ^a	Los Angeles ^b Riverside Orange Co.	San Francisco ^b Oakland San Jose	San Diego ^b	U.S. City ^b Average	California ^a	Los Angeles ^b Riverside Orange Co.	San Francisco ^b Oakland San Jose	San Diego ^b	U.S. City ^b Average
2008 January	-	220,918	b		211,080	-	213,825	b		206,744
February	221,357	221,431	219,612		211,693	214,121	214,231	214,913		207,254
March	-	223,606	b		213,528	-	216,493	b		209,147
April	224,323	224,625	222,074		214,823	217,587	217,914	217,913		210,698
May	-	226,651	b		216,632	-	219,702	b		212,788
June	228,324	229,033	225,181	242,440	218,815	221,798	222,435	221,454	226,591	215,223
July	-	229,886	b		219,964	-	223,245	b		216,304
August	228,024	228,484	225,411		219,086	220,946	221,230	221,385		215,247
September	-	227,449	b		218,783	-	220,285	b		214,935
October	226,572	226,159	225,824		216,573	219,161	218,726	221,192		212,182
November	-	222,229	b		212,425	-	214,083	b		207,296
December	219,775	219,620	218,528	242,185	210,228	211,519	211,007	213,685	226,829	204,813
Annual Average	224,807	225,008	222,767	242,313	215,303	217,648	217,765	218,441	226,710	211,053
2009 January	-	220,719	b		211,143	-	212,454	b		205,700
February	222,181	221,439	222,166		212,193	214,017	213,234	216,797		206,708
March	-	221,376	b		212,709	-	213,013	b		207,218
April	222,896	221,693	223,854		213,240	214,689	213,405	218,587		207,925
May	-	222,522	b		213,856	-	214,446	b		208,774
June	224,994	223,906	225,692	240,885	215,693	217,322	216,145	220,996	225,482	210,972
July	-	224,010	b		215,351	-	216,128	b		210,526
August	225,438	224,507	225,801		215,834	217,743	216,628	221,279		211,156
September	-	225,226	b		215,969	-	217,302	b		211,322
October	226,035	225,264	226,051		216,177	218,458	217,474	221,708		211,549
November	-									
December	-									
Annual Average										

^a Weighted average of the consumer price indexes for Los Angeles-Anaheim-Riverside and San Francisco-Oakland-San Jose. A conversion factor has been included for comparability of 1987 data with 1986 and prior years. Computed by the Department of Industrial Relations, Division of Labor Statistics and Research from indexes issued by the U.S. Department of Labor.

^b Source: U.S. Department of Labor, Bureau of Labor Statistics. Beginning with January 1998 data, indices for San Francisco-Oakland-San Jose will be published bi-monthly on even months only (February, April, June, etc.). Beginning with the January 2007 data, indices published by the Bureau of Labor Statistics will be rounded to three decimal places (see <http://www.bls.gov/cpi/cpihreddec.htm>). The California indices conform to this change.