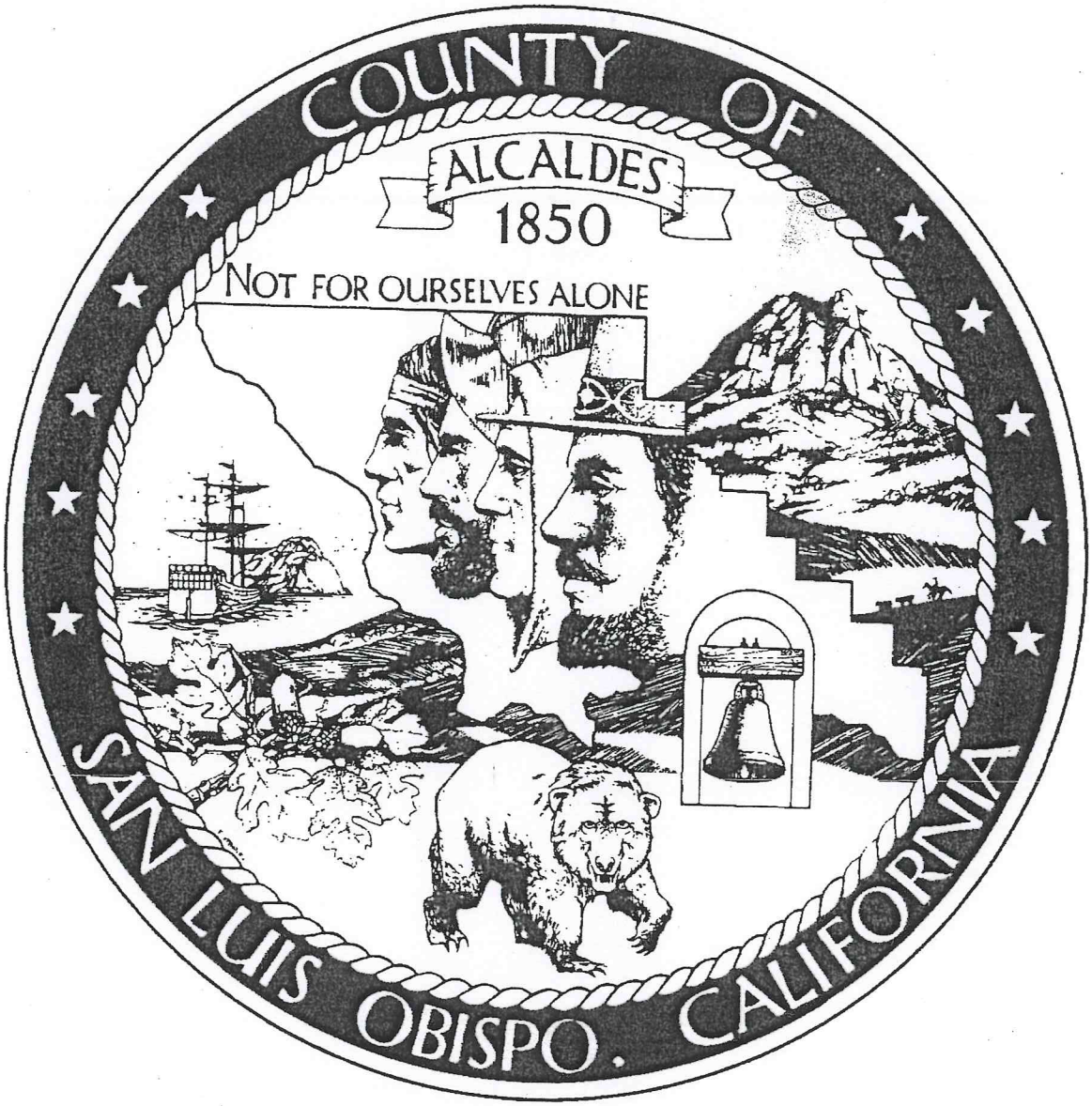
SOLID WASTE COLLECTION FRANCHISE AGREEMENT



MID-STATE SOLID WASTE AND RECYCLING SERVICES, INC.
AND
COUNTY OF SAN LUIS OBISPO

JUNE 2014

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS 6

ARTICLE 2 GRANT AND ACCEPTANCE OF FRANCHISE 13

2.1 Grant of Franchise 13
2.2 Acceptance of Franchise 14

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF FRANCHISEE 14

3.1 Franchisee Status 14
3.2 Franchisee Authorization 14
3.3 Compliance with Laws and Regulations 15
3.4 Serve without Interruption 15
3.5 Permits and Licenses 15
3.6 Preservation of County Property 15
3.7 Enforcement of Exclusivity of Franchise 16
3.8 California Emergency Services 16

ARTICLE 4 TERM OF AGREEMENT 16

4.1 Effective Date 16
4.2 Termination of Prior Franchise Agreement 16
4.3 Term of Agreement 16
4.4 Franchise Area 17
4.5 Option to Extend 17
4.6 Conditions of the Effectiveness of Agreement 17
4.7 Accuracy of Representations 17
4.8 Absence of Litigation 18
4.9 Furnishing of Insurance and Performance Bond 18

ARTICLE 5 SCOPE OF AGREEMENT 18

5.1 Scope of Services 18
5.2 Limitations to Scope of Services 20
5.3 Administration of Agreement 21
5.4 Use of County Streets 21
5.5 County Request for Service Changes 21
5.6 New Diversion Programs 22
5.7 County's Right to Acquire Services 22
5.8 Ownership of Solid Waste and Recyclable Materials 22
5.9 County's Right to Perform Service; Tagging of Improper Set-Outs 23
5.10 Franchisee as Arranger 24
5.11 Annexations 24
5.12 County Right to Direct Flow 24

ARTICLE 6 DIRECT SERVICES 25

6.1 General 25
6.2 Collection 25
6.3 Solid Waste and Recyclable Materials Services 26
6.4 Refusal to Provide Collection Services 28

6.5 Marketing and Sale of Recyclable Materials 28
6.6 Hazardous Waste and Medical Waste 28
6.7 Responsibility for Waste 29
6.8 Operations 29
6.9 Vehicles 30
6.10 Property Condition 32
6.11 Vehicle Identification 32
6.12 Operation 32
6.13 Solid Waste and Recyclable Materials Containers 33
6.14 Litter Abatement/Solid Waste Accumulation 35
6.15 Personnel 36
6.16 Disposal Requirements 37
6.17 Cleaning Commercial Bins 39
6.18 Clean-Up Days 39
6.19 Material Processing 39
6.20 Disposition of Unauthorized Waste 40
6.21 Disposal 41

ARTICLE 7 OTHER SERVICES: BILLING, REPORTING, RECORD-KEEPING AND PUBLIC EDUCATION 41
7.1 Billing 41
7.2 Responsible for Payment 42
7.3 Maintenance of Accounting Records 43
7.4 Right to Audit Records 43
7.5 Inspection by County 43
7.6 Office/Office Operation 43
7.7 Customer Information 44
7.8 Regulatory Reporting 45
7.9 Public Education 45
7.10 Records Retention 46

ARTICLE 8 PAYMENTS TO COUNTY 46
8.1 Franchise Fee 46
8.2 AB 939 Fee 48
8.3 Business License Tax 48
8.4 Other Fees 48
8.5 Adjustment of Fees 48
8.6 Review of Fee Payments 48

ARTICLE 9 FRANCHISEE'S COMPENSATION AND RATES 49
9.1 General 49
9.2 Collection Rates 51
9.3 Allowable Profit 55
9.4 Publication of Rates 55
9.5 Rate Adjustments and Assignment of Agreement 55

ARTICLE 10 RECORDS, REPORTS AND INFORMATION, STUDIES AND HEARING REQUIREMENTS 56

10.1 Records 56
10.2 Customer List 57
10.3 Waste Generation/Characterization Studies 57
10.4 Report Formats and Schedule 57
10.5 Monthly Reports 58
10.6 Quarterly Reports 59
10.7 Annual Financial Audit/Statements 60

ARTICLE 11 INSURANCE, BOND AND INDEMNIFICATION 61
11.1 Insurance 61
11.2 Scope and Limits of Required Insurance Policies 62
11.3 Prior Approval of Deductibles and Retentions 64
11.4 Submittal of Certificates of Insurance 64
11.5 Inadequate Insurance 64
11.6 Subcontractors 64
11.7 Occurrence Based Coverage 64
11.8 Performance Surety 65
11.9 Indemnification 66

ARTICLE 12 COUNTY'S RIGHT TO PERFORM SERVICE 67
12.1 General 67
12.2 Temporary Possession of Franchisee's Property 69
12.3 County's Right to Relinquish Possession 70
12.4 Duration of County's Possession 70

ARTICLE 13 DEFAULT, REMEDIES AND LIQUIDATED DAMAGES 70
13.1 Events of Default 70
13.2 Written Notice 72
13.3 Right to Terminate Upon Default or for Cause 72
13.4 Liquidated Damages 73
13.5 Liquidated Damages Notice and Assessment 76
13.6 Force Majeure 77
13.7 Financial Material Errors, Omissions or Irregularities 78

ARTICLE 14 OTHER AGREEMENTS OF THE PARTIES 78
14.1 Relationship of Parties 78
14.2 Compliance with Law/Standards of the Industry 79
14.3 Governing Law 79
14.4 Jurisdiction 79
14.5 Transition to Next Franchisee 79
14.6 Parties in Interest 80
14.7 Waiver and Estoppel 80
14.8 Failure to Enforce 80
14.9 Franchisee's Investigation 80
14.10 Notice 80
14.11 Representatives of the Parties 81
14.12 County Free to Negotiate with Third Parties 81
14.13 Compliance with the San Luis Obispo County Code 82

14.14 Privacy 82
ARTICLE 15 ASSIGNMENT 82
15.1 Prior Consent 82
15.2 Franchise Assignment 82
15.3 Attributes of Franchisee 83
15.4 Maintenance of Quality Service 83
15.5 Conditions for Consideration of Assignment 84
15.6 Subcontracting 84
15.7 Binding on Assigns 86
ARTICLE 16 PUBLIC RECORDS ACT 86
16.1 Disclosure 87
16.2 Franchisee Notice 87
16.3 Disclosure Indemnification 87
16.4 Notice to Secure Order 87
16.5 Designation Effect 87
ARTICLE 17 MISCELLANEOUS AGREEMENTS 88
17.1 Entire Agreement 88
17.2 Article Headings 88
17.3 References to Laws and Other Agreements 88
17.4 Interpretation 88
17.5 Modifications in Writing 89
17.6 Severability 89
17.7 Exhibits or Attachments 89
ARTICLE 18 PERFORMANCE REQUIREMENTS 89

SOLID WASTE COLLECTION FRANCHISE AGREEMENT

This Solid Waste Collection Franchise Agreement ("Agreement") is entered into on this 17 day of June, 2014 by and between the County of San Luis Obispo, a political subdivision of the State of California ("County"), and Mid-State Solid Waste and Recycling Services, Inc., a California corporation ("Franchisee"), for Franchisee to provide Solid Waste and Recyclable Materials Collection services within the unincorporated County.

RECITALS

WHEREAS, County and Franchisee are parties to that certain Solid Waste Franchise Collection Agreement dated November 20, 2007 ("Prior Solid Waste Agreement"); and

WHEREAS, County and Franchisee desire to terminate the Prior Solid Waste Agreement and enter into this Agreement; and

WHEREAS, the California Integrated Waste Management Act of 1989, codified in Section 40000 et seq. of the California Public Resources Code and commonly referred to as "AB 939" ("Integrated Waste Management Act" or "AB 939"), imposes mandates on local governments for the reduction of the waste stream; and

WHEREAS, the Integrated Waste Management Act also makes clear that it is within the public interest to authorize and require local agencies to make adequate provisions for Recyclable Materials handling and services within their jurisdictions; and

WHEREAS, County declares its intention of maintaining reasonable rates and high quality service for the Collection and disposal of Solid Waste and the Collection, Processing, and marketing of Recyclable Materials; and

WHEREAS, Section 40059(a)(2) of the California Public Resources Code authorizes County to determine the terms of Franchises within certain statutory limits for the Collection and disposal of Solid Waste; and

WHEREAS, the County has adopted a number of ordinances related to Solid Waste handling services within its jurisdiction, including, without limitation, a Solid Waste Management Ordinance, codified in Chapter 8.12 of the San Luis Obispo County Code ("County Code"); and

WHEREAS, Section 8.12.700 of the County Code sets forth the requirements for County Franchise agreements for the Collection of Solid Waste and Recyclable Materials; and

WHEREAS, it is in the interest of public health, safety and well-being for County to enter into this Agreement for the Collection and disposal of all Solid Waste generated and/or accumulated within the Franchise Area, provided however, that County does not intend, by virtue of this Agreement, to grant an exclusive Franchise with regard to Roll-off Box Collections or the Collection of liquid waste, Hazardous Waste, Medical Waste, Recyclable Materials, and other materials intended for separate Collection and/or diversion from disposal; and

WHEREAS, by this Agreement, the parties wish to set forth the terms and conditions of Franchisee's contractual obligations for the provision of Solid Waste and Recyclable Materials Collection and disposal services.

NOW, THEREFORE, with agreement between the parties that all of the above recitals are true and correct and are incorporated into this Agreement by this reference, for and in consideration of the mutual promises herein contained, including, without limitation, Franchisee's promise to Collect Food Waste that has been segregated from other waste materials prior to Collection by the generator as a Recyclable Material on or before the date specified herein, the adequacy of which is hereby acknowledged, it is hereby agreed by and between County and Franchisee as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, all capitalized terms, phrases, words, abbreviations and their derivations shall have the meaning given in this Article or in Section 8.12.110 ("Definitions") of the County Code, incorporated herein, if not specifically defined within this Article:

1.1 "AB 939" means the California Integrated Waste Management Act of 1989, codified in Section 40000 et seq. of the California Public Resources Code.

1.2 "Affiliate" means all businesses (including corporations, limited and general partnerships and sole proprietorships) which are directly or indirectly related to Franchisee by virtue of a direct or indirect common ownership interest or common management. An Affiliate shall include a business in which Franchisee owns a direct or indirect ownership interest, a business which has a direct or indirect ownership interest in Franchisee and/or a business which is also owned,

controlled or managed by any business or individual which has a direct or indirect ownership interest in Franchisee. For the purposes of determining whether an indirect ownership exists, the constructive ownership provisions of Section 318(a) of the Internal Revenue Code of 1986, as in effect on the Effective Date of this Agreement, shall apply; provided, however, that a) "ten percent (10%)" shall be substituted for "fifty percent (50%)" in Section 318(a)(2)(C) and in Section 318(a)(3)(C) thereof; and b) Section 318(a)(5)(C) shall be disregarded. For purposes of determining ownership under this paragraph and constructive or indirect ownership under Section 318(a), an ownership interest of less than ten percent (10%) shall be determined on the basis of the percentage of voting interest or value which the ownership interest represents, whichever is greater.

1.3 "Agreement" means this Solid Waste Collection Franchise Agreement, including all exhibits and attachments, and any amendments thereto between County and Franchisee.

1.4 "Applicable Law" means all Federal, State and local laws, ordinances, regulations, rules, orders, judgments, decrees, resolutions, permits, approvals, or other type of requirements imposed by any governmental agency having jurisdiction over the collection and disposition of Solid Waste or Recyclable Materials, including those that are in force and effect as of the Effective Date, as well as such additions and changes thereto as become effective by means of their enactment, amendments, issuance or promulgation at any time after the Effective Date and during the Term of this Agreement.

1.5 "Arranger" means any person who, by contract, agreement, or otherwise, arranged for disposal or treatment, or arranged with a Transporter for transport for disposal or treatment, of hazardous substances owned or possessed by such person, by any other party or entity, at any facility or incineration vessel owned or operated by another party or entity and containing such hazardous substances.

1.6 "Auditor-Controller" means the individual elected to serve as the San Luis Obispo County Auditor-Controller or that Auditor-Controller's designee.

1.7 "Billings" means any and all statements of charges for services rendered by Franchisee pursuant to this Agreement.

1.8 "Board" means the San Luis Obispo County Board of Supervisors.

1.9 "California Integrated Waste Management Act of 1989" means Section 40000 et seq. of the California Public Resources Code. The California Integrated Waste Management Act of 1989 is frequently referred to throughout this Agreement as "AB 939."

1.10 "CalRecycle" means the California Department of Resources Recycling and Recovery, formerly known as the California Integrated Waste Management Board.

1.11 "CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act, codified in 42 U.S.C 9601 et seq.

1.12 "Change in Law" means any of the following events or conditions: a) The enactment, adoption, promulgation, issuance, modification, or written change in administrative or judicial interpretation on or after the Effective Date of any Applicable Law; or, b) The order or judgment of any governmental body, issued on or after the Effective Date, to the extent such order or judgment is not the result of willful or negligent action, error or omission or lack of reasonable diligence of the County or of the Franchisee, whichever is asserting the occurrence of a Change in Law; provided, however, that the contesting in good faith or the failure in good faith to contest any such order or judgment shall not constitute or be construed as such a willful or negligent action, error or omission or lack of reasonable diligence.

1.13 "Collect" or "Collection" means to take physical possession, transport, and remove Solid Waste and/or Recyclable Materials within and from the County.

1.14 "Commercially Generated Recyclable Materials" means Recyclable Materials generated at commercial, governmental and/or industrial property and separated by the generator for Collection.

1.15 "Container" means any bin, vessel, can or receptacle used for Collecting Solid Waste or Recyclable Materials for removal, whether owned by the Collector, property owner or tenant.

1.16 "County" shall mean the County of San Luis Obispo, acting through the Board of Supervisors or the Director of Public Works and Transportation, and all territory lying within the political boundary of the County.

1.17 "Director" means the San Luis Obispo County Director of Public Works and Transportation or said Director's designee.

1.18 "Environmental Laws" means all federal and state statutes, and County ordinances and regulations and other local laws concerning public health, safety and the environment including, by way of example and not limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, codified in 42 U.S.C. 9601 et seq.; the Resource Conservation and Recovery Act, codified in 42 U.S.C. 6901 et seq.; the Federal Clean Water Act, codified in 33 U.S.C. 1251 et seq.; the Toxic Substances Control Act, codified in 15 U.S.C. 2601 et seq.; the Occupational Safety and Health Act, codified in 29 U.S.C. 651 et seq.; the California Hazardous Waste Control Law, codified in Section 25100 et seq. of the California Health and Safety Code; the California Hazardous Substances Account Act, codified in Section 25300 et seq. of the California Health and Safety Code; the California Safe Drinking Water and Toxic Enforcement Act, codified in Section 25249.5 et seq. of the California Health and Safety Code; currently in force and as hereinafter amended, and all rules and regulations promulgated thereunder.

1.19 "Facility" means any plant or site, owned, leased, maintained, operated and/or used by Franchisee for the purposes of performing its obligations under this Agreement.

1.20 "Fiscal Year" means the period commencing January 1 and concluding December 31 of the same year.

1.21 "Food Waste" means pre- and post-consumer surplus, spoiled or unsold food, such as vegetables and culls, as well as leftovers, kitchen scraps and plate scrapings from residential, institutional, industrial and commercial sources. Food Waste is considered a Recyclable Material when it is segregated from other waste materials prior to Collection by the generator in accordance with the terms of this Agreement.

1.22 "Franchise Area" means the area in which Franchisee has been granted the privilege of providing Solid Waste and Recyclable Materials Collection services, as provided in Article 4.4 ("Franchise Area") of this Agreement.

1.23 "Franchisee" means Mid-State Solid Waste and Recycling Services, Inc., a California corporation, and its officers, directors, employees, agents, companies and subcontractors, where applicable.

1.24 "Green Materials" means Yard Trimmings and other yard waste, untreated wood waste, natural fiber products and construction and demolition wood waste. Green Materials do not include food material, biosolids, wood containing lead-based paint or wood preservatives and mixed construction or mixed demolition debris. Green Materials are considered a Recyclable Material when they are segregated from other waste materials prior to Collection by the generator in accordance with the terms of this Agreement.

1.25 "Gross Revenues" means those revenues earned, as recognized by Generally Accepted Accounting Principles ("GAAP"), by Franchisee, or the value of any other economic benefit derived by Franchisee, pursuant to the rates established in accordance with this Agreement. Any rate subject to the requirements of this Agreement, which did not receive approval of the Board of Supervisors, but which Franchisee nevertheless charged, shall also be deemed to be included in Gross Revenues.

1.26 "Gross Receipts" means those revenues received, on the cash basis of accounting, by Franchisee, or the value of any other economic benefit derived by Franchisee, pursuant to rates approved by the San Luis Obispo County Board of Supervisors in accordance with this Agreement. Any rates subject to the requirements of this Agreement, which did not receive approval of the Board of Supervisors, but which Franchisee nevertheless collected, shall also be deemed to be included in Gross Receipts.

1.27 "Gross Revenues Collected" means any and all revenue or compensation actually collected by Franchisee from customers under this Agreement for the Collection, transportation, Processing, Recycling and disposal of Solid Waste and Recyclable Materials within the County, in accordance with GAAP, net of Franchise Fees, Integrated Waste Management Authority fees and AB 939 fees. For purposes of this Agreement, the term Gross Revenues Collected shall not include any: a) County, or other federal, state, or local taxes or surcharges; or b) any revenues generated from the sale of Recyclable Materials or any Recycling rebates received from the State.

1.28 "Hazardous Waste" means any discarded material or mixture of materials, which is toxic, corrosive, flammable, radioactive or which, because of its quantity, concentration, physical, chemical or infectious characteristics may do harm to either humans, animals or the environment, or as defined in Section 25117 of the California Health and Safety Code and in Section 40141 of the California Public Resources Code.

1.29 "In Yard" means Residential Service in which Solid Waste Containers are located on a customer's property in excess of ten (10) feet from a normal Collection Vehicle route.

1.30 "Integrated Waste Management Authority" or "IWMA" means the San Luis Obispo County Integrated Waste Management Authority, the local joint powers authority for Solid Waste program implementation.

1.31 "Materials Recovery Facility" means a permitted Facility where Solid Waste or Recyclable Materials are sorted, Processed, transferred or separated for the purposes of Recycling or reuse.

1.32 "Multifamily Dwelling Unit" means any Premises, other than a Single Family Dwelling Unit, used for residential purposes, irrespective of whether the resident therein is transient, temporary or permanent.

1.33 "National Pollutant Discharge Elimination System" or "NPDES" means the permit program that controls water pollution by regulating point sources that discharge pollutants into waters of the United States pursuant to the Clean Water Act, codified in 33 U.S.C 1251 et seq.

1.34 "Owner" means the person(s) holding legal title to the real property constituting the Premises to which Solid Waste and Recyclable Materials Collection service is to be provided under this Agreement.

1.35 "Pass-Through Costs or Expenses" means Facility Tipping Fees that have been approved by the Board of Supervisors or other local agency approved fees or those costs specifically identified as such throughout this Agreement.

1.36 "Person" means any individual, firm, association, organization, partnership, corporation, business trust, joint venture, the United States, the State of California, the County of San Luis Obispo, local agencies, cities and special purpose districts.

1.37 "Premises" means any land or building in the County where Solid Waste and/or Recyclable Materials are generated or accumulated.

1.38 "Recyclable Materials" or "Recyclables" means pre- and post-consumer by-products or discards set aside, handled, packaged or offered for Collection from

residential, commercial, governmental or industrial customers in a manner different and separate from other waste materials, including, but not limited to, aluminum, newspaper, clear and colored glass, tin and bi-metal, all plastic containers, cardboard, chipboard, magazines, mixed paper (including magazines, phone books and junk mail), motor oil and filters, Green Materials, Food Waste and other materials which can be processed and returned to the economic mainstream in the form of raw material for new, reused, or reconstituted products which meet the quality standards necessary to be used in the marketplace. Motor oil and filters, Green Materials and Food Waste are included in this definition, but are Collected separately from other commingled Recyclable Materials.

1.39 "Recycling" means the process of separating, Collecting, treating and/or reconstituting Recyclable Materials which would otherwise be discarded without receiving compensation or returning them to the economy in the form of raw materials for new, reused, or reconstituted products. The Collection, transfer, transportation or disposal of Recyclable Materials not intended for, or capable of, reuse is not Recycling.

1.40 "Related Party Entity" means any Affiliate that has financial transactions with Franchisee.

1.41 "Residential Recyclable Materials" means Recyclable Materials generated at Single Family Dwelling Units and separated by the generator for Collection.

1.42 "Set out" means the number of customers that put out materials for Collection during the specific period of time being analyzed.

1.43 "Single Family Dwelling Unit" means each Premises used for or designated as a single family residential dwelling, including each unit of a duplex or triplex in all cases in which there is separate or individual Solid Waste and/or Recyclable Materials Collection services.

1.44 "Solid Waste" means all putrescible and nonputrescible solid, semisolid and liquid waste such as Garbage, rubbish, paper, ashes, industrial waste, Construction and Demolition Waste, abandoned vehicles and parts thereof, discarded home and industrial appliances, dewatered, treated, or chemically fixed sewage sludge which is not Hazardous Waste, manure, vegetable or animal solid and semisolid waste, including liquid waste disposed of in conjunction with Solid Waste at a Solid Waste Transfer or Processing Station or

Disposal Site but excluding materials or substances having commercial value which have been separated from other forms of waste and salvaged for reuse, Recycling, composting, or resale.

1.45 "Term" means the term of this Agreement, as provided for in Article 4 ("Term of Agreement") of this Agreement.

1.46 "Transfer or Processing Station" means those Facilities used to receive Solid Waste and/or Recyclable Materials, temporarily store, separate, convert, or otherwise process Solid Waste and/or Recyclables, or to transfer Solid Waste and/or Recyclables directly from smaller to larger vehicles for transport.

1.47 "Tipping Fee" means the fee per ton charged by a facility for delivery of Solid Waste or Recyclable Materials.

1.48 "Yard Trimmings" means wastes generated from the maintenance or alteration of public, commercial or residential landscapes, including, but not limited to, grass clippings, leaves, tree trimmings, prunings, brush and weeds.

1.49 "Zero Waste" means designing and managing products and processes to systematically avoid and eliminate the volume and toxicity of waste and materials, conserve and recover all resources and not burn them.

ARTICLE 2
GRANT AND ACCEPTANCE OF FRANCHISE

2.1 Grant of Franchise

2.1.1 Exclusive Franchise. Pursuant to Section 18.12.700 ("Franchise Agreements") of the County Code, County hereby grants to Franchisee an exclusive Franchise to Collect, remove, transport, store, process, handle and dispose of all Solid Waste in those places in the unincorporated area of the County as hereinafter specified as the "Franchise Area" subject to the terms and conditions of this Agreement, including, without limitation, Article 4.6 ("Conditions of the Effectiveness of Agreement") and Article 5.2 ("Limitations to Scope") of this Agreement. Notwithstanding the foregoing and any other term of this Agreement, Franchisee hereby acknowledges and agrees that the Franchise granted in this paragraph specifically excludes any exclusive right to Collect the following: animal waste or remains from slaughterhouses or butcher shops; by-products of sewage treatment, including sludge, ash, grit and screenings; Construction and Demolition Debris; Roll-off Box Collections; liquid

waste; Hazardous Waste; and Medical Waste. Franchisee further acknowledges and agrees that the Franchise granted in this paragraph is exclusive only with respect to Solid Waste as defined in Article 1 ("Definitions") of this Agreement and that this Agreement establishes no exclusive rights with respect to Recyclable Materials and other materials intended for separate Collection and/or diversion from disposal.

2.1.2 Nonexclusive Franchise. Pursuant to Section 18.12.700 ("Franchise Agreements") of the County Code, County hereby grants to Franchisee a nonexclusive Franchise to Collect Recyclable Materials as defined in Article 1 ("Definitions") of this Agreement in the Franchise Area subject to the terms and conditions of this Agreement, including, without limitation, Article 4.6 ("Conditions of the Effectiveness of Agreement") and Article 5.2 ("Limitations to Scope") of this Agreement. As discussed in more detail below, Recyclable Materials shall be Collected in a manner different and separate from other waste materials. In addition, motor oil and filters, Green Materials and Food Waste shall be Collected separately from other Recyclable Materials.

2.2 Acceptance of Franchise

2.2.1 Franchisee hereby accepts the above grants on the terms and conditions set forth in this Agreement.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF FRANCHISEE

3.1 Franchisee Status

3.1.1 Franchisee shall be an independent Franchisee and not an agent or employee of County.

3.2 Franchisee Authorization

3.2.1 Franchisee has the authority to enter into and perform its obligations under this Agreement. The Board of Directors of Franchisee (or the shareholders, if necessary) has taken all actions required by law, its articles of incorporation, and its bylaws or otherwise to authorize the execution of this Agreement. The persons signing this Agreement on behalf of Franchisee have the authority to do so.

3.3 Compliance with Laws and Regulations

3.3.1 Franchisee shall perform all duties required under this Agreement in accordance with all applicable current and future federal, state, and local laws and regulations, including all Environmental Laws, at rates established by County pursuant to the procedures set forth herein. For purposes of this Agreement, said laws, rules, and regulations shall include, but not be limited to, any policy, resolution, or ordinance adopted by a duly constituted governing body of a public agency, including joint powers authorities and districts.

3.4 Serve without Interruption

3.4.1 Franchisee shall perform all duties throughout the Term of this Agreement and any extension thereof without interruption.

3.5 Permits and Licenses

3.5.1 Franchisee shall procure, and keep in full force and effect, all permits and licenses required pursuant to County Code, state or federal law or any other applicable legal authority to perform the Collection services hereunder, including, without limitation, a current and valid Solid Waste Collection and Transportation Permit(s), and to operate any Facilities under Franchisee's control or in common ownership that are used in the performance of this Agreement.

3.5.2 If Franchisee fails to continuously maintain any one of the above-described permits or licenses, such failure shall constitute a breach of this Agreement. In that event, this Agreement shall immediately be subject to termination or limitation of Franchisee's right to perform services, at County's discretion, upon written notice by County, without the necessity of suit or other proceeding pursuant to the procedures set forth herein. The termination remedy provided herein shall not be available in the event that Franchisee has made a timely and complete application for the requisite permit(s) or license(s) and there is a delay in issuance or renewal which is attributable solely to County.

3.6 Preservation of County Property

3.6.1 Franchisee shall pay to County, on demand, the cost of all repairs to public property made necessary by any of the operations of Franchisee under this Agreement directly caused by Franchisee.

3.7 Enforcement of Exclusivity of Franchise

3.7.1 The County may, in its sole discretion, enforce the exclusivity provisions of this Agreement against third-party violators, taking into account the cost of doing so and other factors. Franchisee may independently enforce the exclusivity provisions of this Agreement against third-party violators, including, but not limited to, seeking injunctive relief and/or damages, and County shall use good-faith efforts to cooperate in such enforcement actions brought by Franchisee.

3.8 California Emergency Services

3.8.1 Franchisee acknowledges and agrees that pursuant to the California Emergency Services Act, codified in Section 8550 et seq. of the California Government Code, County may use County staff or otherwise contract for emergency services as needed to perform services within the exclusive Franchise rights.

3.8.2 Franchisee agrees to assist County in an emergency situation by complying with any emergency operational or funding requirements set by any state or federal agency.

ARTICLE 4
TERM OF AGREEMENT

4.1 Effective Date

4.1.1 The effective date ("Effective Date") of this Agreement shall be the date it is signed by the Board of Supervisors, who shall be the last to sign.

4.2 Termination of Prior Franchise Agreement

4.2.1 Execution of this Agreement by the Board of Supervisors shall cause the Prior Solid Waste Agreement to be terminated.

4.3 Term of Agreement

4.3.1 The term of this Agreement ("Term") shall be fifteen (15) years commencing on the Effective Date and expiring on July 1, 2029, unless extended by the County as provided in Article 4.5 ("Option to Extend") of this

Agreement in a manner consistent with Section 8.12.735 ("Term") of the County Code.

4.3.2 In the event of a Change in Law which would render the Collection and disposal services to be implemented under this Agreement illegal, County reserves the right to terminate this Agreement upon the giving of six (6) months prior written notice of County's election to so terminate this Agreement.

4.4 Franchise Area

4.4.1 The Franchise Area subject to this Agreement shall consist of the area of unincorporated County subject to County's jurisdiction within the boundaries of the County of San Luis Obispo described in Exhibit A and as shown on the Solid Waste Collection Permit from the Environmental Health Services Division of the San Luis Obispo County Health Agency.

4.5 Option to Extend

4.5.1 The County shall have the sole option to extend this Agreement up to thirty-six (36) months in periods of at least twelve (12) months each. Should Franchisee desire that County exercise this option, Franchisee shall submit a written request to County not earlier than the thirteen (13) year anniversary date of this Agreement and not later than the fourteen (14) year anniversary date of this Agreement. If County elects to exercise its option, it shall give written notice not later than one hundred eighty (180) days prior to the initial termination date, or, if one (1) extension has been exercised, one hundred eighty (180) days prior to the extension termination date. The terms and conditions of this Agreement and any written modifications shall be applicable during said extension option unless the parties mutually agree upon any changes.

4.6 Conditions of the Effectiveness of Agreement

4.6.1 The obligation of County to permit this Agreement to become effective and to perform its undertakings provided for in this Agreement is subject to the satisfaction by Franchisee of each and all of the material conditions set out herein, each of which may be waived, in writing, in whole or in part by County.

4.7 Accuracy of Representations

4.7.1 The representations and warranties made by Franchisee throughout this Agreement are accurate, true and correct on and as of the Effective Date of

this Agreement and continuously thereafter during the period of this Agreement. Should any such representation or warranty become inaccurate or incorrect at any time during the Term of this Agreement or any extension thereof, Franchisee shall immediately notify the County in writing of the nature of the inaccuracy or error and of the manner in which Franchisee intends to promptly rectify the problem. Failure to promptly remedy any such inaccuracy shall constitute a breach of a material provision of this Agreement.

4.8 Absence of Litigation

4.8.1 Franchisee hereby represents and warrants that it is aware of no litigation pending in any court challenging the award of this Agreement to Franchisee or the execution of this Agreement or seeking to restrain or enjoin its performance. Franchisee further represents that it is aware of no suits or threatened suits which would impair the financial or legal ability of Franchisee to perform its obligations under this Agreement and that entering into this Agreement by Franchisee will not in any way constitute a breach of any other agreement entered into by Franchisee with other parties, or constitute a violation of any law.

4.9 Furnishing of Insurance and Performance Bond

4.9.1 Ten (10) days before the Effective Date of this Agreement, Franchisee shall provide proof of insurance and of a performance bond in the form, coverages, and amounts specified in Article 11 ("Insurance, Bond and Indemnification") of this Agreement.

ARTICLE 5
SCOPE OF AGREEMENT

5.1 Scope of Services

5.1.1 Solid Waste. As of the Effective Date and throughout the Term of this Agreement and any extension thereof, Franchisee shall Collect and dispose of all Solid Waste as defined in Article 1 ("Definitions") of this Agreement properly set out for Collection by the generator within the Franchise Area in accordance with the terms and conditions set forth in this Agreement. Notwithstanding the foregoing, in accordance with Section 8.12.765 ("Hazardous Waste and Medical Waste—Prohibited Service") of the County Code, Franchisee shall not

knowingly or under circumstances where Franchisee should reasonably know, collect Hazardous Waste or Medical Waste as a service pursuant to this Agreement.

5.1.2 Recyclable Materials

5.1.2.1 As of the Effective Date and throughout the Term of this Agreement and any extension thereof, Franchisee shall Collect all Recyclable Materials as defined in Article 1 ("Definitions") of this Agreement properly set out for Collection by the generator within the Franchise Area in accordance with the terms and conditions set forth in this Agreement. Notwithstanding the foregoing, Franchisee shall have no obligation to Collect Food Waste as a Recyclable Material until the date specified in Section 5.1.2.2 below. As more particularly described in Article 6.13 ("Solid Waste and Recyclable Materials Containers") of this Agreement, Recyclable Materials shall be Collected separately from other forms of waste. In addition, both motor oil and oil filters and Green Materials shall be Collected separately from other forms of Recyclable Materials.

5.1.2.2 On or before twenty four (24) months following the Effective Date and throughout the remainder of the Term of this Agreement and any extension thereof, Franchisee shall Collect Food Waste that has been properly set out for collection by the generator within the Franchise Area as a Recyclable Material in accordance with the terms and conditions set forth in this Agreement.

5.1.2.2.1 Notwithstanding Section 5.1.2.2, should County determine that Franchisee, proceeding with due diligence and without fault, has been unable to timely satisfy the requirements of Section 5.1.2.2, Franchisee may submit to the County a written request for a twenty-four (24) month extension for performance ("First Extension").

5.1.2.2.2 Notwithstanding Section 5.1.2.2, should the County determine that the Franchisee, proceeding with due diligence and without fault, has been unable to timely satisfy the requirements of Section 5.1.2.2 to collect commercial Food Waste as a Recyclable Material during the initial twenty four (24) months and the First Extension, Franchisee may submit to County a written request for an additional twenty-four (24) month extension for performance ("Second Extension"). Franchisee may not request a Second Extension to the requirement that it Collect residential Food Waste as a Recyclable Material.

5.1.2.2.3 Any request for an extension submitted pursuant to Section 5.1.2.2.1 or Section 5.1.2.2.2 shall be accompanied by sufficient

written documentation for County to assess the status of the overall Food Waste Collection program and the anticipated quantity of Food Waste to be Collected from residential and commercial customers. In addition, Franchisee shall submit documentation clearly demonstrating that the delay is through no fault of Franchisee.

5.1.2.3 If Franchisee fails to provide the Collection services described in this Section 5.1.2 by the date prescribed in Section 5.1.2.2 or any extension granted by the County, said failure shall constitute a material breach of this Agreement and County shall have the right to immediately terminate this Agreement in accordance with Article 13, Section 13.3.

5.1.3 In areas of the County that do not require participation in the Solid Waste Collection system, Franchisee shall use its best reasonable efforts to cooperate with County to maximize participation in the Solid Waste Collection program. The parties agree that the goal of participation shall be to include one hundred percent (100%) of the households and commercial establishments in the unincorporated portion of the County that are eligible for Collection services.

5.2 Limitations to Scope of Services

5.2.1 The scope of this Agreement shall be limited by current and developing state and federal laws with regard to Recyclable Materials, flow control, and related doctrines. In the event that a Change in Law limits the ability of County to lawfully provide for the scope of services as specifically set forth herein, Franchisee and County agree to work in good faith to amend the scope of the Agreement so as to comply with such Change in Law, and County shall not be responsible for any lost profits and/or damages claimed by Franchisee as a result of a Change in Law.

5.2.2 The nonexclusive Franchise granted to Franchisee for the Collection of Recyclable Materials does not include the right to Collect the following categories of Recyclable Materials listed in this Article:

5.2.2.1 Recyclable Materials separated from Solid Waste by the generator and for which generator sells or is otherwise compensated by a collector in a manner resulting in a net payment to the generator for such Recycling or related services; provided that such separation and Recycling or disposal are actually performed by the generator, and not by a subcontractor or other third-party;

5.2.2.2 Recyclable Materials donated to a charitable, environmental or other non-profit organization; provided, however, that all such Recyclable Materials are substantially separated from non-Recyclable Solid Waste by the generator;

5.2.2.3 Recyclable Materials which are separated at any Premises and which are transported by the Owner or occupant of such Premises (or by his/her full-time employee) to a Recycling center;

5.2.2.4 Other governmental agencies within the County which can contract for separate Solid Waste and Recycling services.

5.3 Administration of Agreement

5.3.1 The Director or his/her designee shall administer this Agreement and shall supervise Franchisee compliance with the Agreement terms and conditions.

5.4 Use of County Streets

5.4.1 Franchisee shall have the right and privilege to operate Collection Vehicles and Equipment on any and all streets, public ways, rights-of-way, or easements of County, as necessary to provide the services contracted for in this Agreement.

5.5 County Request for Service Changes

5.5.1 General. County may request Franchisee to perform additional services (including new diversion programs, etc.) or modify the manner in which it performs existing services. Pilot programs and innovative services that may entail new Collection methods, different kinds of services and/or new requirements for generators are included among the kinds of changes that County may request. Franchisee shall present, within thirty (30) days of a request to do so by County, a proposal to provide additional or expanded services pursuant to the terms of Article 5.6 ("New Diversion Programs") of this Agreement. Franchisee shall be entitled to proceed with an adjustment in its compensation in accordance with Section 9.2.2.4 ("Special Interim Rate Adjustments") at which time the Auditor-Controller shall determine the new costs or savings incurred by Franchisee as a result of such additional or modified services.

5.6 New Diversion Programs

5.6.1 Franchisee shall present, within thirty (30) days of a request to do so by County, a proposal to provide additional or expanded diversion or other services. The proposal shall contain a complete description of the following:

5.6.1.1 Collection methodology to be employed (equipment, staff, etc.);

5.6.1.2 Equipment to be utilized (vehicle number, types, capacity, age, etc.);

5.6.1.3 Labor requirements (number of employees by classification);

5.6.1.4 Type of Containers to be utilized;

5.6.1.5 Provision for program publicity/education/marketing;

5.6.1.6 Materials Recovery Facility to be utilized for diversion and/or recovery of materials; and

5.6.1.7 A projection of the financial results of the program's operations for the remaining Term of the Agreement in a balance sheet and operating statement format, including documentation of the key assumptions underlying the projections and the support for those assumptions.

5.7 County's Right to Acquire Services

5.7.1 If pursuant to Article 5.6 ("New Diversion Programs") of this Agreement, Franchisee and County cannot agree on the terms and conditions of such new services within ninety (90) days from the date on which County first requests a proposal from Franchisee to perform such services, Franchisee acknowledges and agrees that County may permit and enter into a Franchise Agreement with Persons other than Franchisee to provide such services.

5.8 Ownership of Solid Waste and Recyclable Materials

5.8.1 All Solid Waste Collected, removed, and transported by Franchisee from the Premises where produced, generated, and/or accumulated pursuant to this Agreement shall be the property and responsibility of Franchisee. Any Hazardous Waste or Medical Waste that Franchisee collects shall be the responsibility of Franchisee, as between Franchisee and County. The parties expressly agree that in no event shall the ownership of any Solid Waste, Hazardous Waste, Medical Waste or any other waste be construed to be the

property of County, either explicitly or implicitly. Notwithstanding the foregoing, Franchisee shall have no duty or obligation to collect any Hazardous Waste or other material that does not meet the definition of Solid Waste, and ownership of all such non-conforming materials shall remain with the generator.

5.8.2 Pursuant to Section 41950 of the California Public Resources Code, once Recyclable Materials are placed in Containers and properly presented for Collection, ownership and the right to possession shall transfer directly from the generator to Franchisee by operation of this Agreement. Franchisee is hereby granted the right to retain, Recycle, process, reuse, and otherwise use such Recyclable Materials or any part thereof, in any lawful fashion or for any lawful purpose consistent with the hierarchy and goals of AB 939 and with Article 6.3.5 of this Agreement with the exception of use as Alternative Daily Cover. Subject to the provisions of this Agreement, Franchisee shall have the right to retain any benefit resulting from its right to retain, Recycle, process or reuse the Recyclable Materials that it Collects. Recyclable Materials or any part thereof, which are delivered to a Facility (Processing Facility, transformation Facility, Transfer Station, or Materials Recovery Facility) shall become the property of the owner or operator of the Facility(ies) once deposited there by Franchisee.

5.9 County's Right to Perform Service; Tagging of Improper Set-Outs

5.9.1 In the event Franchisee fails to Collect, remove, and dispose of Solid Waste or Recyclable Materials on a customer's regularly scheduled Collection day, within twenty-four (24) hours of a request from County or a customer to do so, County may Collect said materials and Franchisee shall be liable for all related expenses incurred by County. Such expenses include but are not limited to disposal, administrative, and legal costs. Franchisee shall reimburse County for such expenses as required.

5.9.2 In the event Franchisee does not Collect any item or Container of Solid Waste or Recyclable Materials due to a customer's non-compliance with rules and regulations for proper set-out, Franchisee shall attach a company imprinted tag securely to the item or container not Collected specifying the reasons for non-Collection. The tag shall contain Franchisee's name and telephone number.

5.10 Franchisee as Arranger

5.10.1 County and Franchisee mutually agree that County's granting of this Franchise shall not be construed as County "arranging for" the Collection and disposal of Solid Waste within the meaning of CERCLA. The parties further mutually agree that the granting of this Agreement to Franchisee by County shall be construed as an action whereby Franchisee is granted, and accepts the rights, responsibilities, benefits and liabilities of Collection and disposal of Solid Waste. Commencing on the Effective Date of this Agreement and, to the extent that Franchisee's performance under this Agreement requires the Collection and disposal of Solid Waste, and may be construed as "arranging for" Collection and disposal of Solid Waste within the meaning of CERCLA, such actions shall be the sole responsibility of Franchisee and Franchisee expressly agrees to be solely responsible for all such actions.

5.11 Annexations

5.11.1 The Franchisee shall automatically adjust to any area as a result of any annexation process.

5.12 County Right to Direct Flow

5.12.1 The County may, at any time, require Franchisee to process or dispose of all or a portion of the Solid Waste and/or Recyclable Materials Collected pursuant to this Agreement in such manner as may be reasonably designated by County in writing. In the event that County designates a manner of, or location for, processing or disposal of Solid Waste and/or Recyclable Materials that is materially different than what could have been reasonably anticipated on the Effective Date of this Agreement, County shall defend, indemnify and save harmless Franchisee, its officers, agents and employees from any and all claims, demands, damages, costs, expenses (including attorney's fees), judgments or liabilities arising out of, or connected with the materially different manner, or location for Processing or disposing of the Solid Waste and/or Recyclable Materials provided that said claims, demands, damages, costs, expenses, judgments or liabilities are not attributable, in whole or in part, to the negligence or recklessness of Franchisee. Pursuant to Article 9.1.6, Franchisee shall request an adjustment in collection rates within sixty (60) days of such written designation. If an adjustment to Franchisee's authorized rates is necessary to compensate Franchisee for additional processing or disposal costs, such costs shall be deemed Pass-Through Costs as elsewhere defined, subject to limitations in Article 9.1.6.

ARTICLE 6
DIRECT SERVICES

6.1 General

6.1.1 The work to be done by Franchisee pursuant to this Agreement shall be accomplished in a thorough and professional manner so that the residents and businesses within the County are provided reliable, courteous and high-quality Solid Waste and Recyclable Materials Collection services at all times. The enumeration of, and specification of requirements for particular aspects of service quality, labor or equipment shall not relieve Franchisee of the duty of accomplishing all other aspects in the manner provided in this Article, whether such aspects are enumerated elsewhere in the Agreement or not.

6.1.2 If provided for in the Collection rate paid by the customer, all customers shall be provided with Solid Waste and Recyclable Materials Collection services, consistent with County approved Collection programs, within seven (7) days of the customer's request.

6.1.3 Complaints received from customers or County shall be acted upon immediately and Franchisee shall make every reasonable effort to resolve said complaints within seventy-two (72) hours of customer's or County's notification to Franchisee.

6.2 Collection

6.2.1 Franchisee shall conduct all operations in accordance with Chapter 8.12 ("Solid Waste Management") of the County Code and in a manner which minimizes obstruction or disruption to the peace and quiet of the areas in which Collections are made.

6.2.2 All Collection activities shall be conducted in such a manner that public and private property will not be damaged.

6.2.3 Customers' Premises shall be left in a neat and clean condition and Containers shall be handled in a manner to prevent damage to them.

6.2.4 Franchisee shall replace Containers and covers where found and shall not place them in the street or on adjoining property.

6.2.5 Franchisee shall establish a routine Collection schedule for all areas within the Franchise Area and provide County with the Collection schedule annually by September First of each year and within seven (7) calendar days of any changes.

6.2.6 Franchisee shall be allowed to provide extra and special services, at rates approved by the County Board of Supervisors, in addition to the normal, scheduled Collection services. Franchisee shall quote to the customer the rate for such services prior to performing said services. Said services shall be considered part of the revenue gained under this Agreement and thereby subject to the Franchise Fee requirement.

6.2.7 Unless waived in writing by County, Franchisee shall provide Collection of roadway litter set out under County's "Adopt-A-Road" program within the Franchise Area.

6.2.8 Franchisee shall provide, with one (1) weeks' notice, Collection of bulky wastes from County road yards within the Franchise Area. The Collection of not more than twenty-five (25) items per year shall be at no expense to County. Franchisee shall be entitled to recover the expense of disposal charges in excess of the twenty-five (25) items per year through an appropriate adjustment during the Triennial Rate Review Process described in Article 9.2.2.2 of this Agreement. Disposal costs for the waste shall be reported to the Director along with copies of Disposal Site weigh tickets within thirty (30) days of Collection.

6.2.9 Handicapped residents who reside in Single Family Dwelling Units shall have the option of placing their Containers near their dwelling, visible from the curb and Franchisee will collect their Containers at this location and return the Containers to the same location at no additional cost to those customers. To be eligible for this Collection option, residents must present proof of their physical incapacity to Franchisee and declare that no other persons in the household are capable of placing Containers at designated Collection locations.

6.3 Solid Waste and Recyclable Materials Services

6.3.1 Franchisee shall provide weekly Collection of Solid Waste for all places and premises within Franchise Area or such other level of service as may be permitted by County at rates approved by the County Board of Supervisors. Franchisee shall also provide more frequent Collection services as required pursuant to Chapter 8.12 ("Solid Waste Management") of the County Code.

6.3.2 Franchisee shall Collect and remove all Residential Recyclable Materials placed in designated Containers color coordinated per Article 6.13 ("Solid Waste and Recyclable Materials Containers") of this Agreement at the designated Collection locations for Single Family Dwelling Units and Multifamily Dwelling Units and shall also Collect and remove all Commercially Generated Recyclable Materials, all at the rates established by the Board of Supervisors. Residential Recyclable Materials Collection shall be weekly on the same day of the week as Solid Waste Collection service. Commercially Generated Recyclable Materials Collection shall be at least weekly on a schedule as determined by Franchisee and the generator. Changes to Collection schedules shall be approved in writing by the Director prior to implementation.

6.3.3 Franchisee recognizes that because of an unusual circumstance, a Single Family Dwelling Unit may generate more Recyclable Materials than will fit in the appropriate Recyclable Materials Container. The generator may neatly place excess Recyclable Materials, excluding Green Materials, Food Waste and motor oil and filters, next to the blue Container and Franchisee will Collect the excess Recyclable Materials at no additional charge. This extra service to a Single Family Dwelling Unit shall be limited to a frequency of once per month and a quantity to an amount that will fit into the existing blue Recycling Materials Containers.

6.3.4 Franchisee shall service, at Board of Supervisor approved rates, all public Recycling Containers at beaches, parks, golf courses, along sidewalks, and in other public areas.

6.3.5 To the extent that the San Luis Obispo County Source Reduction, Recycling Element ("SRRE"), a two volume set currently existing and as hereafter amended or updated, has been implemented by County, Franchisee agrees to comply with its provisions. Franchisee must also comply with the California Integrated Waste Management Act. The SRRE selects recycling programs as a means of diverting waste. Recyclable Materials Collected under this Agreement shall, absent extenuating circumstances as determined by County, be converted into a functional and marketable product in order that the materials may be diverted from landfill disposal in compliance with County's SRRE and the Integrated Waste Management Act. Franchisee's Collection and Processing methods and the Facility used shall, at all times, absent extenuating circumstances, as determined by County, comply with the Integrated Waste Management Act and the SRRE, to the extent the SRRE has

been implemented by County. Franchisee shall give notice to County at least thirty (30) days prior to any proposed change in Processing location or method. County shall at all times have the right to determine the suitability and cost-effectiveness of Franchisee's diversion process and whether Franchisee's Collection and Processing methods (including any Facilities used in the performance of this Agreement) are in compliance with the provisions of this Agreement. If at any time the County reasonably determines that the Franchisee's diversion process is not performing adequately or is not cost-effective when compared to other available alternatives, the County has the right to consider that fact in any rate setting proceeding.

6.4 Refusal to Provide Collection Services

6.4.1 Franchisee may refuse to Collect Recyclable Materials and shall not be obligated to continue to provide Container(s) to any participant in the Recycling programs who, after reasonable warning by Franchisee, fails to properly sort and set out Recyclable Materials, including excessive contamination. Franchisee shall report monthly to County any warning notices issued.

6.5 Marketing and Sale of Recyclable Materials

6.5.1 Franchisee shall be responsible for the marketing and sale of all Recyclable Materials Collected pursuant to this Agreement. Revenues from the sales of these materials shall be retained by Franchisee unless a separate agreement approved by the County provides for sharing revenues with County or other entity.

6.6 Hazardous Waste and Medical Waste

6.6.1 Franchisee shall not, knowingly or under circumstances where Franchisee should reasonably know, collect Hazardous Waste or Medical Waste as a service within the terms of this Agreement.

6.6.2 Franchisee shall develop and maintain written Hazardous Waste and Medical Waste response procedures to assure compliance with all applicable local, state, and federal laws, rules or regulations. Performance of the procedures shall be the sole responsibility of Franchisee.

6.6.3 The response procedures required by this Article shall be submitted to the Director and the County Health Officer/Environmental Health Services within six (6) months after the Effective Date of this Agreement. At a minimum,

the procedures shall provide instruction to employees and agents of Franchisee on actions to be followed in the event Hazardous Wastes or Medical Wastes are found set out for Collection and/or in the possession of Franchisee.

6.6.4 The purpose of the response procedures described above will be to ensure that any Hazardous Waste and/or Medical Waste Collected by Franchisee is handled and disposed of safely by Franchisee in compliance with all federal, state and local laws, rules and regulations.

6.6.5 To the extent required by Franchisee's Hazardous Waste and/or Medical Waste response procedures, Franchisee shall either provide proof of an agreement or other suitable arrangement with a certified Hazardous Waste and/or Medical Waste hauler, or procure and maintain in full force and effect all necessary governmental permits and licenses, including registrations to transport Hazardous Waste and Medical Waste. Franchisee shall be responsible for all charges and notices necessary for the due and lawful performance of the response procedures. Said charges shall not be part of the rate setting for Solid Waste and Recyclable Materials Collection service.

6.7 Responsibility for Waste

6.7.1 All Solid Waste and Recyclable Materials removed by Franchisee from the Premises where produced, generated, and/or accumulated pursuant to this Agreement shall be the responsibility of Franchisee; provided, however, that Franchisee shall be entitled to reject or return Hazardous Waste and/or Medical Waste to the customer who generated the waste, if the customer can be identified. Any Hazardous Waste and/or Medical Waste that Franchisee Collects shall be the responsibility of Franchisee, as between Franchisee and County. The parties expressly agree that in no event shall the ownership of any Solid Waste, Hazardous Waste, Medical Waste or any other waste be construed to be the property of County, either explicitly or implicitly.

6.8 Operations

6.8.1 To preserve peace and quiet, no Solid Waste or Recyclable Materials shall be Collected from or within two-hundred (200) feet of residential Premises between 5:00 P.M. and 6:00 A.M. on any day. Residential Solid Waste and Residential Recyclable Materials shall be Collected, Monday through Friday on the same day. The one exception is that Franchisee may elect to Collect motor oil and oil filters with a separate vehicle using an on-call program. In the event Franchisee misses the Collection of properly set out Solid Waste and/or

Recyclable Materials, Franchisee shall Collect the missed pickups within one (1) business day of notification.

6.8.2 When a regular Collection day occurs on a holiday, Franchisee shall either provide Collection on the holiday or one (1) calendar day before or after the holiday. Franchisee shall notify residential and commercial customers of their respective holiday Collection schedules in the annual customer information flyer, in customer bills and with a reminder thirty (30) days in advance of the holiday. The holiday schedule shall be added to the information in outgoing messages on telephone lines, to company internet web sites and via other social media, as appropriate.

6.8.3 During the first week of September each year, Franchisee shall notify County of the Collection schedule for holidays occurring in the succeeding twelve (12) months.

6.8.4 If Franchisee finds or is notified of any graffiti on its equipment, Containers or premises, Franchisee shall remove it as soon as possible, not to exceed forty eight (48) hours.

6.8.5 Subject to the vehicle identification requirements set forth in Article 6.11, all equipment used by Franchisee in the performance of this Agreement shall be free of any advertising, slogans, signs, symbols, political statements, or any other writing or communication, except public service information regarding Recycling programs. Any such public service information is subject to the prior written approval of the Director.

6.9 Vehicles

6.9.1 Franchisee shall provide a fleet of Collection Vehicles sufficient in number and capacity to perform the work required by this Agreement and in strict accordance with its terms. Franchisee shall have available on Collection days sufficient reserve vehicles in order to respond to complaints and emergencies.

6.9.2 Franchisee shall annually provide County with a detailed description concerning the number, age and type of vehicles necessary for performance under this Agreement.

6.9.3 All vehicles used by Franchisee in providing Solid Waste and Recyclable Materials Collection services under this Agreement shall conform to industry standards and comply with all federal, state, and local requirements for such vehicles as they now exist or may be amended in the future, including all applicable air emissions and fuel efficiency requirements, and shall be registered with the California Department of Motor Vehicles. All such vehicles shall have watertight bodies designed to prevent leakage, spillage or overflow. Franchisee shall be responsible for any penalties imposed pursuant to the National Pollutant Discharge Elimination System for stormwater pollution caused by any Franchisee vehicles and/or driving practices. Said penalties shall not qualify as a Pass-Through Cost or Expense.

6.9.4 Collection trucks shall be equipped with reliable voice communications equipment. The voice communications equipment shall have a reasonable expectation of functioning during any emergency.

6.9.5 To the extent that the Collection trucks are equipped with video or audio video equipment, County may request and Franchise shall provide any footage that exists for a time period specified by County.

6.9.6 To the extent that the Collection trucks are equipped with a Global Positioning System ("GPS"), County may request and Franchisee shall provide any GPS records that exist for a time period specified by County.

6.9.7 All vehicles shall comply with U.S. Environmental Protection Agency noise emission regulations and other applicable noise control regulations. The Franchisee will, in good faith, consider incorporating natural gas or other County approved, environmentally-acceptable trucks into its Collection fleet, to the extent practicable considering purchasing and maintenance costs.

6.9.8 Franchisee shall inspect each vehicle daily to ensure that all equipment is operating properly. Vehicles which are not operating properly and represent a safety hazard or are causing a violation of the NPDES shall be taken out of service until they are repaired and do operate properly and safely. Franchisee shall perform all scheduled maintenance functions in accordance with the manufacturer's specifications and schedule. Franchisee shall keep accurate records of all vehicle maintenance, recorded according to date and mileage and shall make such records available to County upon request.

6.9.9 Franchisee shall keep full and accurate records of all incidents, damages or accidents involving vehicles used by Franchisee in the performance of this Agreement and shall include a copy of these records in the monthly report submitted to County pursuant to Article 10.5 ("Monthly Reports") of this Agreement.

6.9.10 Franchisee shall repair, or arrange for the repair of, all of its vehicles and equipment for which repairs are needed because of accident, breakdown or any other cause so as to maintain all equipment in a safe and operable condition. Franchisee shall maintain accurate records of repair, which shall include the date/mileage, nature of repair and the signature of a maintenance supervisor that the repair has been properly performed.

6.10 Property Condition

6.10.1 Franchisee shall maintain all of its properties, Facilities, and equipment used in providing service under this Agreement in a safe, neat, clean and operable condition at all times.

6.10.2 Franchisee shall arrange all vehicles and other equipment in safe and secure location(s) in accordance with all applicable zoning regulations. Franchisee shall not store any vehicle on any public street or other public property.

6.11 Vehicle Identification

6.11.1 A distinct identification number and company code, approved by the Director, shall be assigned to each vehicle used for Collection activities. Said numbers and code shall be prominently displayed on the front, sides and rear of the appropriate vehicle and shall be at least eight (8) inches in height. Each vehicle shall also permanently display in a prominent place Franchisee's common name in the region served and telephone number.

6.11.2 Franchisee shall obtain and display on each vehicle the annual sticker issued by the County Health Officer/Environmental Health Services.

6.12 Operation

6.12.1 Vehicles shall be operated in compliance with the California Vehicle Code, and all applicable safety and local ordinances. Franchisee shall not load

vehicles in excess of the manufacturer's recommendations or limitations imposed by state or local weight restrictions on vehicles.

6.13 Solid Waste and Recyclable Materials Containers

6.13.1 Except as provided below, as of the Effective Date and throughout the Term of this Agreement, Franchisee shall supply each Single Family Dwelling Unit with a separate thirty-two (32), sixty-four (64) or ninety-six (96) gallon Container as directed by County for each of the following: a) Solid Waste, b) commingled Recyclable Materials (all Recyclable Materials excluding Green Materials and motor oil and filters) and c) Green Materials. As of the date on which Franchisee commences Collection of Food Waste as a Recyclable Material and throughout the remainder of the Term and any extension thereof, Franchisee shall supply each Single Family Dwelling Unit with a separate thirty-two (32), sixty-four (64) or ninety-six (96) gallon Container for each of the following: a) Solid Waste, b) commingled Recyclable Materials (excluding Green Materials, motor oil and oil filters and Food Waste) and c) commingled Green Materials/Food Waste. Notwithstanding the foregoing, at any time during the Term of this Agreement or any extension thereof, County may direct Franchisee to provide Containers different (e.g. in size or type) from those specified above or as previously directed by County; and County specifically reserves the right to direct Franchisee to provide separate Containers for Green Materials and Food Waste. Additional Containers shall be provided to customers as requested at rates approved by the County Board of Supervisors. Customers needing smaller sized Containers shall be provided, at no additional charge, with Containers sufficient to achieve the subscribed capacity rate level.

6.13.2 Except as provided below, as of the Effective Date and throughout the Term of this Agreement, Franchisee shall supply each multifamily complex and commercial or governmental agency with separate appropriately sized Containers for each of the following: a) Solid Waste, b) commingled Recyclable Materials (all Recyclable Materials excluding Green Materials and motor oil and oil filters) and c) Green Materials if needed. As of the date on which Franchisee commences Collection of Food Waste as a Recyclable Material and throughout the remainder of the Term and any extension thereof, Franchisee shall supply each multifamily complex and commercial or governmental agency with separate appropriately sized Containers for each of the following: a) Solid Waste, b) commingled Recyclable Materials (all Recyclable Materials excluding Green Materials, motor oil and oil filters and Food Waste) and c) commingled Green Materials/Food Waste if needed. Notwithstanding the foregoing, at any time during the Term of this Agreement or any extension

thereof, County may direct Franchisee to provide Containers different (e.g. in size, quantity, or type) from those specified above or as previously directed by County; and County specifically reserves the right to direct Franchisee to provide separate Containers for Green Materials and Food Waste. Franchisee agrees to provide additional Containers, as requested, at the Board-approved rate. Note that all multi-family complex and commercial or governmental agency customers shall be entitled to the free Collection of an unlimited quantity of Recyclable Materials picked up twice per week. Franchisee agrees not to limit the specific type of Recyclable Materials (such as cardboard only) that can be placed in a Container unless approved by County on a customer-by-customer basis.

6.13.3 For residential customers, all Solid Waste Containers shall be black or grey, all commingled Recyclable Materials Containers shall be blue with in-line molded graphics or large weatherproof stickers, approved by the SLO County Integrated Waste Management Authority containing instructions compatible with the local Recycling program; all Green Materials Containers, commingled Green Materials/Food Waste Containers and Food Waste Containers shall be green unless otherwise specified by County. For commercial customers, all Solid Waste Containers shall be black or grey, all commingled Recyclable Materials Containers shall be blue with color graphics containing instructions compatible with the local Recycling program and all Green Materials Containers, commingled Green Materials/Food Waste Containers and Food Waste Containers shall be green unless otherwise specified by County. Lids for the residential Containers shall be the same color as the Containers. Within the first eighteen (18) months of this Agreement, Franchisee shall replace any existing Container that is not the proper color with a Container that is the proper color that is either a new Container or a Container that is in the existing Franchisee's inventory. Any new Containers for commingled Recyclable Materials, Green Materials, commingled Green Materials/Food Waste or Food Waste shall include an in-line molded graphic or large weatherproof sticker, approved by the SLO County Integrated Waste Management Authority which provides instructions to the generator consistent with the local program. The final color and signage, including the in-molded graphic or sticker on the Containers shall be approved by the Director or his/her designee.

6.13.4 Containers supplied by Franchisee for commingled Recyclable Materials, Green Materials, commingled Green Materials/Food Waste and Food Waste shall be reusable and capable of being emptied at the curb. Commingled Recyclable Materials, Green Materials, commingled Green

Materials/Food Waste and Food Waste shall not be Collected in non-compostable bags or in any bag that the County determines does not sufficiently biodegrade or that can negatively affect the quality of compost or the digestion/decomposition process.

6.13.5 All Franchisee supplied Containers for Solid Waste, commingled Recyclable Materials, Green Materials, commingled Green Materials/Food Waste and Food Waste shall remain the property of Franchisee. Containers damaged due to lack of reasonable care by the customer, or Containers damaged by graffiti may be replaced by Franchisee. Franchisee may recover by any legal means, Containers being used by customers for other than their intended purpose.

6.14 Litter Abatement/Solid Waste Accumulation

6.14.1 Franchisee shall not litter premises while Collecting Solid Waste or Recyclable Materials or allow such materials to blow or fall from any Collection Vehicle onto a roadway or shoulder.

6.14.2 All Solid Waste or Recyclable Materials in Franchisee's vehicles, conveyances, or Containers used by Franchisee shall be completely covered when en route from the last Collection station to a Disposal Site or Transfer or Processing Station to prevent spillage, overflow, blowing, or dropping out of said vehicles, conveyances, or Containers. Any material dropped or spilled in Collection, transfer, or transport shall be immediately removed by Franchisee. Appropriate equipment for this purpose shall be carried at all times on each vehicle, including an oil spill kit. Any citations or notices issued for NPDES violations resulting from said droppage or spillage shall be the responsibility of Franchisee, and Franchisee shall not "pass through" costs arising out of any such violations to its customers.

6.14.3 Debris that has escaped Franchisee's trucks or Containers in transfer or transport and that litters the public rights of way or private property shall be removed by Franchisee within three (3) days of escaping.

6.14.4 Franchisee shall direct its drivers to note the following: a) the addresses of any Premises at which they observe that Solid Waste is accumulating and is not being delivered for Collection or to disposal and b) the address, or other location description, at which Solid Waste has been dumped in an unauthorized manner. Franchisee shall report the address or description to the Director within seventy-two (72) hours of such observation.

6.15 Personnel

6.15.1 Franchisee shall furnish such qualified drivers, mechanical, supervisory, clerical, and other personnel as may be necessary to provide the services required by this Agreement in a safe, efficient and effective manner. If County adopts a living wage ordinance, Franchisee agrees to voluntarily comply with the ordinance. Collection rates shall be adjusted accordingly after review and report by the County Auditor-Controller and approval by the Board of Supervisors, pursuant to Section 9.2.2.4

6.15.2 Franchisee shall ensure that while on duty each Collection worker likely to come into contact with the public wears a clean uniform that displays Franchisee's company name and the worker's name or identification number.

6.15.3 Franchisee shall not, nor shall it permit any agent, employee, or subcontractors employed by it to request, solicit, demand, or accept, either directly or indirectly any compensation or gratuity for any services performed under this Agreement except as provided in Article 9 ("Franchisee's Compensation and Rates") of this Agreement.

6.15.4 All drivers shall be properly trained and qualified in the operation of vehicles they operate and must possess a valid license, of the appropriate class, issued by the California Department of Motor Vehicles.

6.15.5 Franchisee shall provide adequate operations, health and safety training, and Hazardous Waste identification and handling training for all of its employees who use or operate equipment or who are otherwise directly involved in Collection or other related operations with a risk of exposure to Hazardous Materials.

6.15.6 Franchisee shall properly train its employees in customer courtesy, shall prohibit the use of loud or profane language, and shall instruct Collection crews to perform the work quietly and in a respectful manner. Franchisee shall use its best efforts to ensure that all employees present a neat appearance and conduct themselves in a courteous manner. If any employee is found to be discourteous or not to be performing services in the manner required by this Agreement, Franchisee shall take all necessary corrective measures. If County has notified Franchisee of a complaint related to discourteous or improper behavior, Franchisee will reassign the employee to duties not entailing contact

with the public while Franchisee is pursuing its investigation and corrective action/training process.

6.16 Disposal Requirements

6.16.1 Franchisee shall dispose of all Solid Waste and Recyclable Materials Collected under this Agreement efficiently, at Franchisee's own expense and in accordance with all federal, state and local laws, rules, and regulations. Franchisee shall be responsible for securing a local Facility within the County of San Luis Obispo for disposal of all Solid Waste and Processing of all Recyclable Materials Collected by Franchisee pursuant to this Agreement.

6.16.2 Franchisee shall secure within ninety (90) days of the Effective Date of this Agreement, sufficient Disposal Site capacity commitment including Landfill Disposal Site capacity to adequately serve the reasonably anticipated Solid Waste disposal needs of Franchisee's customers during the Term of this Agreement. County reserves the right to review and require approval for said disposal capacity commitments.

6.16.3 If Franchisee determines all local Facilities within the County of San Luis Obispo are not appropriate Disposal or Processing Facilities/Sites, and an out-of-County site would be a more appropriate and efficient part of the operation, Franchisee shall obtain the written agreement of County to use said out-of-County site. The Board of Supervisors specifically delegates to the Director the authority to enter into a written agreement to change the Disposal or Processing Site to an out-of-County site. The County must be notified in writing three hundred sixty five (365) days in advance if Franchisee desires to use a Facility/Disposal Site outside San Luis Obispo County at any time during the term of this Agreement. Notwithstanding the foregoing, the parties agree that the requirement for advance notice may be waived at the sole discretion of County for good cause. As used herein, "good cause" shall mean, without limitation, the appearance or existence of one or more conditions at a Facility/Disposal Site within San Luis Obispo County that reflects or constitutes, in the judgment of Franchisee and the Director, an unsafe practice or that may give rise to potential liability to County or Franchisee under CERCLA or any other applicable pollution, environmental or other law.

6.16.4 If Franchisee receives notice from the Landfill operator or Recyclable Materials Processor or otherwise finds, during the term of the Agreement, to be prevented, through no action of Franchisee or any of its Affiliates or agents, from delivering Solid Waste or Recyclable Materials to the designated site,

Franchisee shall immediately notify, in writing, the Director, stating the reason(s) Franchisee is prevented, or expects to be prevented, from delivering Solid Waste or Recyclable Materials to the designated Facility. Franchisee shall expeditiously identify and evaluate alternative sites. An alternative designated site or sites shall be arranged for and secured by Franchisee.

6.16.5 The parties understand and agree that County intends to continue to participate in waste diversion and resource recovery programs pursuant to regional and/or local implementation of the Integrated Waste Management Act, or such other programs as may be required or established by County or State.

6.16.6 Franchisee shall deliver all Solid Waste to any Landfill which collects the San Luis Obispo County AB 939 Tipping Fee Surcharge and Waste Management Program Fund Fee, pursuant to County Resolution No. 90-383. If Franchisee delivers Solid Waste to a Landfill which does not collect the County Tipping Fee Surcharge and Waste Management Program Fund Fee, Franchisee will make, on a monthly basis, the equivalent payment directly to County's Waste Management Tipping Fee - AB 939 Trust Fund #4304000000 and Waste Management Tipping Fee Trust - Site Fund #5912000000. Franchisee acknowledges that the San Luis Obispo County Board of Supervisors has the sole and exclusive right to change the fees and rates at least annually and otherwise as needed, as allowed by law.

6.16.6.1 Payment of the equivalent fees shall be made to County within thirty (30) days after the end of each calendar month, or prorated portion thereof, in which Franchisee delivers waste to an alternate Facility. In the event that payment is not received by County within thirty (30) days after the date specified, then Franchisee shall pay a penalty of ten percent (10%) on the outstanding balance, and Franchisee shall also pay to County interest on the outstanding balance at a rate of ten percent (10%) per annum, or the maximum legal rate of interest, whichever is greater, from the date of Franchisee's failure to pay.

6.16.6.2 As of March 1, 2007, the Tipping Fee Surcharge for Fund #4304000000 is $3.00 per ton and the Waste Management Program Fund Fee for Fund #5912000000 is $0.40 per ton. Payments made by Franchisee shall be sent to County along with an itemized statement regarding how the payment was calculated. Payments shall be adjusted to reflect any future changes in the amount of each fee.

6.17 Cleaning Commercial Bins

6.17.1 Franchisee shall steam clean and refurbish all commercial bins at Franchisee's own expense every six (6) months upon request. Customers desiring more frequent cleaning may arrange additional cleaning with Franchisee at a rate established by County, including pick-up, cleaning, and replacement of dumpster. Commercial customers shall be notified annually of the availability of the free cleaning service and the charges for additional service.

6.18 Clean-Up Days

6.18.1 At least twice per year throughout the term of this Agreement and any extension hereof, Franchisee shall provide, in addition to regularly scheduled service, two (2) clean-up events pursuant to guidelines established by Franchisee and approved by County, for Solid Waste placed at the curb by Single Family Dwelling Units and at pre-arranged locations for multi-family residential properties in addition to each customer's normal Collection service. The dates for each event shall be proposed by Franchisee and approved by the Director prior to September first of each year.

6.18.2 Each Collection event shall be provided by Franchisee at no additional cost for customers requesting Collection except for certain items identified by County as subject to a charge.

6.18.3 Franchisee shall record, and report to County, by class and weight (in tons) the Solid Waste, White Goods, etc., collected during the clean-up events. Franchisee shall record the kinds and weights (in tons) of Solid Waste diverted during these clean-ups from the Landfill through Recycling, reuse, transformation or other means of diversion. Franchisee shall provide the report to County no later than ten (10) days after the event.

6.19 Material Processing

6.19.1 Franchisee shall have in place or have made arrangements for a Facility or Facilities to receive and accept all deliveries of Recyclable Materials, including Green Materials and Food Waste (when Franchisee is Collecting Food Waste as a Recyclable Material), generated in the County.

6.19.2 Any Facility used by Franchisee must be designed and constructed in accordance with all applicable state and local laws (e.g. California Environmental Quality Act, California Code of Regulations, etc.). Each Facility must have all permits from federal, state, regional and county agencies necessary for operation and must be in full regulatory compliance with all such permits at all times during the Term of this Agreement and any extension thereof.

6.19.3 The selected Facility(ies) must be authorized to accept, under its existing permit, and have sufficient uncommitted capacity to accept, all Recyclable Materials, including Green Materials and Food Waste (when Franchisee is Collecting Food Waste as a Recyclable Material) delivered to it by, or on behalf of, Franchisee for the Term of this Agreement and any extension thereof. Franchisee shall immediately notify County of any notice of breach, violation or default received by the selected Facility(ies).

6.19.4 If Franchisee becomes unable to deliver County's Recyclable Materials to the selected Facility(ies) due to causes within Franchisee's control and which could have been avoided by the exercise of due care, Franchisee shall arrange for Recyclable Materials, including Green Waste and Food Waste (when Franchisee is Collecting Food Waste as a Recyclable Material), to be accepted at another Facility(ies). In this instance, Franchisee shall pay for any increased transportation costs, any differences in the fees charged at such Facility(ies) and any fees then in effect under this Agreement. If Franchisee's inability to deliver County's Recyclable Materials to the Facility(ies) is not due to causes within its control or which could have been avoided by the exercise of due care, then Franchisee shall propose alternative Facilities including all related costs and County shall have the right to approve the alternative to be used. If the Board of Supervisors approves the alternatives, the County shall adjust Franchisee's Board-approved rates to recognize the cost of using an alternative facility.

6.20 Disposition of Unauthorized Waste

6.20.1 It is understood that Franchisee is not authorized and is not required hereunder to Collect and transport Hazardous Waste or restricted or other waste that is not acceptable or permitted for disposal at a Transfer Station, Materials Recovery Facility, or Disposal Site. In addition, Franchisee shall not be required to Collect Containers that are not set out or filled in accordance with, or do not meet Franchisee's Collection requirements. Regardless of the reason, when any Solid Waste, Recyclable Materials or other material is not

Collected by Franchisee, Franchisee shall leave a company imprinted tag with Franchisee contact information on the material stating the reasons for Franchisee's refusal to Collect the same. Adequate records of the tags shall be maintained by Franchisee and shall be available to County for inspection upon reasonable notice during business hours.

6.20.2 If Franchisee observes any substances which it or its employees reasonably believe or suspect to contain Hazardous Waste unlawfully disposed of or released in reportable quantities in the County, including on, in, under or about County property, including streets, easements, rights of way and County waste containers, Franchisee shall immediately notify County of the same.

6.20.3 If Franchisee discovers Hazardous Waste, or other material that may not be legally accepted, among materials that it has inadvertently accepted, Franchisee may either return such materials to the applicable generator or dispose of such waste at its own expense and pursue all legal rights and remedies it may have against the generator(s) of such Hazardous Waste, if the generator(s) can be identified.

6.21 Disposal

6.21.1 Franchisee shall ensure that the residual from the Recyclable Materials delivered to a Materials Recovery Facility by Franchisee are disposed of at a permitted Disposal Site in full regulatory compliance. Monthly residue from said Facility from loads delivered by Franchisee pursuant to services under this Agreement shall not exceed ten percent (10%) of the monthly Recyclable Materials delivered to the Materials Recovery Facility. If County directs Franchisee to deliver Recyclable Materials to a different Facility for Processing, then such other Facility shall be responsible for disposal of the residual and the Processing requirements as described above and County shall use its best efforts to enforce such requirements against the other Processor.

ARTICLE 7
OTHER SERVICES: BILLING, REPORTING, RECORD-KEEPING AND PUBLIC EDUCATION

7.1 Billing

7.1.1 The Board of Supervisors shall establish rates for the services provided by Franchisee. Franchisee shall bill and collect these rates. Franchisee's billing format and billing frequency shall be subject to approval of County and

County shall have the right to revise the billing format to itemize certain charges. The Franchisee shall issue to the Director, on the same schedule as the customers, a sample residential bill and a sample commercial bill for the most popular level of service offered by Franchisee to those customers.

7.1.2 All residential and commercial billing statements shall clearly list:

7.1.2.1 The customer's level of service;

7.1.2.2 The monthly rate; and

7.1.2.3 A local company telephone number to call with questions, and a telephone number designated by the County Public Works Department for customers unable to resolve a problem with Franchisee.

7.1.3 The County may also direct Franchisee to insert mailers relating to Franchisee-provided service with the billings at no additional cost to County. The mailers must fit in standard envelopes and not increase the required postage. The County will provide not less than sixty (60) days' notice to Franchisee prior to the mailing date of any proposed mailing to permit Franchisee to make appropriate arrangements for inclusion of County materials.

7.1.4 Franchisee shall maintain copies of said billings and receipts, each in chronological order, for a period of five (5) years after the date of service for inspection by County, or for such longer term as County directs. Franchisee may, at its option, maintain those records in computer form, on microfiche, or in any other manner, provided that the records cannot be altered, and can be preserved and retrieved for inspection and verification in a timely manner. Franchisee shall, in addition, provide an adequate backup system for billing records, regardless of the form in which the records are maintained. Any such backup system shall be subject to the prior approval of County.

7.2 Responsible for Payment

7.2.1 The property owner shall be responsible and liable for paying the Solid Waste Collection and disposal fees for that property.

7.2.2 Bills shall be considered delinquent if not paid within thirty (30) days of the date due. Delinquent bills shall be subject to a late fee. Franchisee shall be solely responsible for the collection of delinquent accounts.

7.3 Maintenance of Accounting Records

7.3.1 Franchisee shall maintain accounting records in accordance with Generally Accepted Accounting Principles. In its accounting records, Franchisee shall discreetly maintain and clearly identify all items of revenue pertaining to County's franchised operations. Revenue information for County shall be segregated from other geographical areas served by Franchisee. Revenue information for County, in addition, shall be segregated from other business activities of Franchisee. Separate detailed records shall be maintained by Franchisee with respect to all transactions with Affiliates that affect the revenue of Franchisee in providing the Franchise Collection services.

7.4 Right to Audit Records

7.4.1 In addition to other reporting requirements in this Agreement, County may review, test and audit the books and records of Franchisee or may engage a Certified Public Accountant for this purpose. The cost of such inspection or review will be an allowable cost under the rate setting methodology unless there are findings pursuant to Article 13.7.

7.5 Inspection by County

7.5.1 The designated representatives of County shall have the right to observe and review Franchisee operations and enter Franchisee's premises for the purpose of such observation and review at all reasonable hours with reasonable notice.

7.6 Office/Office Operation

7.6.1 Franchisee's principal place of business and location of books and records shall be within the Franchise Area or other such convenient location approved by County, where customers may apply for service, pay bills, and register complaints.

7.6.2 At a minimum, Franchisee shall staff this office from 8:00 A.M. to 5:00 P.M., Monday through Friday, except legal holidays observed by County. Franchisee's office shall be open to the public during normal business hours.

7.6.3 Responsible Franchisee personnel, conversant in English and Spanish, shall be available during office hours to communicate with the public in person and directly by telephone.

7.6.4 If the office is not in the community served, Franchisee shall make arrangements for a convenient customer drop box at the Franchisee's place of business, or in a city or community services district within Franchisee's permit territory for bill paying purposes.

7.6.5 Franchisee shall return all customer calls seeking a response by the close of the next business day.

7.6.6 Franchisee shall provide to County a local emergency telephone number and contact person accessible twenty-four (24) hours per day.

7.6.7 Complaints received from customers or County shall be acted upon immediately and Franchisee shall make every reasonable effort to resolve said complaints within seventy-two (72) hours of notification.

7.6.8 Franchisee's office and Collection Vehicles shall be equipped with reliable voice communications equipment. The voice communications equipment shall have a reasonable expectation of functioning during any emergency.

7.7 Customer Information

7.7.1 Franchisee shall prepare and keep current a flier acceptable to County which summarizes Solid Waste regulations, all services provided by Franchisee, Solid Waste Collection rates, telephone numbers, special Collection events, the Clean Up Week schedule and rules, regular and holiday Collection schedules, complaint procedures, office hours, office location and other pertinent information such as free dumpster cleaning for commercial customers. County contact information shall be included. Copies of this flier shall be available to the public at all times at Franchisee's office and Franchisee's employees and agents shall inform customers that said flier is available upon request. In addition, Franchisee shall distribute copies to all new customers and shall annually mail copies to all of its current customers. When there has been a change in service or rates, Franchisee shall update the flier to reflect such change and mail a copy of the updated flier to all customers

at least thirty (30) days prior to the date on which such change becomes effective.

7.7.2 The Franchisee may provide information through means other than described above if previously approved in writing by the Director. Franchisee shall include the Director in the list of recipients of the information.

7.7.3 Franchisee shall fully participate with County in preparing, processing, mailing and tabulating customer satisfaction surveys to residential and commercial customers. By way of example and without limitation, Franchisee's participation could include use of their customer lists by County staff to mail a survey. In the event that County wishes to have a customer survey performed by Franchisee, County will seek Franchisee's input regarding proposed questions. Franchisee will conduct the survey within ninety (90) days of a request by County, but not more than once a year.

7.8 Regulatory Reporting

7.8.1 Franchisee shall, within thirty (30) days of receipt, provide County copies of each adverse report form, and each regulatory action from local, state or federal regulatory agencies. In addition, Franchisee shall send copies to County of any reports that Franchisee submits to regulatory agencies with respect to services provided pursuant to this Agreement.

7.8.2 Franchisee shall provide County promptly with copies of any notices and correspondence from other facilities, including Disposal Sites, utilized by Franchisee in the performance of this Agreement, concerning any breach of agreement with such Facility or violation of regulations, including delivery of unauthorized wastes. Franchisee shall direct such Facilities to, at all times, simultaneously send copies of such notices and correspondence to County.

7.8.3 Franchisee shall promptly provide County with copies of any reports and correspondence concerning the status of permits with respect to Franchisee and such Disposal Sites and Facilities referenced above.

7.9 Public Education

7.9.1 Franchisee acknowledges and agrees that education and public awareness are critical, key and essential elements of any efforts to achieve AB 939 requirements and to attain Zero Waste. Accordingly, Franchisee agrees to take direction from County to exploit opportunities to expand public and

customer knowledge concerning needs and methods to divert Solid Waste and Recyclable Materials from disposal by reducing the amount of Solid Waste generated and/or accumulated through Recycling or other appropriate waste diversion and reduction strategies and to cooperate fully with County in this regard.

7.9.2 Franchisee shall maintain its own program of providing information relevant to billing and Solid Waste services, issues and needs with its bills. Every billing cycle, Franchisee shall include an additional message promoting participation in Recycling, Green Materials and Food Waste (when the Franchisee is Collecting Food Waste as a Recyclable Material) programs as its billing format allows. Franchisee shall bear all labor costs with respect to inserting public education materials with the billings. County shall bear any additional postage expense resulting from any County inserts and shall bear other expenses related to the inserts to the extent said expenses are clearly in excess of Franchisee's normal billing costs. All public education materials shall be approved in advance by County.

7.9.3 At the direction of County, Franchisee shall participate in and promote AB 939 activities and other Solid Waste Management techniques at community events and local activities. Such participation would normally include providing, without cost, educational and publicity information promoting the goals and programs of County's Solid Waste program.

7.10 Records Retention

7.10.1 Franchisee shall maintain the records, reports and data described in this Agreement for five (5) years or such longer time as County may direct. Franchisee agrees to make all such records, reports and data available for inspection by County or County's authorized representatives, upon reasonable notice by County.

ARTICLE 8
PAYMENTS TO COUNTY

8.1 Franchise Fee

8.1.1 In consideration of the granting of this Franchise, and for the privilege of providing Solid Waste and Recyclable Materials Collection service along and within the rights-of-way of the County, Franchisee shall pay to County a

Franchise Fee equal to ten percent (10%) of Franchisee's annual Gross Receipts attributable to services provided under this Agreement.

8.1.2 Franchisee shall submit to Director an annual detailed revenue statement and Franchisee shall pay its Franchise Fee to County, submitted to Director on a monthly basis. Payment of the monthly portion of the Franchise Fee shall be rendered to County monthly on or before the last business day of the following month in which Franchisee derives receipts for the services provided under the terms of this Agreement.

8.1.3 In the event that payment is not received by County within thirty (30) days after the date specified in this Article, then Franchisee shall pay a penalty of ten percent (10%) on the outstanding balance, and Franchisee shall also pay to County interest on the outstanding balance at a rate of ten percent (10%) per annum, or the maximum legal rate of interest, whichever is greater, from the date of Franchisee's failure to pay.

8.1.4 The parties agree that such late charges represent a fair estimate of County's added administrative expenses caused by such delinquent payments.

8.1.5 In the event of an underpayment of Franchise Fees by Franchisee, within thirty (30) days of being notified of such underpayment, Franchisee shall tender the amount of the underpayment to County, together with any penalties and/or interest owed County for the period of the underpayment.

8.1.6 Payments of Franchise Fees made by Franchisee to County shall be considered in addition to and exclusive of any and all authorized taxes, business license fees, permit fees, other fees, and other levies or assessments presently in effect or subsequently adopted.

8.1.7 No acceptance of any payment shall be construed as a release, accord or satisfaction of any claim that County might have for further or additional sums payable under the terms of this Agreement.

8.1.8 The Franchise Fee is a Pass-Through Expense for purposes of this Agreement and, as such, if County changes the Franchise Fee, Franchisee's rates under this Agreement shall be adjusted accordingly, subject to all applicable laws and regulations. The Franchise Fee shall be included in the rates charged by Franchisee and shall not be separately itemized on bills to Franchisee's customers.

8.2 AB 939 Fee

8.2.1 If requested by County, Franchisee shall pay an AB 939 fee, to be specified annually by County. In addition, if the Integrated Waste Management Authority currently implements an AB 939 fee, Franchisee shall pay that fee directly to the IWMA. All AB 939 fees paid to County or IWMA shall be considered a Pass-Through Expense for purposes of rate setting and, as such, if County or IWMA changes these fees, Franchisee's rates shall be adjusted accordingly subject to all applicable laws and regulations.

8.3 Business License Tax

8.3.1 Franchisee shall pay an annual business license tax and shall obtain and pay for any and all other applicable licenses or permits.

8.4 Other Fees

8.4.1 The County shall reserve the right to set "other" Fees, as it deems necessary to offset any additional County costs associated with this Agreement. These expenses will be determined and a fee designed to reimburse County. Such fees shall be set annually by County and shall be considered a Pass-Through Cost for purposes of rate setting and, as such, if County adopts or changes these fees, Franchisee's rates shall be adjusted accordingly, pursuant to Section 9.2.2.3.3.

8.5 Adjustment of Fees

8.5.1 The Board reserves the right to adjust the rate of the Franchise Fee and /or the amount of other fees annually. Such adjustment shall be reflected in the rates that Franchisee is allowed to charge and collect from customers after providing thirty (30) days' notice to customers of the change in rates.

8.6 Review of Fee Payments

8.6.1 In addition to any other reporting requirements of this Agreement, and pursuant to Chapter 8.12 ("Solid Waste Management") of the County Code, County may review, test, and audit the books and records of Franchisee, or County may engage a Certified Public Accountant for the purpose of obtaining an Auditor's Report or an Auditor's Special Report in accordance with Generally Accepted Auditing Standards, and Franchisee shall make all the books and

records available to County or any Certified Public Accountant engaged by County. In the event that material errors or irregularities are identified, then the costs associated with County review or review by the Certified Public Accountant engaged by County shall be paid by Franchisee to County. Franchisee shall not deduct said costs from any payment otherwise due to County.

8.6.2 In the case of errors, materiality shall be deemed to be one percent (1%) or greater of the Gross Revenues of Franchisee for services performed under this Agreement.

ARTICLE 9
FRANCHISEE'S COMPENSATION AND RATES

9.1 General

9.1.1 Franchisee's compensation provided for in this Article shall be the full, entire and complete compensation due to Franchisee pursuant to this Agreement for all labor, equipment, materials and supplies, taxes, insurance, bonds, overhead, transfer and transport, processing, division, disposal, profit and all other things necessary to perform all the services required by this Agreement in the manner and at the times prescribed. Franchisee will not be entitled to any further rate adjustments as a result of customer delinquencies and other bad debt issues or as a result of costs incurred by County or Franchisee as identified in Article 13.3 ("Right to Terminate Upon Default or for Cause") of this Agreement.

9.1.2 Franchisee shall not look to County for payment of any sums under this Agreement in consideration of the right to charge and collect from customers for services rendered at rates fixed by County from time-to-time. The County shall have the right to structure those rates as it deems appropriate so long as the revenues forecasted to be received by Franchisee from charging such rates can reasonably be expected to generate sufficient revenues to provide for Franchisee's compensation, including a reasonable profit pursuant to Section 9.3.1.

9.1.3 Within twenty four (24) months of the Effective Date, pursuant to Section 5.1.2.2 of this Agreement, Franchisee must Collect Food Waste that has been properly set out for collection by the generator as a Recyclable Material. However, notwithstanding Section 5.1.2.2, Franchisee shall develop a pilot

Food Waste Collection program within twelve (12) months of the Effective Date, in order to establish program costs prior to full implementation within 24 months. The parties agree that implementation of Food Waste Collection will carry some additional costs, and that those costs will be accounted for through either a Triennial Base Rate or Special Interim Rate Adjustment when requested by Franchisee.

9.1.4 If Franchisee chooses to operate in any manner or use facilities that unnecessarily cause increased costs, County is not obligated to include those costs, to the extent of the unnecessary increase, in setting a reasonable rate of return.

9.1.5 Any costs incurred by Franchisee relating to the preparation or dissemination of any recycling and waste reduction information or any public education activities shall be stated as a separate line item by Franchisee in all rate review requests. No such costs shall be considered in the rate review process unless the Franchisee had received the Director's written approval of such costs before they were incurred by the Franchisee.

9.1.6 In the event that Franchisee's costs decrease or increase as a result of the County's written designation of a manner of, or location for, processing or disposal of Solid Waste or Recyclable Materials that is materially different from what could have been reasonably anticipated on the Effective Date of this Agreement, either Franchisee or County may request an adjustment in collection rates within sixty (60) days of such written designation. In the event Franchisee receives any additional compensation for the value of the Solid Waste or Recyclable Materials disposed of in such a manner, or for the delivery of any Solid Waste or Recyclable Materials to the new location for processing or disposal, such compensation shall be considered as an offset to any compensation to which Franchisee might otherwise be entitled in a rate adjustment.

9.1.7 If at any time during the term of this Agreement, Franchisee requests and is granted any rate increase by County that, when the new rate is compared to the rate at the Effective Date of this Agreement, exceeds the cumulative cost of living increases from the Effective Date of this Agreement, County shall have the option to terminate this Agreement by providing Franchisee with a written notice of termination setting forth a termination date of not less than thirty (30) days, nor more than one hundred twenty (120) days, from the date of the written notice. Said written notice of termination must be mailed or delivered to

Franchisee no later than two hundred seventy (270) days after the effective date of the last rate increase approved by the Board of Supervisors. No further process or proceedings shall be required in order to make the termination effective. The cumulative cost of living increases shall be calculated using the "All Urban Consumers, Los Angeles-Riverside-Orange County, Not Seasonally Adjusted, Consumer Price Index" ("CPI") or other index as determined by the Auditor-Controller. By way of example, if a rate increase results in an overall cumulative six percent (6%) increase in rates since the Effective Date of this Agreement, and the Consumer Price Index for that same period would indicate a cumulative cost of living increase of five point eight percent (5.8%), then County would have the option to terminate this Agreement.

9.1.7.1 If a prior rate increase approved by the County expressly states that a specific portion of that rate increase is the result of any of the following causes, that specific portion of the prior rate increase so identified by the County shall not be included in the computation of the cumulative rate increases granted to Franchisee: rate increases resulting from Franchisee cost increases under Article 8 ("Payments to County") or Article 5.5 ("County May Request Service Changes") of this Agreement, or any new, mandated regulatory costs, including costs resulting from a Change in Law.

9.1.7.2 Notwithstanding Article 9.1.7.1 of this Agreement, rate increases resulting from an increase in the Pass-Through Costs associated with the Processing and/or disposal of Solid Waste and Recyclable Materials at an Affiliated Facility shall be included in the computation of the cumulative rate increases granted to Franchisee, but only to the extent that the adjusted Tipping Fee at the Affiliated Facility exceeds other disposal or recycling facilities in the county.

9.1.7.3 County will endeavor to notify Franchisee if the rate anticipated to be approved by the Board will allow the County to exercise its termination option hereunder.

9.1.7.4 A waiver of the termination option by County for one specific rate adjustment does not diminish or eliminate County's termination options with respect to any future rate adjustments.

9.2 Collection Rates

9.2.1 Pursuant to Chapter 8.12 ("Solid Waste Management") of the County Code, Franchisee may only charge rates approved by the Board of Supervisors for the services performed or rendered under this Agreement. The rates in effect as of the Effective Date of this Agreement are set forth in Exhibit B attached hereto and incorporated herein by this reference.

9.2.2 In the interest of maintaining affordable services for the residents and businesses located within the Franchise Area, the following are the only permissible adjustments to the rates approved by the Board of Supervisors as of the Effective Date:

9.2.2.1 Annual Adjustments Based on the Consumer Price Index ("CPI"). Except in years when a rate review is required, the Collection rates shall be adjusted according to the practices and procedures of the Auditor-Controller and based on the "All Urban Consumers, Los Angeles-Riverside-Orange County, Not Seasonally Adjusted, Consumer Price Index" or other index as determined by the Auditor-Controller. In rate review years, any prior adjustment is incorporated into the rate review process. If a CPI adjustment is requested by Franchisee, in years when a rate review is not required, the Board of Supervisors intends to make a reasonable effort to adjust Franchisee's collection rates during the last quarter of the year. In the event that there is a delay greater than 90 days from the end of the last quarter, Franchisee may, if Franchisee so requests and the request is submitted within a reasonable time, subsequently bill the rate payers pro rata for the amount of the uncollected CPI caused solely by the delay.

9.2.2.1.1 CPI adjustments proposed by Franchisee and subsequently declined by Franchisee are not carried forward to the next rate adjustment.

9.2.2.2 Adjustments Based on Triennial Rate Review. Franchisee shall submit to County an application for rate analysis and adjustment every three (3) years unless otherwise agreed in writing between Franchisee and County (or as otherwise provided in this Agreement). Throughout the term of this Agreement, applications shall be submitted within sixty (60) days of the three (3) year, six (6) year, nine (9) year and twelve (12) year anniversary dates of this Agreement. With said application, Franchisee shall submit any and all data or information requested by, and in the format prescribed by, County. In the event Franchisee fails to meet the above-described deadlines, a revision of rates for the following year shall not be authorized until the first day of the first calendar month

following a one hundred twenty (120) day period from the date that the complete application is submitted and such revision shall contain no consideration for Franchisee's failure to submit the application in accordance with the deadlines set forth herein.

9.2.2.3 Pass-Through Adjustments.

9.2.2.3.1 Tipping Fees.

9.2.2.3.1.1 If during the performance Term of this Agreement, the Tipping Fee at a Solid Waste disposal or Recyclable Materials processing Facility changes, the Franchisee's Collection rates for residential and commercial customers shall be adjusted accordingly only if the Board of Supervisors approved the Facility's Tipping Fee adjustment after a thorough review and report by the County Auditor-Controller. The Board of Supervisors intends to make a reasonable effort to adjust Franchisee's collection rates at the same time as the Facility Tipping Fee. In the event that there is a delay greater than 90 days between approval of the Tipping Fee increase and the corresponding collection rate adjustment such that Franchisee cannot contemporaneously pass along to the ratepayer the costs of the Tipping Fee increase, Franchisee may, if Franchisee so requests and the request is submitted within a reasonable time of the Tipping Fee increase, subsequently bill the ratepayers pro rata for the amount of the uncollected Tipping Fee caused solely by the delay.

9.2.2.3.1.2 Prior to consideration of any Facility Tipping Fee as a Pass-Through Cost associated with processing/disposal of Solid Waste and Recyclable Materials, Franchisee shall provide County with a copy of the processing/disposal Facility's request for an increase in Tipping Fees no later than five (5) days following submittal of Franchisee's Pass-Through Cost rate request to County.

9.2.2.3.1.3 Additionally, Franchisee shall submit proof of Board of Supervisor approval of said Tipping Fee increase. If Pass-Through Costs are a result of using a Facility under the authority of another jurisdiction, Franchisee shall submit a copy of the applicable local agency's approval of the Tipping Fee.

9.2.2.3.2 AB 939 Fees. If during the performance Term of this Agreement, the AB 939 fee charged by County or IWMA changes, the Franchisee's Collection rates shall be adjusted accordingly subject to County's right to conduct a rate review. Any increase in the rate of the AB 939 Fee shall not be effective until Franchisee's rates have been reviewed and adjusted.

9.2.2.3.3 Franchise Fee and other County Fees. If during the performance Term of this Agreement, the Franchise Fee or any other County fee changes, the Franchisee's Collection rates shall be adjusted accordingly subject to County's right to conduct a rate review. In the event that such review results solely from the adjustment of the Franchisee Fee or other County fee, the expense of the review shall be borne by County. Any increase in the rate of the Franchise Fee or other County fee shall not be effective until Franchisee's rates have been reviewed and adjusted.

9.2.2.4 Special Interim Rate Adjustments.

9.2.2.4.1 The County or Franchisee may request an extraordinary or consequential adjustment outside of the base year and CPI adjustment schedules. To be extraordinary and consequential, cost changes must be significant enough to require a greater than five percent (5%) decrease or increase in monthly rates for basic residential service. Extraordinary or consequential rate adjustments are included in the computation of the cumulative rate increases granted to Franchisee pursuant to Article 9.1.7 of this Agreement.

9.2.2.4.2 In the event that Franchisee suffers an increase in operating costs significantly exceeding the "All Urban Consumers, Los Angeles-Riverside-Orange County, Not Seasonally Adjustments, Consumer Price Index," (or index in use by the Auditor-Controller at the time), caused by compliance with additions, updates or amendments to any laws or as a result of additional performance standards or services being required by County pursuant to an amendment to this Agreement, Franchisee may request a rate adjustment. The application for a rate adjustment must include documentation demonstrating the following:

a) a significant increase in operating costs; and,
b) that the increase was caused by compliance with additions, updates or amendments to any laws or as a result of

additional performance standards being required by County and,

c) why the requested increase needs to be addressed on an expedited basis rather than during the rate review process.

9.3 Allowable Profit

9.3.1 During the rate review process, the allowable profit on expenses shall be calculated using targeted operating ratio of ninety-three percent (93%), with a range of ninety-one percent (91%) to ninety-five percent (95%), applied to Franchisee's reasonable and necessary allowable costs incurred in the performance of its obligations under this Agreement.

9.4 Publication of Rates

9.4.1 Franchisee shall provide written notice to subscribers a minimum of thirty (30) days prior to all rate changes. The notice will include information about all rates and services available to the customer. The form and content of the notice shall be approved by the Director. It shall include a brief explanation for the rate change and ways each customer can determine which level of service will meet the customer's needs. Further requirements for this notice are identified elsewhere in this Agreement.

9.5 Rate Adjustments and Assignment of Agreement

9.5.1 In the case of any assignment, sale, lease, subcontract or transfer of all or any part of Franchisee's assets or stock, the acquiring party shall not be entitled to request any adjustment in rates based on the purchase price or any other consideration associated with said assignment, purchase, lease, subcontract or transfer. In addition, any such acquiring party shall not be entitled to request any adjustment in rates under this Agreement for any costs which said acquiring party incurs prior to the assignment, sale, lease, subcontract or transfer of Franchisee's assets or stock. County reserves the right to solicit competitive bids for services if any assignment results in a request by the assignee for rate increases that are higher than the CPI and do not reflect value changes in service standards as determined solely by County.

ARTICLE 10
RECORDS, REPORTS AND INFORMATION, STUDIES AND HEARING REQUIREMENTS

10.1 Records

10.1.1 Franchisee shall maintain records required to conduct its operations, to support requests it may make to County, and to respond to requests by County. Adequate record security shall be maintained to preserve records from events that can be reasonably anticipated such as a fire, theft and earthquake. Electronically maintained data and records shall be protected and an adequate backup system shall be provided for such data and records. The protection and backup systems shall be subject to approval by County.

10.1.2 The following records shall be maintained for County in a form and detail satisfactory to County, relating to:

10.1.2.1 Customer services and billing;

10.1.2.2 Weight of Solid Waste and Recyclable Materials, especially as related to reducing and diverting Solid Waste. Information is to be separated by kind of account;

10.1.2.3 Special annual clean-up event results;

10.1.2.4 Routes;

10.1.2.5 Facilities, equipment and personnel used;

10.1.2.6 Facilities and equipment operations, maintenance and repair;

10.1.2.7 Processing and disposal of Solid Waste and Recyclable Materials;

10.1.2.8 Complaints; and

10.1.2.9 Missed pick-ups.

10.1.3 Franchisee shall maintain records of transfer, diversion and disposal of all Solid Waste and Recyclable Materials Collected in the County for the period of this Agreement and all extensions to this Agreement or successor Agreements. In the event Franchisee discontinues providing Solid Waste services to County, Franchisee shall provide all records of diversion and

disposal of all Solid Waste and Recyclable Materials Collected within the County to County within thirty (30) days of discontinuing service. Records shall be in chronological order, and organized in a form readily and easily interpreted.

10.1.4 Records for other programs shall be tailored to specific needs. In general, they shall include:

10.1.4.1 Plans, tasks, and milestones; and

10.1.4.2 Accomplishments in terms such as dates, activities conducted, quantities of products used, produced or distributed, and numbers of participants and responses.

10.2 Customer List

10.2.1 Subject to reasonable prior notice, Franchisee agrees to permit County access to review and inspect Franchisee's customer list and current route lists. Franchisee shall keep such information current at all times. The customer list shall include the names, addresses and type and size of service, at a minimum, as well as any other information requested by County.

10.3 Waste Generation/Characterization Studies

10.3.1 Franchisee acknowledges that County must perform Solid Waste generation and disposal characterization studies periodically to develop programs for compliance with AB 939 or other state mandated requirements. Franchisee agrees to participate and cooperate with County and its agents, at no cost to County, to accomplish studies and data collection, and prepare reports, as needed, to determine weights and volumes of Solid Waste and characterize Solid Waste generated, diverted, disposed, transformed, or otherwise handled or processed to satisfy AB 939 requirements.

10.4 Report Formats and Schedule

10.4.1 Records shall be maintained in forms and by methods that facilitate flexible use of data contained in them to structure reports, as needed. Reports are intended to compile recorded data into useful forms of information that can be used to, among other things:

10.4.1.1 Determine and set rates, and evaluate the financial efficacy of operations;

10.4.1.2 Evaluate past and expected progress towards achieving goals and objectives;

10.4.1.3 Determine needs for adjustment to programs; and

10.4.1.4 Evaluate customer service and complaints.

10.4.2 The County may at no cost to itself request that Franchisee provide such additional information in the reports set forth below as County deems necessary or appropriate to meet its needs, including provision of AB 939 report information.

10.4.3 Franchisee may propose report formats that are responsive to the objectives and audiences for each report. The format of each report shall be subject to approval by County.

10.4.4 Monthly reports shall be submitted within ten (10) calendar days after the end of the report month. Quarterly reports shall be submitted within fifteen (15) calendar days after the end of the quarter. Quarters end on March 31, June 30, September 30 and December 31.

10.4.5 At the request of County, but not more than once every six (6) months, Franchisee shall report the number of Set Outs by service type and geographic area to the Director.

10.4.6 All reports shall be submitted to:

Director, Public Works Department
County Government Center, Room 206
San Luis Obispo CA 93408

10.5 Monthly Reports

10.5.1 In addition to any other reporting requirements pursuant to any federal, state or local laws, rules and regulations, other terms of this Agreement, or other provisions of Chapter 8.12 ("Solid Waste Management") of the County Code, Franchisee shall report on a monthly basis the following information to the Director. The information listed shall be the minimum reported for each service:

10.5.1.1 The quantity of each type of material (Solid Waste, commingled Recyclable Materials, Green Materials, commingled Green Materials/Food Waste and Food Waste) Collected, transferred, diverted or delivered to a Processor or Materials Recovery Facility or disposed of by Franchisee, by sector (commercial, industrial, residential) of waste generator-collected by Franchisee, in tons, by month, by community of origin as identified by the Director;

10.5.1.2 Residential customer count, by service level;

10.5.1.3 Complaint summary, for month and cumulative for report year, as above, summarized by nature of complaints; and

10.5.1.4 Narrative summary of problems encountered and actions taken with recommendations for County, as appropriate.

10.6 Quarterly Reports

10.6.1 Quarterly reports shall be quarterly summaries of the monthly information in addition to the following:

10.6.1.1 Status report on applications for renewals of existing permits or any new permits which may be required to continue operations at the designated Disposal Site within existing permitted areas or at any other Facility under the control or ownership of or used by Franchisee.

10.6.1.2 Solid Waste and Recyclable Materials Collected, diverted or delivered to a processor or Materials Recovery Facility, and disposed of, in tons, during the semi-annual residential clean-up weeks, if applicable during that quarter.

10.6.1.3 The number of Adopt-A-Road bags Collected and the roadway where they were collected.

10.6.1.4 Point of origin of Solid Waste Collected and delivered to a Landfill.

10.6.1.5 For each new program, provide activity-related and narrative reports on goals and milestones and accomplishments. Describe problems encountered, actions taken and any recommendations to facilitate progress.

10.6.1.6 Provide a summary assessment of the overall Solid Waste program from Franchisee's perspective relative to financial and physical status of program. Physical status means how well the program is operating for efficiency, economy and effectiveness relative to meeting all the goals and objectives of this Agreement. Provide recommendations and plans to improve the program. Highlight significant accomplishments, problems and proposed solutions.

10.7 Annual Financial Audit/Statements

10.7.1 Franchisee shall submit to the Director annual financial statements prepared in accordance with Generally Accepted Accounting Principles, at Franchisee's expense, and audited by an independent Certified Public Accountant not later than one hundred eighty (180) days following the expiration of Franchisee's fiscal year.

10.7.2 The financial statements shall include a supplemental detailed revenue statement if said revenue statement is not separately submitted to County pursuant to this Agreement.

10.7.3 The detailed revenue statement shall clearly show the Annual Gross Revenues of Franchisee, its parent or any Related Party Entity, attributable to the Collection of Solid Waste and Recyclable Materials within the County for the year just ended, and audited by a Certified Public Accountant, attesting to the fairness of said detailed revenue statement. Said detailed revenue statement shall separately classify revenues consistent with the classification of revenues as approved by County, pursuant to this Agreement, and said classification of revenues shall illustrate the amount of revenues collected by Franchisee for each separate rate approved by the Board. Said detailed revenue statement shall also reconcile annual Gross Receipts to annual Gross Revenues. The Franchisee may choose to submit the detailed revenue statement to County as a supplemental statement to Franchisee's annual financial statements pursuant to this Agreement.

10.7.4 The annual report shall separate out information with respect to revenues and expenses in relation to performance of this Agreement, including detailed information concerning overhead claimed by Franchisee. Operations by Franchisee concerning activities not related to performance of this Agreement shall be maintained in a separate portion of the annual financial statement.

10.7.5 County shall have the right to inspect or review the payroll tax reports, specific documents or records required expressly or by inference pursuant to this Agreement, or any other similar records or reports of Franchisee that County shall deem, in its sole discretion, necessary to evaluate annual reports, compensation applications provided for in this Agreement and Franchisee's performance provided for in this Agreement. The County retains the right to have an independent third party or agent of County's choosing, such as a Certified Public Accountant, participate in the records inspection. The cost of such inspection or review will be an allowable cost under the rate setting methodology unless there are findings pursuant to Article 13.7 ("Financial Material Errors, Omissions or Irregularities") of this Agreement.

10.7.6 The financial statements shall include an opinion of a Certified Public Accountant which attests to the fairness of any information submitted to satisfy the requirements of this Article. Any opinion which reflects a breach of the terms and conditions of this Agreement by Franchisee may result in a limitation or loss of Franchisee's right to perform services in accordance with the procedures set forth in this Agreement.

10.7.7 Franchisee shall annually disclose to the Director the entire nature and extent of transactions with Related Party Entities, as such entities are recognized by Generally Accepted Accounting Principles. The Related Party Entities known at the execution of this Agreement shall be disclosed by Franchisee in accordance with Chapter 8.12 ("Solid Waste Management") of the County Code.

ARTICLE 11
INSURANCE, BOND AND INDEMNIFICATION

11.1 Insurance

11.1.1 Franchisee, at its sole cost, shall purchase and maintain the insurance policies set forth below on all of its operations under this Agreement. All of the insurance companies providing insurance for Franchisee shall have, and provide evidence of, an A.M. Best & Co. rating of A:VII or above, unless exception is granted by County Risk Manager. Further, all policies shall be maintained for the full term of this Agreement and any extension thereof as well as during any related warranty period if applicable.

11.2 Scope and Limits of Required Insurance Policies

11.2.1 The Commercial General Liability Policy shall include coverage at least as broad as set forth in Insurance Services Office Commercial General Liability Coverage (CG 00 01) with policy limits of not less than five million dollars ($5,000,000) combined single limit per occurrence. Policy shall be endorsed with the following specific language or contain equivalent language in the policy:

11.2.1.1 The County of San Luis Obispo, its officers and employees, is named as an additional insured for all liability arising out of the operations by or on behalf of the named insured in the performance of this Agreement.

11.2.1.2 The insurance provided herein shall be considered primary coverage to the County of San Luis Obispo with respect to any insurance or self-insured retention maintained by County. Further, County's insurance shall be considered excess insurance only and shall not be called upon to contribute to this insurance.

11.2.1.3 The policy shall not be cancelled or subject to non-renewal without first giving forty-five (45) days prior written notice to County. Franchisee is required to send that notice by certified mail, return receipt requested, to the County of San Luis Obispo, Director of the Department of Public Works.

11.2.2 The Business Automobile Policy shall include coverage at least as broad as set forth in the liability section of Insurance Services Office Business Auto Coverage (CA 00 01) with policy limits of no less than five million dollars ($5,000,000) combined single limit for each occurrence. Said insurance shall include coverage for owned, non-owned, and hired vehicles. Policy shall be endorsed with the following specific language or contain equivalent language in the policy:

11.2.2.1 The County of San Luis Obispo, its officers and employees, is named as an additional insured for all liability arising out of the operations by or on behalf of the named insured in the performance of this Agreement.

11.2.2.2 The policy shall not be cancelled or subject to non-renewal without first giving forty-five (45) days prior written notice to County. Franchisee is required to send that notice by certified mail, return receipt requested,

to the County of San Luis Obispo, Director of the Department of Public Works.

11.2.3 The Workers' Compensation policy shall provide statutory limits as required by the State of California. Policy shall be endorsed with the following specific language or contain equivalent language in the policy:

11.2.3.1 Franchisee and its insurer shall waive all rights of subrogation against County, its officers and employees for workers' compensation losses arising out of this Agreement.

11.2.3.2 The policy shall not be cancelled or subject to non-renewal without first giving forty-five (45) days prior written notice to County. Franchisee is required to send that notice by certified mail, return receipt requested, to the County of San Luis Obispo, Director of the Department of Public Works.

11.2.4 Employer's Liability Insurance policy shall provide two million dollars ($2,000,000) per accident for bodily injury or disease.

11.2.5 Pollution Legal Liability, if on a Claims-Made form:

11.2.5.1 The retroactive date must be shown, and must be before the Effective Date of this Agreement or the beginning of the provision of services pursuant to this Agreement.

11.2.5.2 Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the services provided pursuant to this Agreement.

11.2.5.3 If coverage is canceled or not-renewed, and not replaced with another Claims-Made policy form with a retroactive date prior to the Effective Date, Franchisee must purchase an extended period coverage for a minimum of five (5) years after completion of the services provided pursuant to this Agreement.

11.2.6 The minimum limits of insurance may be reviewed by County every three (3) years and adjusted at County's sole discretion.

11.3 Prior Approval of Deductibles and Retentions

11.3.1 All deductibles and/or self-insured retentions which apply to the insurance policies required herein will be declared in writing and approved by County prior to commencement of this Agreement.

11.4 Submittal of Certificates of Insurance

11.4.1 Prior to commencement of services and annually thereafter for the term of this Agreement, Franchisee will provide to the County of San Luis Obispo, Director of the Department of Public Works with properly executed certificates of insurance clearly evidencing the coverage, limits, and endorsements specified in this Agreement. Further, at County's request, Franchisee shall provide certified copies of the insurance policies within thirty (30) days of request.

11.5 Inadequate Insurance

11.5.1 County may direct Franchisee to immediately cease all activities with respect to this Agreement if it determines that Franchisee fails to carry, in full force and effect, all insurance policies with coverage levels at or above the limits specified in this Agreement. Any delays or expense caused due to stopping of services and change of insurance shall be considered Franchisee's delay and expense.

11.6 Subcontractors

11.6.1 Franchisee shall include all subcontractors as insured under its policies or shall furnish copies of required insurance policies and endorsements for each subcontractor. All coverages for subcontracts shall be subject to all of the requirements stated herein.

11.7 Occurrence Based Coverage

11.7.1 All policies secured by Franchisee, except the Pollution Legal Liability policy, shall be occurrence and not claims based unless County agrees otherwise in writing.

11.8 Performance Surety

11.8.1 Franchisee shall provide to County within ten (10) days after execution of this Agreement, a cash or surety bond in an amount at least equal to the yearly average of two (2) months' Gross Revenue provided by a Surety Company with a Best rating of "A" or better and licensed to do business in the State of California, conditioned upon the full faithful performance of all covenants and conditions of this Agreement and any extensions or amendments thereto and Chapter 8.12 ("Solid Waste Management") of the County Code. Said surety bond must be approved by County prior to the provision of any services pursuant to this Agreement. A certificate of deposit or an irrevocable letter of credit for the required amount from a bank acceptable to County may be provided in lieu of said surety bond.

11.8.2 The bond, letter of credit or other similar instrument shall be issued for a period of not less than one (1) year and Franchisee shall provide a new bond, letter of credit or similar instrument, and evidence satisfactory to County of its renewability, no less than thirty (30) calendar days prior to the expiration of the bond, letter of credit or other similar instrument then in effect. County shall be notified in writing of any cancellation by the issuer of the bond at least thirty (30) days prior to such cancellation.

11.8.3 Subject to the notice and hearing procedures set forth herein, if County determines that Franchisee has substantially failed to keep and perform any covenant or condition of this Agreement and any extensions or amendments thereto, County may require surety to perform or may resort to any certificate of deposit or irrevocable letter of credit received in lieu of a bond. In that event, County shall notify the surety of Franchisee's failure to keep and perform a covenant or condition, as well as the amount of time necessary for performance as determined by County. If the surety fails to perform, County may perform and assess the surety on its bond for all costs associated with such performance. The costs of performance may include all labor, equipment, insurance, and any and all other reasonably necessary resources as determined by County to perform the services required under this Agreement.

11.8.4 County shall annually review the adequacy of the amount of the surety bond and increase or decrease the bond in an amount at least equal to the yearly average of two (2) months Gross Revenue or an amount determined adequate by County. County shall notify Franchisee in writing of any changes in the required bond amount not later than thirty (30) days after the completion

of said review. Franchisee shall renew said surety bond as necessary and file it with County at least thirty (30) days prior to the expiration of the bond; provided, however, that Franchisee shall not be required to increase or decrease the amount of the bond prior to six (6) months after any such bond adjustment required pursuant to this paragraph.

11.9 Indemnification

11.9.1 Franchisee shall defend, indemnify and save harmless County, its officers, agents and employees from any and all claims, demands, damages, costs, expenses (including attorney's fees), judgments or liabilities arising out of this Agreement or connected with the performance or attempted performance of provisions hereof, including but not limited to any act or omission to act on the part of Franchisee or its agents, employees, or subcontractors directly responsible to it, except those claims, demands, damages, costs, expenses (including attorney's fees), judgments or liabilities resulting solely from the negligence or willful misconduct of County.

11.9.2 Franchisee's obligations shall include, but are not limited to, the obligation to defend and indemnify County for all actions of Franchisee associated with Franchisee's role as the Arranger of Solid Waste Collection service, or as a "potentially responsible party" within the meaning of CERCLA in performing Solid Waste Collection service under any federal, state or local laws, rules or regulations. The Franchisee shall further defend and indemnify County from any and all legal actions against County on the basis of the assertion that County is an Arranger of Solid Waste Collection services as a result of this Agreement as long as County has not exercised its right to direct disposal in accordance with Article 5.12 ("County Right to Direct Disposal") of this Agreement.

11.9.3 Franchisee's obligations shall include, but are not limited to, the obligation to defend and indemnify County for any fines or penalties imposed by the California Department of Resources Recycling or Recovery or its agents in the event that Franchisee's delays in providing information or reports required pursuant to this Agreement prevent County from submitting reports or attaining goals in a timely manner as required by the Integrated Waste Management Act.

11.9.4 Franchisee's obligations shall include, but are not limited to, the obligation to defend and indemnify County against all fines and/or penalties imposed by the California Department of Resources Recycling or Recovery in

the event the source reduction and Recycling goals or any other requirement of the Integrated Waste Management Act are not met by County with respect to the waste stream Collected under this Agreement if such failure is due in substantial part to the failure of Franchisee to meet its obligations under this Agreement or for delays in providing information that prevents County from submitting reports in a timely manner, as presently required by the Integrated Waste Management Act.

11.9.5 Franchisee's obligations to defend and indemnify County are subject to the limitations provided in Section 40059.1 of the California Public Resources Code.

ARTICLE 12
COUNTY'S RIGHT TO PERFORM SERVICE

12.1 General

12.1.1 In the event that Franchisee, for any reason whatsoever, fails, refuses, or is unable to Collect, transport, Process or market any or all Solid Waste or Recyclable Materials which it is required by this Agreement to Collect, transport, Process, market, and/or dispose at the time and in the manner provided in this Agreement, for a period of more than seven (7) calendar days, and if, as a result thereof, Solid Waste or Recyclable Materials should accumulate in the County to such an extent, in such a manner, or for such a time that the Director or his/her designee should find that such accumulation endangers or menaces the public health, safety or welfare, then County shall have the right, but not the obligation, upon twenty-four (24) hours prior written notice to Franchisee during the period of such emergency as determined by the Director or his/her designee: a) to perform, or cause to be performed, such services itself with its own or other personnel without liability to Franchisee and/or b) to take temporary possession of any or all of Franchisee's land, equipment and other property, including the current list of customer names, addresses, service type and size and route lists, in order to Collect, transport, Process, market and/or dispose any Solid Waste or Recyclable Materials generated within the County which Franchisee would otherwise be obligated to Collect, transport, Process, market and/or dispose pursuant to this Agreement. In the event County takes possession of Franchisee's equipment and other property, County shall be entitled to have another Franchisee or Franchisees operate such equipment and property under County direction. In the event County takes possession of Franchisee's equipment and other property,

County shall pay a reasonable rental fee for such equipment but County does not guarantee repair of existing problems with equipment and facilities. Should County repair existing problems or defects, Franchisee will be billed for County cost of the repairs.

12.1.2 If Franchisee is providing billing services and County performs the Collection services, Franchisee will promptly forward to County all Gross Revenues Franchisee has collected in advance, or otherwise, to County for the period in duration equal to County's performance of the services. If Franchisee does not promptly forward those rates, County may draw on the performance bond or other approved security for those amounts without further notice to Franchisee. Claiming the performance bond or surety does not limit County from pursuing any other legal remedy.

12.1.3 During such time that County is providing the Collection services, as above provided, Franchisee shall continue to bill and collect payment from all users of the above-mentioned services. Franchisee further agrees that, in such event, it shall reimburse County for any and all costs and expenses incurred by County in taking over possession of the above-mentioned property for Solid Waste and Recyclable Materials Collection services in such manner and to an extent as would otherwise be required of Franchisee under the terms of this Agreement. Such reimbursement shall be made from time to time after submission by County to Franchisee of each statement listing such costs and expenses, but in no event later than five (5) working days from and after each such submission. County shall have the right, at its sole discretion, to take over billing and payment collection activities. County shall then pay any net revenues to Franchisee, after deducting all expenses, including County-incurred expenses.

12.1.4 Notice of Franchisee's failure, refusal or neglect to collect, transport, Process, market and/or dispose Solid Waste or Recyclable Materials may be given orally by telephone to Franchisee at its principal office and shall be effective immediately. Written confirmation of such oral notification shall be sent to Franchisee within twenty-four (24) hours of the oral notification. Franchisee further agrees that in such event:

12.1.4.1 It will take direction from County to immediately affect the transfer of possession of property and equipment to County for County's use.

12.1.4.2 It will, if County so requests, keep in good repair and condition all of such property and equipment, provide all motor vehicles with fuel, oil and

other service, and provide such other service as may be necessary to maintain said property in operational condition.

12.1.4.3 County may immediately engage all or any personnel necessary or useful for the Collection, transportation, Processing marketing and/or disposing of Solid Waste or Recyclable Materials, including, if County so desires, employees previously or then employed by Franchisee. Franchisee further agrees, if County so requests, to furnish County the services of any or all management or office personnel employed by Franchisee whose services are necessary or useful for Solid Waste or Recyclable Materials Collection, transportation, Processing, marketing and/or disposal operations and for the billing and collection of fees for these services.

12.1.5 County agrees that it assumes complete responsibility and liability for the proper and normal use of such equipment and facilities while in its possession.

12.1.6 If the interruption or discontinuance in service is caused by any of the reasons listed in this Agreement, County shall pay to Franchisee the reasonable rental value of the equipment and facilities, possession of which is taken by County, for the period of County's possession, if any, which extends beyond the period of time for which Franchisee has rendered bills in advance of service.

12.1.7 Except as otherwise expressly provided in the previous paragraph, County's exercise of its rights under this Article 12: a) does not constitute a taking of private property for which compensation must be paid; b) will not create any liability on the part of County to Franchisee; and c) does not exempt Franchisee from the indemnity provisions of Article 11 ("Indemnification, Insurance and Bond") of this Agreement which are meant to extend to circumstances arising under this Article, provided that Franchisee is not required to indemnify County against claims and damages arising from the negligence of County officers, employees and agents in the operation of Collection Vehicles or performance of services during the time County has taken possession of such equipment.

12.2 Temporary Possession of Franchisee's Property

12.2.1 If County suffers an interruption or discontinuance of service as described in this Article, County may take temporary possession of and use all

of Franchisee's property described above until other suitable arrangements can be made for the provision of such services. County options include but are not limited to contracting with another company. The same notice requirements of Article 12.1 are applicable.

12.3 County's Right to Relinquish Possession

12.3.1 It is further mutually agreed that County may at any time at its discretion relinquish possession of any or all of the above-mentioned property to Franchisee and thereupon demand that Franchisee resume the services as provided in this Agreement, whereupon Franchisee shall be bound to resume the same.

12.4 Duration of County's Possession

12.4.1 County's right pursuant to this Article to retain temporary possession of Franchisee's Facilities and equipment, and to render Collection services, shall terminate when County determines that such services can be resumed by Franchisee, or when County no longer reasonably requires such Facilities or equipment. In any case, County has no obligation to maintain possession of Franchisee's property and/or continue its use for any period of time and may at any time, in its sole discretion, relinquish possession to Franchisee.

ARTICLE 13
DEFAULT, REMEDIES AND LIQUIDATED DAMAGES

13.1 Events of Default

All provisions of this Agreement to be performed by Franchisee are considered material. Each of the following shall constitute an event of default.

13.1.1 Fraud or Deceit. If Franchisee practices, or attempts to practice, any fraud or deceit upon County.

13.1.2 Insolvency or Bankruptcy. If at any time during the Term of this Agreement or any extension thereof, Franchisee becomes insolvent, or if proceedings in bankruptcy are instituted by Franchisee, or if Franchisee is adjudged bankrupt or insolvent by any court, or if a receiver or trustee in bankruptcy is appointed in any suit or proceeding brought by Franchisee, or if there is an assignment for the benefit of its creditors, then, and in each and

every such case, this Agreement shall be subject to immediate termination and cancellation upon written notice by County and without the necessity of suit or other proceeding.

13.1.3 Failure to Maintain Coverage. If Franchisee fails to provide or maintain in full force and affect the Workers' Compensation, liability, or indemnification coverage or any other insurance coverage or bond required under this Agreement.

13.1.4 Violations of Regulation. If Facilities owned, operated, maintained, or used by Franchisee in performing the services under this Agreement fall out of full regulatory compliance or if Franchisee violates any orders or filings of any regulatory body having jurisdiction over Franchisee relative to this Agreement, provided that Franchisee may contest any such orders or filings by appropriate proceedings conducted in good faith, in which case no breach of the Agreement shall be deemed to have occurred unless and until regulatory non-compliance is established through the appropriate proceedings.

13.1.5 Failure to Perform. If Franchisee ceases to provide the Solid Waste and/or Recyclable Materials Collection services as required under this Agreement for a period of two (2) days or more, for any reason within the control of Franchisee.

13.1.6 Failure to Pay/Report. If Franchisee fails to make any timely payments, including liquidated damages and penalties, required under this Agreement and/or fails to provide County with required information, reports, and/or records in a timely manner as provided for in the Agreement.

13.1.7 Acts or Omissions. Any other act or omission by Franchisee which violates the terms, conditions, or requirements of this Agreement, the California Integrated Waste Management Act or any order, directive, rule, or regulation issued thereunder and which is not corrected or remedied within the time set in the written notice of the violation or, if Franchisee cannot reasonably correct or remedy the violation within the time set forth in such notice, if Franchisee should fail to commence to correct or remedy such violation within the time set forth in such notice and diligently effect such correction or remedy thereafter.

13.1.8 False or Misleading Statements. Any representation or disclosure made to County by Franchisee in connection with or as an inducement to entering into this Agreement, or any future amendment to this Agreement, which proves

to be false or misleading in any material respect as of the time such representation or disclosure is made, whether or not any such representation or disclosure appears as part of this Agreement.

13.1.9 Attachment. Seizure of, attachment of, or levy on, the operating equipment of Franchisee, including without limitation, its equipment, maintenance or office facilities, or any part thereof.

13.1.10 Suspension or Termination of Service. Any termination or suspension of the transaction of business by Franchisee, including without limitation, due to labor unrest including strike, work stoppage or slowdown, sickout, picketing, or other concerted job action, lasting more than two (2) business days, unless caused by a force majeure event.

13.2 Written Notice

13.2.1 Upon default by Franchisee, the Director or his/her designee shall provide written notice to Franchisee of the condition(s) constituting the default. Said written notice shall be deemed effective upon receipt by Franchisee or, if mailed first class mail postage prepaid, then said notice shall be deemed effective five (5) days after mailing. The Director or his/her designee shall include in the notice, a demand that Franchisee cure the default. The Franchisee shall thereafter have thirty (30) days to cure the default; or, if the default cannot be cured within such timeframe, Franchisee shall have commenced to cure said default in a manner that is acceptable to County, in its reasonable discretion. For purposes of this Agreement and any notice required hereunder, the term "days" shall mean calendar days.

13.3 Right to Terminate Upon Default or for Cause

13.3.1 All terms and conditions of this Agreement are material and binding and failure by either party to perform in accordance with this Agreement, or in accordance with any covenants and conditions described herein, shall be considered a breach of this Agreement. In the event this Agreement is breached in any manner, including, but not limited to the defaults listed in Article 13.1 ("Events of Default") of this Agreement or any other serious, material breach, and Franchisee has failed to remedy to the satisfaction of County said breach within the thirty (30) days after receiving County's written notice, described in Article 13.2 ("Written Notice") of this Agreement, setting forth the nature of the breach, County in its sole option, may terminate this Agreement for cause. Notices will be delivered to the place designated in this Agreement

for receiving notices. The notice of breach is effective upon actual receipt by Franchisee or, if mailed by first class mail with proper postage affixed, then it shall be deemed effective five (5) days after mailing. Such termination is subject to the approval of the Board of Supervisors. Franchisee shall thereafter have no further rights, powers, or privileges against County under or arising out of this Agreement. In the event a breach does not result in termination, but does result in costs being incurred by County, said costs shall be charged to and paid by Franchisee, which costs may include, but are not limited to, costs incurred by County in investigating and communicating with Franchisee regarding said breach, including staff time, and any penalties provided in accordance with this Agreement. Said costs shall be paid by Franchisee within 60 days of receipt of County invoice.

13.3.2 In the event County terminates this Agreement as provided herein, Franchisee shall pay to County on the effective date of termination all customer revenues collected in advance for all services which would have been provided by Franchisee after the effective date of termination. Franchisee shall also pay to County any unearned revenues received after the date of termination. The provisions of this Article shall not be exclusive, but shall be cumulative and in addition to any other remedies provided herein or pursuant to law.

13.4 Liquidated Damages

13.4.1 County finds, and Franchisee agrees, that as of the time of the execution of this Agreement, it is impractical, if not impossible, to reasonably ascertain the extent of damages which would be incurred by County as a result of a breach by Franchisee of its obligations under this Agreement.

13.4.2 The parties acknowledge that consistent, reliable Solid Waste, and Recyclable Materials Collection service is of utmost importance to County and that County has considered and relied on Franchisee's representations as to its quality of service commitment in awarding the Franchise to Franchisee. The parties further recognize that some quantified standards of performance are necessary and appropriate to ensure consistent and reliable service and performance. The parties further recognize that if Franchisee fails to achieve the performance standards, comply with complaint resolution criteria or to submit required documents in a timely manner, County and its residents will suffer damages and that it is and will be impractical and extremely difficult to ascertain and determine the exact amount of damages that County will suffer. Therefore, without prejudice to County's right to treat such non-performance as an event of default under this Article 13, the parties agree that the following

liquidated damage amounts represent a reasonable estimate of the amount of such damages considering all of the circumstances existing on the Effective Date of this Agreement, including the relationship of the sums to the range of harm to County that reasonably could be anticipated and the anticipation that proof of actual damages would be costly or inconvenient.

13.4.3 Recognizing the importance of resolving any failure to meet the service performance standards, County shall contact Franchisee within two (2) working days of any failing reported directly to County. In addition, Franchisee agrees to meet with the Director within two (2) working days of a requested meeting to discuss Franchisee's performance.

13.4.4 Franchisee agrees to pay (as liquidated damages for the violations specified and not as a penalty) the amounts specified below. The parties further agree that Franchisee shall pay liquidated damages of five hundred dollars ($500) per day per occurrence, unless otherwise specifically described below, for the unexcused failure to meet one (1) or more of the requirements of the County Code or of this Agreement, or the unexcused failure by Franchisee to meet or complete a requirement by a prescribed date, or the unexcused failure by Franchisee to provide a service. Liquidated damages flow from a violation of this Agreement and are in addition to any penalty imposed for violations of the San Luis Obispo County Code or any other Environmental Laws by County or any other government agency.

13.4.5 General Violations

13.4.5.1 For failure by Franchisee to provide scheduled Solid Waste Collection service in mandatory Collection areas as required by County Code now and as may be amended during the term of this Agreement;

13.4.5.2 For failure to provide scheduled Collection of Recyclable Materials, including Green Materials and Food Waste, within the Franchise Area as required under this Agreement;

13.4.5.3 For failure by Franchisee to maintain and possess a valid permit for Collection of Solid Waste from the County Health Officer at any time during the term of this Agreement;

13.4.5.4 For failure by Franchisee to submit to the Director a written response procedure for Hazardous Waste/Medical Waste, within six (6) months from the Effective Date of this Agreement;

13.4.5.5 For failure by Franchisee to properly comply with written response procedures for Hazardous Waste or Medical Waste;

13.4.5.6 For failure by Franchisee to maintain an office and/or to keep the office open and/or to maintain a toll-free telephone for calls in English and Spanish and/or a customer payment drop box within Franchisee's Permit Area and/or maintain a log of customer complaints, as required by Chapter 8.12 ("Solid Waste Management") of the County Code and pursuant to this Agreement; and

13.4.5.7 For charging or collecting rates not approved by the Board of Supervisors for any service subject to this Agreement.

13.4.6 Violations related to Collection Reliability and Quality.

13.4.6.1 For each failure over two (2) annually to commence service to a new customer account within seven (7) days after order: $150.00;

13.4.6.2 For each failure over five (5) annually to Collect Solid Waste or Recyclable Materials, including Green Materials and Food Waste as required under this Agreement, which had been properly set out for Collection, from an established customer account on the scheduled Collection day and not Collected within twenty-four (24) hours after notice of missed pick-up: $150.00;

13.4.6.3 For each failure to Collect Solid Waste or Recyclable Materials, including Green Waste and Food Waste as required under this Agreement, which had been properly set out for Collection, from the same customer on two (2) consecutive scheduled pickup days: $150.00;

13.4.6.4 For each occurrence over two (2) annually of damage to private property: $250.00;

13.4.6.5 For each occurrence over two (2) annually of discourteous behavior: $250.00;

13.4.6.6 For each failure to immediately clean up Solid Waste or Recyclable Materials, including Green Materials and Food Waste spilled from Containers: $150.00;

13.4.6.7 For each failure to clean up along the public right of way, within the time prescribed by this Agreement, any materials dropped or spilled from Franchisee's vehicles during Collection, transfer or transport activities: $250 per half (1/2) mile per day;

13.4.6.8 For each occurrence over two (2) annually of Collecting Solid Waste or Recyclable Materials, including Green Materials and Food Waste as required under this Agreement, during unauthorized hours: $250.00; and

13.4.6.9 For each failure to respond to a customer complaint or inquiry within twenty-four (24) working hours: $100.00.

13.4.7 Violations related to Timeliness of Submissions to County.

13.4.7.1 Reports. Any report shall be considered late until such time as County receives a correct and complete report. For each calendar day a report is late, the daily assessment shall be:

13.4.7.1.1 Monthly Reports: For each infraction: $100 per day.

13.4.7.1.2 Annual Reports: For each infraction: $500 per day.

13.5 Liquidated Damages Notice and Assessment

13.5.1 Liquidated damages will only be assessed after Franchisee has been given the opportunity but failed to rectify the damages, as described in this Agreement (e.g., twenty-four (24) working hours to respond to a complaint).

13.5.2 Prior to assessing liquidated damages, County shall give Franchisee notice of its intention to do so. The notice will include a brief description of the incident(s)/non-performance. Franchisee may review (and make copies at its own expense) of all information in the possession of County relating to incident(s)/non-performance. Franchisee may, within ten (10) days after receiving the notice, request a meeting with County. If a meeting is requested, it shall be held by the Director or his/her designee. Franchisee may present evidence in writing and through testimony of its employees and others relevant to the incident(s)/non-performance. The Director or designee will provide Franchisee with a written explanation of his or her determination on each incident(s)/non-performance prior to authorizing the assessment of liquidated damages. The decision of the Director or designee shall be final.

13.5.3 County may determine the occurrence of events giving rise to liquidated damages through the observation of its own employees or representative or investigation of customer complaints.

13.5.4 The Director or his/her designee may assess liquidated damages for each calendar day or event, as appropriate, that Franchisee is determined to be liable in accordance with this Agreement.

13.5.5 The liquidated damages set forth above shall be in addition to any other penalties or remedies otherwise provided by law or in accordance with this Agreement.

13.5.6 Franchisee shall pay any liquidated damages assessed by County within ten (10) days after they are assessed. If they are not paid within the ten (10) day period, County may proceed against the security required by this Agreement or order the termination of this Agreement, or both. In the event of an appeal of the imposition of the liquidated damages by the Director, payment will be due within ten (10) days of the Board decision affirming or modifying the action of the Director.

13.6 Force Majeure

13.6.1 The parties shall be excused from performing their respective obligations hereunder in the event they are prevented from so performing by reason of floods, earthquakes, other "acts of God", war, civil insurrection, riots, acts of any government (including judicial action), unavailability of third party disposal or processing facilities designated by County, and other similar catastrophic events which are beyond the control of and not the fault of the party claiming excuse from performance hereunder ("Force Majeure").

13.6.2 Labor unrest, including but not limited to strike, work stoppage or slowdown, sick-out, picketing, or other concerted job action conducted by Franchisee's employees or directed at Franchisee or its selected facilities is not an excuse from performance and Franchisee shall be obligated to continue to provide service notwithstanding the occurrence of any or all such events.

13.6.3 The party claiming excuse from performance shall, within two (2) days after such party has notice of such cause, give the other party notice of the facts constituting such cause and asserting its claim to excuse under this Article.

13.6.4 The interruption or discontinuance of Franchisee's services caused by one (1) or more of the events excused shall not constitute a default by Franchisee under this Agreement. Notwithstanding the foregoing, however, if Franchisee is excused from performing its obligations hereunder for any of the causes listed in this Article for a period of seven (7) days or more, County shall have the right to review the circumstances under which the excuse from performance was granted. After such review, if County determines the excuse from service is no longer valid, County shall notify Franchisee in writing to resume service within two (2) days from the receipt of such notification. If Franchisee fails to resume service within the two (2) days, County shall have the right to terminate this Agreement by giving ten (10) days' notice, in which case the provisions relative to taking possession of Franchisee's land, equipment and other property and engaging Franchisee's personnel in Article 12 ("County's Right to Perform Services") and this Article 13 shall apply.

13.7 Financial Material Errors, Omissions or Irregularities

13.7.1 The County may review, test and audit the books and records of Franchisee for the purpose of determining whether Franchisee is complying with the terms of the Agreement. In the event that material errors or omissions or irregularities are identified, then the cost associated with the audit, test or review shall be paid by Franchisee to County. In the case of financial errors, materiality shall be deemed to be one percent (1%) or greater of the Gross Revenues of Franchisee from activities performed under this Agreement. Recovery of any overpayment will be negotiated on a case-by-case basis, either immediately or through the next rate setting evaluation.

ARTICLE 14
OTHER AGREEMENTS OF THE PARTIES

14.1 Relationship of Parties

14.1.1 The parties intend that Franchisee shall perform the services required by this Agreement as an independent Franchisee engaged by County and not as an officer or employee of County nor as a partner of or joint venture with County. No employee or agent of Franchisee shall be or shall be deemed to be an employee or agent of County. Except as expressly provided herein, Franchisee shall have the exclusive control over the manner and means of conducting the Solid Waste and Recyclable Materials Collection services performed under this Agreement, and all Persons performing such services.

Franchisee shall be solely responsible for the acts and omissions of its officers, employees, subcontractors and agents. Neither Franchisee nor its officers, employees, subcontractors and agents shall obtain any rights to retirement benefits, workers compensation benefits, or any other benefits which accrue to County employees by virtue of their employment with County.

14.2 Compliance with Law/Standards of the Industry

14.2.1 County and Franchisee acknowledge that Franchisee will have the affirmative obligation to comply with all laws in effect during the duration of this Agreement, including all additions, updates and amendments to the laws and all applicable regulations promulgated by federal, state, regional or local administrative and regulatory agencies. Further, County and Franchisee acknowledge and agree that this Agreement may be amended as needed to add additional performance standards that come into effect during the duration of this Agreement as a result of changes in the standards of the industry.

14.3 Governing Law

14.3.1 This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

14.4 Jurisdiction

14.4.1 Any lawsuits between the parties arising out of this Agreement shall be brought and concluded in the courts of the State of California, which shall have exclusive jurisdiction over such lawsuits. Venue of any such lawsuits shall be in San Luis Obispo County.

14.5 Transition to Next Franchisee

14.5.1 If the transition of services to another Franchisee occurs through expiration of the Term, default and termination, or otherwise, Franchisee will cooperate with County and subsequent Franchisee(s) to assist in an orderly transition which will include Franchisee providing route lists and billing information. In the event of such a transition, and upon written request of County, County shall be provided and shall own the customer lists, route lists and billing information. Franchisee will provide current customer lists, route lists and billing information to County within ten (10) days of receiving a written request. Franchisee will not be obliged to sell Collection Vehicles or Containers to the next Franchisee. Depending on Franchisee's circumstances at the point

of transition, Franchisee, at its option, may enter into negotiations with the next Franchisee to sell (in part or all) Collection Vehicles and/or Containers.

14.6 Parties in Interest

14.6.1 Nothing in the Agreement, whether express or implied, is intended to confer any rights on any persons other than the parties to it and their representatives, successors and permitted assigns.

14.7 Waiver and Estoppel

14.7.1 The waiver by either party of any breach or violation of any provisions of this Agreement shall not be deemed to be a waiver of any breach or violation of any other provision nor of any subsequent breach or violation of the same or any other provision. The subsequent acceptance by either party of any monies that become due hereunder shall not be deemed to be a waiver of any pre-existing or concurrent breach or violation by the other party of any provision of this Agreement.

14.8 Failure to Enforce

14.8.1 County's failure to enforce any provision of County Code, or of this Agreement, for a breach or violation by Franchisee of said County Code or Agreement, shall not constitute an acquiescence, waiver, estoppel, or bar on County pursuing and seeking enforcement in the event that one or more of the same provisions of County Code or of this Agreement are subsequently breached or violated by Franchisee.

14.9 Franchisee's Investigation

14.9.1 Franchisee has relied on its own investigations, and not on any representations of County or its agents of the conditions and circumstances surrounding the Agreement and the services to be performed by it.

14.10 Notice

14.10.1 All notices, demands, requests, proposals, approvals, consents and other communications which this Agreement requires, authorizes or contemplates shall be in writing and shall either be personally delivered to a representative of the parties at the address below or be deposited in the United States mail, first class postage prepaid, addressed as follows:

If to County:

Director, Public Works Department
County Government Center, Room 207
San Luis Obispo CA 93408

If to Franchisee:

Mid State Solid Waste & Recycling
PO Box 1195
Templeton CA 93465

14.10.2 The address to which communications may be delivered may be changed from time to time by a notice given in accordance with this Article. The notice, if mailed, is deemed served three (3) days after the mailing.

14.11 Representatives of the Parties

14.11.1 References in this Agreement to the "County" shall mean the County of San Luis Obispo and all actions to be taken by County shall be taken by the Board of Supervisors except as provided below. The Board may delegate, in writing, authority to the Director of Public Works or his/her designee or to other County employees and may permit such employees, in turn, to delegate in writing some or all of such authority to subordinate employees. Franchisee may rely upon actions taken by such delegates if they are within the scope of the authority properly delegated to them.

14.11.2 Franchisee shall, by the effective date, designate in writing a responsible officer who shall serve as the representative of Franchisee in all matters related to this Agreement and shall inform County in writing of such designation and of any limitations upon his or her authority to bind Franchisee. County may rely upon any action taken by such designated representative as an action of Franchisee unless said representative is acting outside the scope of the authority delegated to him/her by Franchisee as communicated to County.

14.12 County Free to Negotiate with Third Parties

14.12.1 County may investigate all options for the Collection, Processing and marketing of Solid Waste and Recyclable Materials after the expiration of the Term. Without limiting the generality of the foregoing, County may solicit proposals from Franchisee and from third parties for the provision of Solid Waste and Recyclable Materials services, and any combination thereof, and

may negotiate and execute Agreements for such services that will take effect upon the expiration or earlier termination under Article 13.1 ("Events of Default") of this Agreement.

14.13 Compliance with the San Luis Obispo County Code

14.13.1 Franchisee shall comply with all provisions of the San Luis Obispo County Code and with any and all amendments to these provisions during the Term of this Agreement and any extension thereof.

14.14 Privacy

14.14.1 Franchisee shall strictly observe and protect the rights of privacy of customers. Information identifying individual customers or the composition or contents of a customer's waste stream shall not be revealed to any person, governmental unit, private agency, by Franchisee, unless upon the authority of a court of law, by statute, or upon valid authorization of the customer. This provision shall not be construed to preclude Franchisee from preparing, participating in, or assisting in the preparation of waste characterization studies or waste stream analyses that may be required by AB 939.

ARTICLE 15
ASSIGNMENT

15.1 Prior Consent

15.1.1 No interest in this Agreement may be assigned, sold, subcontracted or transferred, either in whole or in part, without the prior written consent of County. Any such assignment made without the consent of County shall be null and void and the attempted assignment shall constitute a material breach of this Agreement. Franchisee shall promptly notify the Director in writing in advance of any proposed assignment, sale, subcontract or transfer. In the event that the Board approves of any assignment, sale, subcontract or transfer, said approval shall not relieve Franchisee of any of its obligations or duties under this Agreement unless this Agreement is modified in writing to that effect. Franchisee shall also notify the Director of any change in control and/or ownership of Franchisee. For purposes of this Agreement, "Change of Ownership" or "Change in Control" is presumed to include, without limitation, the sale or transfer of at least twenty five percent (25%) of Franchisee's assets or at least twenty-five percent (25%) of Franchisee's voting stock. The County may assign its rights and delegate its obligations under this Agreement to a

joint powers authority, district or similar governmental entity without the prior written consent of Franchisee.

15.2 Franchise Assignment

15.2.1 For purposes of this Article when used in reference to Franchisee, "assignment" shall include, but not be limited to:

15.2.1.1 A sale, exchange or other transfer to a third party of at least twenty five percent (25%) of Franchisee's assets dedicated to service under this Agreement;

15.2.1.2 A sale, exchange or other transfer to a third party, including other shareholders, of outstanding common stock of Franchisee which may result in a Change of Control of Franchisee;

15.2.1.3 Any dissolution, reorganization, consolidation, merger, recapitalization, stock issuance or re-issuance, voting trust, pooling agreement, escrow arrangement, liquidation or other transaction to which Franchisee or any of its shareholders is a party which results in a Change of Ownership or Control of Franchisee;

15.2.1.4 Any assignment by operation of law, including insolvency or bankruptcy, assignment of the benefit of creditors, writ of attachment for an execution being levied against this Agreement, appointment of a receiver taking possession of Franchisee's property, or transfer occurring in the event of a probate proceeding; and

15.2.1.5 Any combination of the foregoing (whether or not in related or contemporaneous transactions) which has the effect of any such transfer or Change of Ownership, or Change of Control of Franchisee.

15.3 Attributes of Franchisee

15.3.1 Franchisee warrants that it has the required expertise, skills, reputation, equipment, understanding, knowledge and capacity of every kind to perform this Agreement. Franchisee acknowledges that this Agreement involves rendering a vital service to County residents and businesses, and that County has selected Franchisee to perform the services specified herein based on:

15.3.1.1 Franchisee's warranty that Franchisee has the required experience, skill and reputation for conducting its Solid Waste Management

operations in a safe, effective and responsible fashion, at all times in keeping with applicable local, state and federal Environmental Laws, regulations and best Solid Waste Management practices;

15.3.1.2 Franchisee's financial resources to maintain the required equipment and to support its indemnity obligations to County under this Agreement; and

15.3.1.3 County has relied on each of these factors, among others, in choosing Franchisee to perform the services provided under this Agreement.

15.4 Maintenance of Quality Service

15.4.1 The County is concerned about the possibility that assignment could result in significant rate increases, as well as a change in the quality of service. Accordingly, the following standards have been set to ensure that assignment will result in continued quality service. In addition, County reserves the right to solicit competitive bids for these services if the assignment results in a request by the assignee for rate increases that are higher than the inflationary index and do not reflect value changes in service standards as determined exclusively by County.

15.5 Conditions for Consideration of Assignment

15.5.1 Under no circumstances shall County be obliged to consider any proposed assignment by Franchisee, if Franchisee is in default at any time during the period of consideration. At a minimum, no request by Franchisee for consent to an assignment need be considered by County unless and until Franchisee has met the following requirements:

15.5.1.1 Franchisee has advanced payment to County for estimated expenses to be incurred by County in investigating the suitability of any proposed assignee, and reviewing and finalizing any documentation, which will include, but is not limited to, reasonable attorney's fees and other professional services. Advance payment of the expenses is a condition that must be satisfied prior to County undertaking any review of the propriety of an assignment.

15.5.1.2 Franchisee has furnished County with audited financial statements of the proposed assignee's operations for the immediately preceding five (5) operating years.

15.5.1.3 Franchisee has furnished County with satisfactory proof:

15.5.1.3.1 that the proposed assignee has at least ten (10) years of Solid Waste Management experience on a scale equal to or exceeding the scale of operations conducted by Franchisee under this Agreement;

15.5.1.3.2 that the proposed assignee has at least ten (10) years of Recyclable Materials management experience on a scale equal to or exceeding the scale of operations conducted by Franchisee under this Agreement;

15.5.1.3.3 that in the last five (5) years, the proposed assignee has not suffered any significant citations or other censure from any federal, state or local agency having jurisdiction over its Solid Waste or Recyclables management operations due to any significant failure to comply with state, federal or local Environmental Laws and that the assignee has provided County with a complete list of such citations and censures;

15.5.1.3.4 that the proposed assignee has at all times conducted its operations in an environmentally safe and conscientious fashion without any significant harm to its employees, the public or the environment;

15.5.1.3.5 that the proposed assignee conducts its Solid Waste and Recyclable Materials practices in accordance with sound waste management practices, which may include, but is not limited to, the quality of the equipment to be used under this Agreement;

15.5.1.3.6 that the proposed assignee conducts its Solid Waste and Recyclable Materials management practices in accordance with sound waste management practices in full compliance with all federal, state and local laws regulating the Collection, transportation, Processing, marketing and disposal of Solid Waste and Recyclable Materials, including Hazardous Wastes;

15.5.1.3.7 that neither the proposed assignee, nor any of its officers, directors or employees has been convicted of any of the following:

15.5.1.3.7.1 fraud or criminal offense in connection with obtaining, attempting to obtain, procuring or performing a public or private agreement related to Recyclable Materials or Solid Waste services of any kind (including Collection, hauling, transfer, Processing, composting or disposal), including this Agreement or any amendment thereto;

15.5.1.3.7.2 bribery or attempting to bribe a public officer or employee of a local, state, or federal agency;

15.5.1.3.7.3 embezzlement, extortion, racketeering, false claims, false statements, forgery, falsification or destruction of records, obstruction of justice, knowingly receiving stolen property, theft, or misprision (failure to disclose) of a felony; or

15.5.1.3.7.4 unlawful disposal of hazardous or designated waste, the occurrence of which Franchisee knew or should have known about; and

15.5.1.3.8 any other information required by County to ensure the proposed assignee can fulfill the terms of this Agreement in a timely safe and effective manner.

15.6 Subcontracting

15.6.1 Except as approved in writing by County, Franchisee shall not enter into an agreement to have another Person perform Franchisee's duties under this Agreement. Franchisee shall pay County its reasonable expenses for attorney's fees and investigation costs necessary to investigate the suitability of any proposed subcontractor, and to review and finalize any documentation required as a condition for approving any such subcontracting agreement.

15.7 Binding on Assigns

15.7.1 The provisions of this Agreement shall inure to the benefit of and be binding on the permitted assigns of the parties.

ARTICLE 16
PUBLIC RECORDS ACT

16.1 Disclosure

16.1.1 Franchisee acknowledges that information and documentation provided to County pursuant to this Agreement is subject to disclosure pursuant to the California Public Records Act, codified in Section 6250 et seq. of the California Government Code, unless an exemption from disclosure is applicable. Section 40062 of the Public Resources Code exempts information from disclosure that has been properly identified by Franchisee as a "trade secret," as defined in subdivision (d) of Section 3426.1 of the California Civil Code. Franchisee agrees to identify all "trade secret" information on documents provided to County.

16.2 Franchisee Notice

16.2.1 In the event that County receives a request for disclosure of information, which has been identified by Franchisee as a trade secret, County will promptly provide Franchisee with a copy of the request and identify the information that County believes to be responsive to the request. Within forty-eight (48) hours of receipt of the aforementioned documents, Franchisee must notify the Public Works Director in writing that Franchisee wishes to waive any and all confidentiality protections and authorize disclosure of the information to the requestor.

16.3 Disclosure Indemnification

16.3.1 If County does not receive written notice of waiver from Franchisee, as provided herein, and a requestor prevails in an action to compel County to disclose information that has been identified as a trade secret by Franchisee, Franchisee agrees to indemnify and hold County harmless, which shall include without limitation, payment of all attorney's fees and costs. Franchisee further acknowledges that any information that is not identified as a trade secret shall be made available to the public unless County determines that it is exempt from disclosure by another provision of law.

16.4 Notice to Secure Order

16.4.1 If County determines that the trade secret designation by Franchisee cannot be supported by law, County will provide Franchisee written notice of this determination to provide Franchisee the opportunity to secure an order

from a court of competent jurisdiction directing County not to disclose the requested information. Should Franchisee fail to secure such an order, the requested information will be provided in accordance with the provisions of the Public Records Act.

16.5 Designation Effect

16.5.1 The parties agree that the trade secret designation by Franchisee will carry no presumptive or conclusive effect in the event of any dispute or litigation between Franchisee and County.

ARTICLE 17
MISCELLANEOUS AGREEMENTS

17.1 Entire Agreement

17.1.1 This Agreement, including the exhibits, represents the full and entire Agreement between the parties with respect to the matters covered herein. This Agreement supersedes all previous agreements between the parties hereto on the same subject matter and constitutes the entire understanding of the parties hereto on the subject matter of this Agreement. Franchisee shall be entitled to no other benefits than those specified herein. Franchisee relies solely upon the provisions contained in this Agreement and no others.

17.2 Article Headings

17.2.1 The article headings in this Agreement are for convenience of reference only and are not intended to be used in the construction of this Agreement nor to modify, limit, restrict, alter or affect any of its provisions contained in one or all of the articles of this Agreement.

17.3 References to Laws and Other Agreements

17.3.1 All references in this Agreement to laws shall be understood to include such laws as they may be subsequently amended or recodified, unless otherwise specifically provided. The Franchisee is informed that County has a sovereign right to ordain, pass or adopt, in addition to the provisions contained in the current County Code Chapter 8.12, such additional rules, regulations, laws, resolutions and/or ordinances as the Board may find necessary in the exercise of its police powers.

17.3.2 In the event of any conflict between this Agreement and the San Luis Obispo County Code, the terms, conditions, and provisions of the County Code shall control.

17.4 Interpretation

17.4.1 This Agreement, including the exhibits attached hereto, shall be interpreted and construed reasonably and neither for nor against either party, regardless of the degree to which either party participated in its drafting. Nothing is construed against any drafter.

17.5 Modifications in Writing

17.5.1 Any change, amendment, modification, extension, or renewal to this Agreement shall be in writing, and shall be executed by duly authorized representatives of both County and Franchisee before the effective date of the change.

17.6 Severability

17.6.1 If any provision of this Agreement, or the application thereof to any person or circumstance, is held to be unconstitutional or to be otherwise invalid by a final judgment of any court of competent jurisdiction, such invalidity shall not affect other provisions or applications thereof which can be implemented without the invalid provisions or application and, to this end, the provisions of this Agreement are severable.

17.7 Exhibits or Attachments

17.7.1 Each of exhibits or attachments referred to in this Agreement is attached hereto and incorporated herein and made a part of this Agreement by this reference.

ARTICLE 18
PERFORMANCE REQUIREMENTS

If Franchisee requests a renewal or an extension of this Agreement, Franchisee must demonstrate each of the following conditions and standards have been satisfied throughout the term of the Agreement, subject to County's reasonable approval and prior to County's consideration of any renewal or extension request. Further, compliance with all aspects of this Agreement during the term of the Agreement shall be reviewed by

County if consideration of a renewal or extension is requested. County reserves the right to waive Franchisee's compliance with any franchise extension requirements.

18.1 At the time of requesting the Agreement extension, Franchisee is not in breach of this Agreement or in violation of the County Code or any applicable state, federal or local laws or regulations.

18.2 Franchisee has fully participated with County in preparing, processing, mailing and tabulating customer satisfaction surveys to residential and commercial customers.

18.3 Franchisee has consistently delivered to an approved and, where applicable, permitted Recycling facility, one hundred percent (100%) of the uncontaminated Recyclable Materials set out for Collection.

18.4 Franchisee has consistently delivered to an approved and, where applicable, permitted Green Materials and/or Food Waste Processing or Composting Facility, one hundred percent (100%) of the Green Materials and Food Waste (when Food Waste is Collected as a Recyclable Material) set out for Collection.

18.5 Thirty-two (32), sixty-four (64) and ninety-six (96) gallon cart Solid Waste, commingled Recyclable Materials, Green Materials, commingled Green Materials/Food Waste and/or Food Waste services and rate levels (and others as agreed by County) are available for all residential customers requesting service as required pursuant to this Agreement.

18.6 County has assessed liquidated damages against Franchisee on no more than two (2) separate occasions.

18.7 At no time after twenty-four (24) months following the Effective Date of this Agreement has the Franchisee failed to provide for the Collection of Food Waste as a Recyclable Material.

18.8 Residential Recyclable Materials Collection programs, including Green Materials and Food Waste Collection programs (when Franchisee is Collecting Food Waste as a Recyclable Material) are established and are ongoing throughout the urbanized Franchise Area with Collection every week, on the same day as Solid Waste Collection.

18.9 Residential Recyclable Materials programs are established and are ongoing throughout the rural Franchise Area with Collection at a frequency meeting County standards or approved by the Director.

18.10 All commercial customers have commingled Recyclable Materials Collection, Green Materials, commingled Green Materials/Food Waste and/or Food Waste Collections at least once during the week, on a Solid Waste Collection day as required pursuant to this Agreement.

18.11 Franchisee has actively sought to achieve the goal of including ninety-five percent (95%) of eligible households and establishments within the Franchise Area in the Solid Waste Collection program.

18.12 Recyclable Materials, including Green Materials and Food Waste (when Collected as a Recyclable Material), have not been collected in non-compostable bags or containers.

18.13 Throughout the Term of this Agreement, and in conformance with Chapter 8.12 ("Solid Waste Management") of the County Code, not more than two (2) substantiated early-morning operating complaints have been received.

18.14 Throughout the Term of this Agreement, within any twelve (12) month period, not more than two (2) substantiated non-early-morning operating complaints have been received.

18.15 Throughout the Term of this Agreement, not more than three (3) enforcement actions by or violations from the Central Coast Regional Water Quality Control Board or any other enforcement agency have been commenced or issued against Franchisee.

18.16 Franchisee has maintained County's rate review schedules, including triennial reviews and has fully cooperated with requests for additional information.

18.17 Franchisee has operated in the most efficient manner, as determined by County, with respect to routing and equipment and the Disposal and Recycling Facilities used.

18.18 Throughout the Term of this Agreement, Franchisee has not failed to correct any litter violations for material blowing out of trucks or left behind after Collection.

18.19 Franchisee's use of any Materials Recovery, Composing or Disposal Facilities has not resulted in increased costs or inefficient operations and any changes in operations since the Effective Date have been carbon neutral 2000 or better.

18.20 Franchisee has conducted three (3) customer satisfaction surveys.

18.21 Customer satisfaction survey results indicate a satisfactory level of performance, as determined by County.

18.22 Franchisee has suffered no operational suspensions during the Term of this Agreement.

18.23 During the Term of this Agreement, all liquidated damages have been paid within ten (10) days of County's assessment or resolution of a liquidated damages appeal.

IN WITNESS WHEREOF, County and Franchisee have executed this Agreement as shown by signatures below:

IN WITNESS WHEREOF, County and Franchisee have executed this Agreement as shown by signatures below:

APPROVED AS TO FORM AND LEGAL EFFECT:

By:_____
Brad Goodrow, President
Mid State Solid Waste and
Recycling, Inc.

By:_____
Kelly Astor, Attorney for Franchisee
Mid State Solid Waste and
Recycling, Inc.

Dated: June 1, 2014

RITA L. NEAL
County Counsel

By:_____
Erica Stuckey, Deputy County Counsel

Dated:_____

COUNTY OF SAN LUIS OBIPSO

By:_____
Chair of the Board of Supervisors

ATTEST:

County Clerk and Ex-Officio Clerk of the Board of Supervisors of the County of San Luis Obispo

By:_____

Dated:_____

IN WITNESS WHEREOF, County and Franchisee have executed this Agreement as shown by signatures below:

APPROVED AS TO FORM AND LEGAL EFFECT:

By:_____
Brad Goodrow, President
Mid State Solid Waste and
Recycling, Inc.

By:_____
Kelly Astor, Attorney for Franchisee
Mid State Solid Waste and
Recycling, Inc.

Dated:_____

RITA L. NEAL
County Counsel

By:_____
Erica Stuckey, Deputy County Counsel

Dated:_____

COUNTY OF SAN LUIS OBIPSO

By:_____
Chair of the Board of Supervisors

ATTEST:

County Clerk and Ex-Officio Clerk of the Board of
Supervisors of the County of San Luis Obispo

By:_____

Dated:_____

IN WITNESS WHEREOF, County and Franchisee have executed this Agreement as shown by signatures below:

APPROVED AS TO FORM AND LEGAL EFFECT:

By:_____
Brad Goodrow, President
Mid State Solid Waste and
Recycling, Inc.

By:_____
Kelly Astor, Attorney for Franchisee
Mid State Solid Waste and
Recycling, Inc.

Dated:_____

RITA L. NEAL
County Counsel

By:_____
Erica Stuckey, Deputy County Counsel

Dated: May 29, 2014

COUNTY OF SAN LUIS OBIPSO

By:_____
Chair of the Board of Supervisors

ATTEST:
JULIE L. RODEWALD
County Clerk and Ex-Officio Clerk of the Board of Supervisors of the County of San Luis Obispo

By: Sandy Currens

Dated: June 17, 2014

Service Territory Description of
Mid State Solid Waste & Recycling, Inc.
(formerly Wil Mar Disposal Co., Inc.)
(As amended October 1993)

Commencing at the intersection of Highway 46 (West) and Santa Rosa Creek Road/Old Creek Road, Wil-Mar Disposal Co., Inc. (WMDI) territory follows Old Creek Road to its intersection with Santa Rita Creek Road. WMDI serves both sides of Old Creek Road including all non-through access roads. WMDI territory thence follows an imaginary straight line in a southeasterly direction to Dark Range Peak and thence following an imaginary straight line southeast to Highway 41 100 yards west of the Cerro Alto Camp Ground entrance and thence following an imaginary straight line southeasterly to the intersection of TV Tower Road and the Camp San Luis Border and thereafter following the border of Camp San Luis to Cuesta Pass.

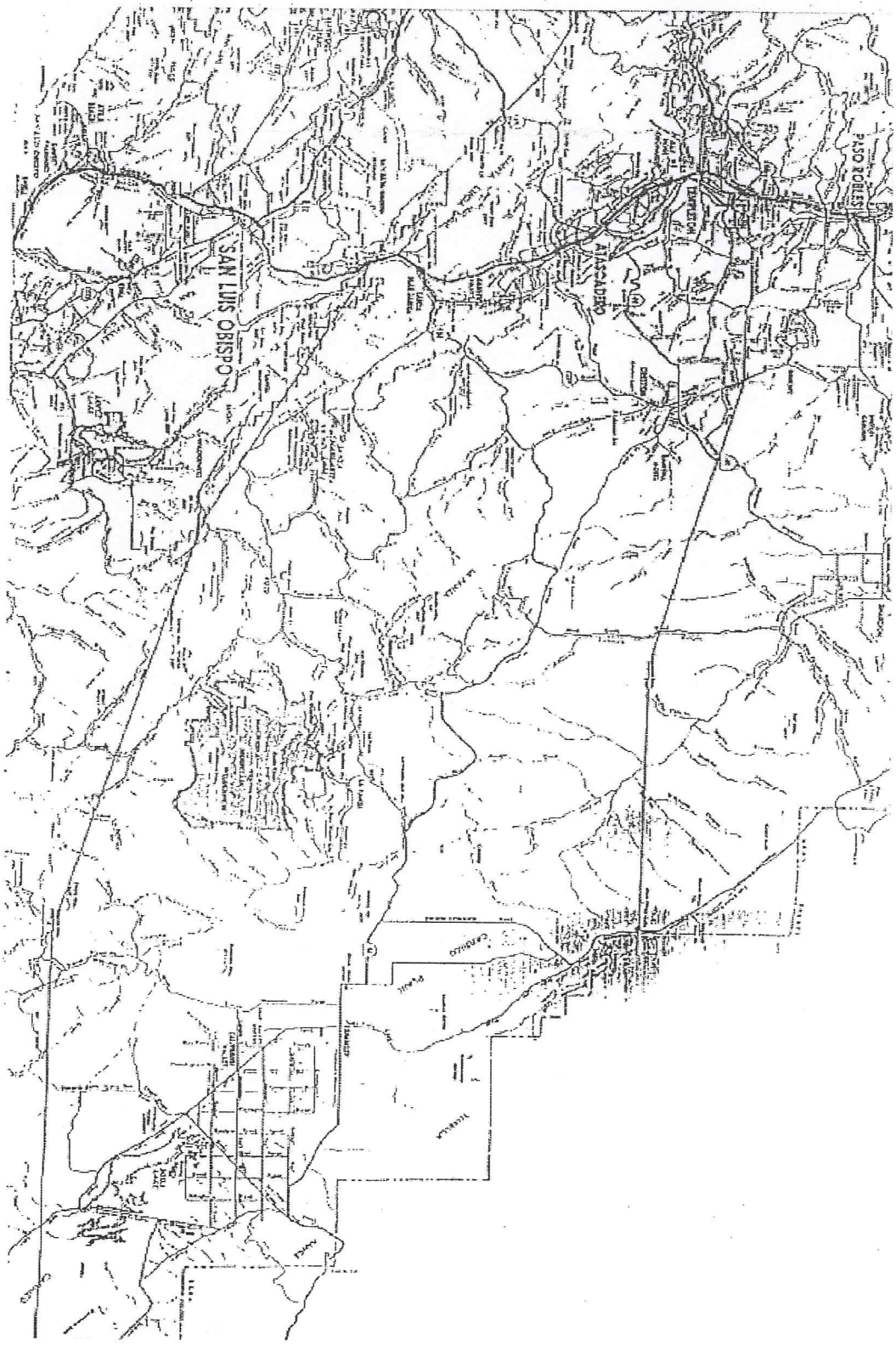
WMDI territory follows an imaginary straight line from Cuesta Pass continuing southeast to Hi Mountain, thence following an imaginary straight line southeast to Branch Mountain, thence following an imaginary straight line east to Panorama Point, thence following an imaginary straight line east to the Kern County line. WMDI territory thereafter follows northwest along the western boundary of Kern County to Poso Ortega Lake.

WMDI territory follows an imaginary straight line from Poso Ortega Lake west to Commanti Mountain, then northwest across Highway 41 following an imaginary straight line to the intersection of Creston Road and Geneseo Road. From the Creston Road and Geneseo Road intersection WMDI territory follows Creston Road to the west to Cripple Creek Road. Paso Robles Waste Disposal, Inc. (PRWDI) services both sides of Creston Road, including all non-through access roads. From the Creston Road and Cripple Creek Road intersection WMDI territory follows Cripple Creek Road south to the intersection of Cripple Creek Road and El Pomar Drive. PRWDI services both sides of Cripple Creek Road north of El Pomar Drive including all non-through access roads. From the Cripple Creek and El Pomar Drive intersection WMDI territory follows El

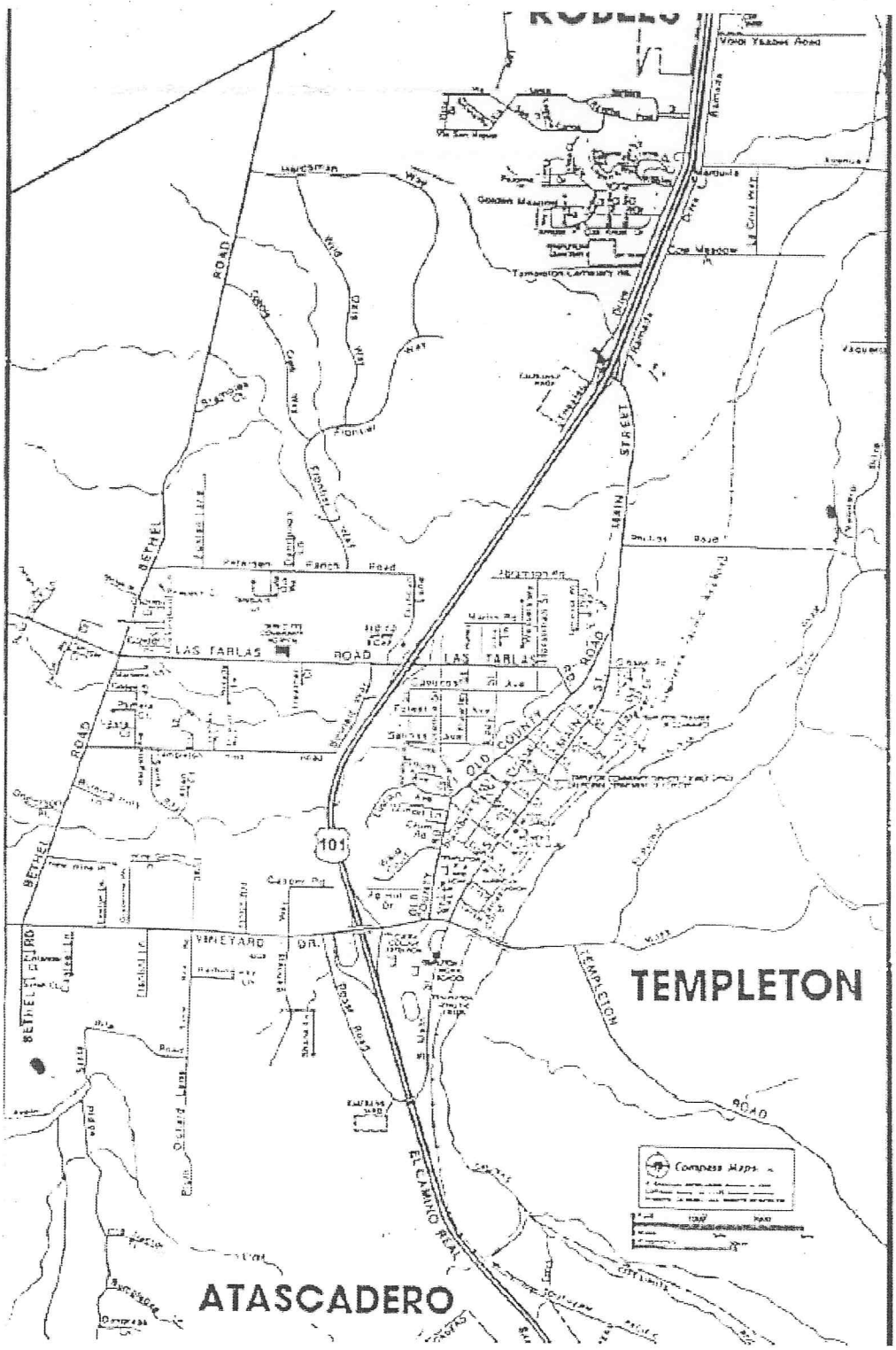
Pomar Drive west to the intersection of Vaquero Drive. WMDI services both sides of El Pomar Drive including all non-through access roads. From the intersection of Vaquero Drive and El Pomar Drive WMDI territory follows an imaginary straight line to the intersection of Main Street (Templeton) and Highway 101. From the Main Street and Highway 101 intersection WMDI territory follows an imaginary straight line to the intersection of Bethel Road and Highway 46 (West). From the intersection of Bethel Road and Highway 46 (West) WMDI territory follows Highway 46 (West) to the commencing point at Highway 46 (West) and Santa Rosa Creek Road/Old Creek Road. PRWDI services the north side of Highway 46 (West) and WMDI services the south side of Highway 46 (West) between Bethel Road and Santa Rosa Creek Road/Old Creek Road.

EXHIBIT A
FRANCHISE AREA

Mid State Solid Waste & Recycling Franchise Territory Part A



Mid State Solid Waste and Recycling Franchise Territory Part B



MID STATE SOLID WASTE & RECYCLING SERVICES, INC. - PROPOSED RATE INCREASE
EFFECTIVE DATE: JUNE 1, 2014
URBAN & RURAL SANTA MARGARITA, CRESTON, RURAL TEMPLETON AREA, POZO, LA PANZA, PARK HILL, HUER HUERO, SIMMLER & ATASCADERO FRINGE AREA

SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT RATES EFFECTIVE 1/1/2013	RATE ADJUSTMENT	PROPOSED RATES EFFECTIVE 6/1/2014 *
Monthly service rates for residential customers includes the rental fee for the cart. Residential customers must use containers provided by the garbage company.				
URBAN RESIDENTIAL:		Monthly		
32 Gallon Waste Cart	1	$31.45	0.85%	$31.70
64 Gallon Waste Cart	1	$46.00	0.85%	$46.40
96 Gallon Waste Cart	1	$60.55	0.85%	$61.05
For urban residential customers in Santa Margarita, Garden Farms and the fringe area of Atascadero, the rate includes weekly collection of trash, greenwaste and recycling in containers provided by Mid State Solid Waste.				
RURAL RESIDENTIAL: Creston, Rural Templeton, Pozo, La Panza, Park Hill, Huer Huero, Simmler, etc				
32 Gallon Waste Cart	1	$32.60	0.85%	$32.85
64 Gallon Waste Cart	1	$47.40	0.85%	$47.80
96 Gallon Waste Cart	1	$62.25	0.85%	$62.80
For rural residential customers in Creston, Rural Templeton, Pozo, La Panza, Park Hill, Huer Huero and Simmler, the rate includes weekly collection of trash and every other week collection of recycling in containers provided by Mid State Solid Waste.				
RURAL COMMERCIAL: Creston, Rural Templeton, Pozo, La Panza, Park Hill, Huer Huero, Simmler,etc				
32 Gallon Waste Cart	1	$32.60	0.85%	$32.85
64 Gallon Waste Cart	1	$47.40	0.85%	$47.80
96 Gallon Waste Cart	1	$62.25	0.85%	$62.80
1.5 yd Dumpster	1	$145.50	0.85%	$146.75
1.5 yd Dumpster	2	$274.30	0.85%	$276.65
1.5 yd Dumpster	3	$403.40	0.85%	$406.85
1.5 yd Dumpster	4	$532.40	0.85%	$536.95
1.5 yd Dumpster	5	$661.35	0.85%	$666.95
1.5 yd Dumpster	6	$790.35	0.85%	$797.05
2 yd Dumpster	1	$171.10	0.85%	$172.55
2 yd Dumpster	2	$325.20	0.85%	$327.95
2 yd Dumpster	3	$479.80	0.85%	$483.90
2 yd Dumpster	4	$633.95	0.85%	$639.35
2 yd Dumpster	5	$788.35	0.85%	$795.05
2 yd Dumpster	6	$942.60	0.85%	$950.60
3 yd Dumpster	1	$202.65	0.85%	$204.35
3 yd Dumpster	2	$387.75	0.85%	$391.05
3 yd Dumpster	3	$572.65	0.85%	$577.50
3 yd Dumpster	4	$757.65	0.85%	$764.10
3 yd Dumpster	5	$942.70	0.85%	$950.70
3 yd Dumpster	6	$1,127.65	0.85%	$1,137.25

MID STATE SOLID WASTE & RECYCLING SERVICES, INC. - PROPOSED RATE INCREASE
EFFECTIVE DATE: JUNE 1, 2014
URBAN & RURAL SANTA MARGARITA, CRESTON, RURAL TEMPLETON AREA, POZO, LA PANZA, PARK HILL, HUER HUERO, SIMMLER & ATASCADERO FRINGE AREA

SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT RATES EFFECTIVE 1/1/2013	RATE ADJUSTMENT	PROPOSED RATES EFFECTIVE 6/1/2014 *
RURAL COMMERCIAL (Con't):		Monthly		
4 yd Dumpster	1	$264.60	0.85%	$266.85
4 yd Dumpster	2	$510.50	0.85%	$514.85
4 yd Dumpster	3	$756.45	0.85%	$762.90
4 yd Dumpster	4	$1,002.40	0.85%	$1,010.90
4 yd Dumpster	5	$1,248.30	0.85%	$1,258.90
4 yd Dumpster	6	$1,494.05	0.85%	$1,506.75
6 yd Dumpster	1	$339.70	0.85%	$342.60
6 yd Dumpster	2	$657.00	0.85%	$662.60
6 yd Dumpster	3	$974.40	0.85%	$982.70
6 yd Dumpster	4	$1,093.15	0.85%	$1,102.45
6 yd Dumpster	5	$1,591.30	0.85%	$1,604.85
6 yd Dumpster	6	$1,926.55	0.85%	$1,942.95
URBAN COMMERCIAL:		Monthly		
For urban commercial customers in Santa Margarita, Garden Farms and the fringe area of Atascadero, the rate includes weekly collection of recycling in containers provided by Mid State Solid Waste.				
32 Gallon Waste Cart	1	$24.50	0.85%	$24.70
64 Gallon Waste Cart	1	$42.20	0.85%	$42.55
96 Gallon Waste Cart	1	$56.25	0.85%	$56.75
1.5 yd Dumpster	1	$121.85	0.85%	$122.90
1.5 yd Dumpster	2	$226.30	0.85%	$228.20
1.5 yd Dumpster	3	$330.90	0.85%	$333.70
1.5 yd Dumpster	4	$435.45	0.85%	$439.15
1.5 yd Dumpster	5	$540.10	0.85%	$544.70
1.5 yd Dumpster	6	$644.55	0.85%	$650.05
2 yd Dumpster	1	$138.40	0.85%	$139.60
2 yd Dumpster	2	$259.35	0.85%	$261.55
2 yd Dumpster	3	$379.95	0.85%	$383.20
2 yd Dumpster	4	$500.85	0.85%	$505.10
2 yd Dumpster	5	$621.80	0.85%	$627.10
2 yd Dumpster	6	$742.65	0.85%	$748.95
3 yd Dumpster	1	$171.60	0.85%	$173.05
3 yd Dumpster	2	$323.40	0.85%	$326.15
3 yd Dumpster	3	$474.90	0.85%	$478.95
3 yd Dumpster	4	$631.05	0.85%	$636.40
3 yd Dumpster	5	$784.30	0.85%	$790.95
3 yd Dumpster	6	$929.80	0.85%	$937.70

MID STATE SOLID WASTE & RECYCLING SERVICES, INC. - PROPOSED RATE INCREASE
EFFECTIVE DATE: JUNE 1, 2014
URBAN & RURAL SANTA MARGARITA, CRESTON, RURAL TEMPLETON AREA, POZO, LA PANZA, PARK HILL, HUER HUERO, SIMMLER & ATASCADERO FRINGE AREA

SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT RATES EFFECTIVE 1/1/2013	RATE ADJUSTMENT	PROPOSED RATES EFFECTIVE 6/1/2014 *
URBAN COMMERCIAL (Con't):		Monthly		
4 yd Dumpster	1	$205.30	0.85%	$207.05
4 yd Dumpster	2	$392.95	0.85%	$396.30
4 yd Dumpster	3	$575.75	0.85%	$580.65
4 yd Dumpster	4	$762.35	0.85%	$768.85
4 yd Dumpster	5	$946.40	0.85%	$954.45
4 yd Dumpster	6	$1,131.70	0.85%	$1,141.30
6 yd Dumpster	1	$262.35	0.85%	$264.60
6 yd Dumpster	2	$501.45	0.85%	$505.70
6 yd Dumpster	3	$681.00	0.85%	$686.80
6 yd Dumpster	4	$980.05	0.85%	$988.40
6 yd Dumpster	5	$1,219.25	0.85%	$1,229.60
6 yd Dumpster	6	$1,458.50	0.85%	$1,470.90
As of March 1, 2006, all commercial customer rates in Creston, Rural Templeton, Pozo, La Panza, Park Hill, Huer Huero and Simmler, will include weekly collection of trash and every other week collection of recycling in containers provided by Mid State Solid Waste.				
SPECIAL PURPOSE FEES - ALL AREAS, ALL CUSTOMERS (Unless Otherwise Indicated):				
Additional waste wheeler/cart collection and rental	Monthly	$5.30	0.00%	$5.30
On Call Service (For areas outside the Urban Reserve Line)				
2 Yard Bin (Rental Fee Only)	Monthly	$21.20	0.00%	$21.20
3 Yard Bin (Rental Fee Only)	Monthly	$28.75	0.00%	$28.75
Plus fee for emptying each time:				
2 Yards	Per Occurrence	$73.95	0.85%	$74.60
3 Yards	Per Occurrence	$88.60	0.85%	$89.35
Temporary Bin Service: (One time use - less than one month)				
2 Yard Bin	Per Occurrence	$73.95	0.85%	$74.60
3 Yard Bin	Per Occurrence	$88.60	0.85%	$89.35
Commercial Container - Pull Out	Per Occurrence	$4.00	0.85%	$4.05
Removal Fee - Container or Cart	Per Occurrence	$39.35	0.85%	$39.70
Redelivery Fee - Container or Cart	Per Occurrence	$39.35	0.85%	$39.70
Go Back Commercial (established customers)	Per Occurrence	$8.60	0.85%	$8.65
Go Back Residential (established customers)	Per Occurrence	$5.50	0.85%	$5.55
Lock-Bar Set-Up	Per Occurrence	$39.35	0.85%	$39.70
Lock-Bar Set-Up Plus Key & Lock	Per Occurrence	$47.05	0.85%	$47.45
Unreturned Carts - 32 Gallons	Per Occurrence	$58.15	0.85%	$58.65
Unreturned Carts - 60 Gallons	Per Occurrence	$80.00	0.85%	$80.70
Unreturned Carts - 90 Gallons	Per Occurrence	$87.10	0.85%	$87.85
Walk-In Fee	Per Occurrence	$3.15	0.85%	$3.20
Unlocking Fee	Per Occurrence	$2.10	0.85%	$2.10

MID STATE SOLID WASTE & RECYCLING SERVICES, INC. - PROPOSED RATE INCREASE
EFFECTIVE DATE: JUNE 1, 2014
URBAN & RURAL SANTA MARGARITA, CRESTON, RURAL TEMPLETON AREA, POZO, LA PANZA, PARK HILL, HUER HUERO, SIMMLER & ATASCADERO FRINGE AREA

SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT RATES EFFECTIVE 1/1/2013	RATE ADJUSTMENT	PROPOSED RATES EFFECTIVE 6/1/2014 *
SPECIAL PURPOSE FEES - ALL AREAS, ALL CUSTOMERS (Con't):				
Drive -In Fee, per 100 Feet [1]	1	$4.80	0.85%	$4.85
Drive -In Fee, per 200 Feet [1]	1	$9.40	0.85%	$9.50
Drive -In Fee, per 300 Feet [1]	1	$13.65	0.85%	$13.75
Labor - Per Hour	Per Occurrence	$89.85	0.85%	$90.60
Card Board Service - Commercial Only				
(2 yard container - 1 time per week)	1	$37.50	0.85%	$37.80
Return Check Charge	Per Occurrence	$16.65	0.00%	$16.65
Exchange Fee - Containers	Per Occurrence	$67.40	0.85%	$67.95
Car Tire	Per Item	$7.55	0.85%	$7.60
Car Tire, With Rim	Per Item	$10.50	0.85%	$10.60
Extra Yard of Material Pick-up	Per Item	$13.50	0.85%	$13.60
Mattress-Twin	Per Item	$25.50	0.85%	$25.70
Mattress-Full	Per Item	$29.95	0.85%	$30.20
Mattress-King or Queen	Per Item	$32.90	0.85%	$33.20

1 "Drive-In Fee" refers to the charge imposed when a waste collection truck is required to drive off the roadway and onto a customer's property to collect waste. Drive-In also describes waste collection at the curbside of rural or remote areas.

This rate increase is approximately : 0.85%

Effective Date: 6/1/2014

* Rounded to the nearest nickel

F:\Rate Studies\Garbage Companies\CPI-Inc MidSt PROP SMC 2012\13\[MidSt_&_SMC_CPI-2014(MidState Rates_effective 6-1-2014.xls]Proposed Rates - 6-1-14