

RATE SETTING AGREEMENT
WITH COLD CANYON LANDFILL

This Rate Setting Agreement ("Agreement") is entered into this ___ day of _____, 2014, by and between the County of San Luis Obispo, a political subdivision of the State of California ("County"), and Cold Canyon Land Fill, Inc. ("Cold Canyon"), a California corporation.

Recitals

WHEREAS, Cold Canyon operates the Cold Canyon Landfill in San Luis Obispo County, California (the "Landfill"); and

WHEREAS, San Luis Garbage Company, South County Sanitary Service, Inc. and Mission Country Disposal (each a "Franchised Hauler" and together the "Franchised Haulers") utilize the Landfill for, among other things, the disposal of Solid Waste collected under the franchise agreements listed on Exhibit A hereto (each a "Franchise Agreement" and together the "Franchise Agreements"); and

WHEREAS, on November 20, 2012, the County Board of Supervisors approved Conditional Use Permit No. DRC2005-00170, which provides for the expansion of the Landfill, including an increase of the footprint by approximately 46 acres, an increase in the total facility allowable tonnage limit, the expansion of the Resource Recovery Park and Materials Recovery Facility, a new scalehouse and entrance, an increase in the Landfill's and Materials Recovery Facility's operating hours and staffing levels and other miscellaneous improvements; and

WHEREAS, the parties hereto acknowledge that the costs associated with the first two phases of the expansion are currently estimated to be \$8.3 million; and

WHEREAS, the parties hereto understand that Cold Canyon desires to recover the cost of the first two phases of the expansion currently estimable over a nine (9) year period through increased rates charged to the Franchised Haulers that deliver waste to the Landfill under the Franchise Agreements; and

WHEREAS, the County Auditor-Controller-Treasurer-Tax Collector-Public Administrator ("ACTTCPA") has thoroughly reviewed Cold Canyon's rate increase proposal and is supportive of the conditions set forth in this Agreement.

NOW, THEREFORE, it is mutually agreed between the parties hereto, as follows:

Agreement

1. The per ton tipping fee Cold Canyon charges to each Franchised Hauler for delivery of Solid Waste collected under each Franchise Agreement to

the Landfill is referred to herein as the "Tipping Fee". The County hereby approves a Tipping Fee increase of \$2.25 per ton, effective initially on July 1, 2014, and additional annual Tipping Fee increases of \$2.25 per ton on each succeeding January 1 thereafter (beginning with January 1, 2015) over the nine (9) year period ending December 31, 2022.

2. The pricing in paragraph 1, above, is based on the assumption that the Landfill earns a fifteen (15) year annual average rate of return on allowable undepreciated capital (i.e., invested capital, or the net book value of fixed assets) of eighteen percent (18%), with the measurement period being January 1, 2008 through December 31, 2022.
3. During the term of this Agreement, the Landfill's actual annual rate of return shall be reassessed based on updated fifteen (15) year rolling projections prepared each year by Cold Canyon, and rate-making income audits performed by an independent public CPA firm hired by Cold Canyon every three (3) years, with the first audit completed in 2014 (which shall review Landfill operations in calendar year 2013). The methodology for such projections shall be subject to approval by the ACTTCPA. In addition, all such projections and audits shall be reviewed for accuracy and approved by the ACTTCPA, which approval shall not be unreasonably withheld, prior to any adjustments pursuant to Paragraph 4 below.
4. The ACTTCPA is hereby authorized to adjust the remaining \$2.25 Tipping Fee increases approved hereunder without Board of Supervisor approval in order to maintain the assumed fifteen (15) year rate of return. The ACTTCPA may only make such adjustments in the triennial rate review years 2017, 2020 and/or 2023 (which shall review Landfill operations in calendar years 2016, 2019 and 2022, respectively).
5. After the conclusion of the nine (9) year cost recovery period (December 31, 2022) covered by this Agreement, the ACTTCPA is authorized to adjust the Tipping Fee once further if necessary to maintain the Landfill's assumed fifteen (15) year rate of return for the year beginning January 1, 2023. This agreement will terminate on June 30, 2023. Notwithstanding the foregoing, any adjustment that *increases* any of the \$2.25 Tipping Fee increases will be subject to approval by the Board of Supervisors.
6. Pursuant to each Franchise Agreement, the Board of Supervisors shall adjust the collection rates charged by each Franchisee to correspond with the Tipping Fee increases approved herein. Notwithstanding the foregoing, for tipping fee increases under this Agreement effective on or after January 1, 2015, the Parties acknowledge that the Board of Supervisors shall have the discretion to deny any portion of any one time annual corresponding collection rate increase that would be greater than 1.5% and that is attributable to a tipping fee increase approved in

accordance with this Agreement, as further described in each Franchise Agreement or an amendment thereto.

7. This Agreement only applies to approval of Tipping Fee increases related to the Landfill expansion authorized under Conditional Use Permit No. DRC2005-00170 and related costs thereto that are currently estimable over the nine (9) year period, as described herein.
8. Any increase to Tipping Fees charged by Cold Canyon to each Franchised Hauler for delivery of Solid Waste collected under each Franchise Agreement to the Landfill in excess of \$2.25 during the nine year period ending December 31, 2022, shall be subject to approval by the County Board of Supervisors.
9. This Agreement does not create any entitlement to the approval of Tipping Fee increases outside of the nine (9) year period described herein. The County may, but is under no obligation to, enter into an amendment to this Agreement or a subsequent agreement with Cold Canyon approving further Tipping Fee increases to cover additional costs incurred by Cold Canyon in connection with the Landfill expansion.
10. The parties acknowledge that the action of approving increases to the Tipping Fee is not subject to CEQA because the activity is not a project or is statutorily exempt from CEQA pursuant to: CEQA Section 21065 and State CEQA Guidelines section 15378(b)(5) and 15378(b)(4); and CEQA Section 21065 and State CEQA Guidelines Section 15261(a). The activity is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment as described in State CEQA Guidelines Section 15378(b)(5) and is therefore not a "project" subject to CEQA; the activity is part of the creation of a government funding mechanism or other fiscal activities which do not involve any commitment to any specific "project" which may result in potentially significant physical impacts on the environment as described in State CEQA Guidelines Section 15378(b)(4); and the activity is being undertaken for the furtherance of an on-going project which has had substantial funds already expended and which will not result in new significant effects on the environment as described in State CEQA Guidelines Section 15261(a).
11. Neither the County nor any officer or employee thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by Cold Canyon under or in connection with this Agreement. Cold Canyon shall defend, indemnify and hold harmless the County, its officers and employees from all claims, demands, damages, costs, expenses, judgments, attorney fees, liabilities or other losses that may be

asserted by any person or entity that arise out of or are made in connection with any acts or omissions by Cold Canyon under or in connection with this Agreement.

12. Any change, modification or amendment to this Agreement shall be in writing and signed by each party hereto. This Agreement may be executed in one or more facsimile or original counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.
13. This Agreement shall be effective as of the day it is fully executed by both parties and is conditioned upon the County and each Franchised Hauler entering into an Amendment No. 3 to Solid Waste Collection Franchise Agreement. In addition to certain other modifications, each such Amendment No. 3 modifies Section 8.3.3 of its respective Franchise Agreement to exclude the Tipping Fees approved herein from the Section 8.3.2 rate change calculation in such Franchise Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

COUNTY OF SAN LUIS OBISPO

Chairperson of the Board of Supervisors
County of San Luis Obispo
State of California

ATTEST:

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

APPROVED AS TO FORM AND LEGAL
EFFECT:
RITA L. NEAL, County Counsel

By: 

Deputy County Counsel
Dated: 5-1-2014

Cold Canyon Land Fill, Inc.:

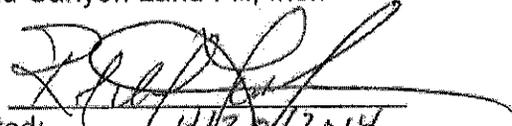
By: 
Dated: 4/30/2014
Print Name: RONALD MITTELSAEDT
Title: CEO

EXHIBIT A

Franchise Agreements

Title of Agreement	Date	Franchisee	Counterparty
Amended and Restated Solid Waste Collection Franchise Agreement	December 9, 2008	San Luis Garbage Company	County of San Luis Obispo
Amended and Restated Solid Waste Collection Franchise Agreement	December 9, 2008	South County Sanitary Service, Inc.	County of San Luis Obispo
Amended and Restated Solid Waste Collection Franchise Agreement	December 9, 2008	Mission Country Disposal	County of San Luis Obispo

**AMENDMENT NO. 3 TO SOLID WASTE COLLECTION
FRANCHISE AGREEMENT**

This Amendment No. 3 to Solid Waste Collection Franchise Agreement (“Amendment”) is entered into by and between the County of San Luis Obispo, a political subdivision of the State of California (“County”), and South County Sanitary Service, Inc.; a California corporation (“Franchisee”) (collectively, “Parties”).

WHEREAS, on December 9, 2008, the County entered into an Amended and Restated Solid Waste Collection Franchise Agreement with Franchisee to provide solid waste collection, transportation and disposal service in certain unincorporated areas of San Luis Obispo County under terms which became effective December 9, 2008 and could be extended until June 30, 2026 (“Franchise Agreement”); and

WHEREAS, Cold Canyon Land Fill, Inc. (“Cold Canyon”) operates the Cold Canyon Landfill in San Luis Obispo County (“Landfill”); and

WHEREAS, Franchisee utilizes the Landfill for, among other things, the disposal of solid waste collected under the Franchise Agreement; and

WHEREAS, on November 20, 2012, the County Board of Supervisors approved a conditional use permit for the expansion of the Landfill (Permit No. DRC2005-00170); and

WHEREAS, the County and Cold Canyon intend to enter into a Rate Setting Agreement whereby the County will approve certain annual increases to the tipping fee charged by Cold Canyon to Franchisee for disposal of solid waste collected under the Franchise Agreement over a nine (9) year period to allow Cold Canyon to recover the costs of the first two (2) phases of the expansion under the terms and conditions specified therein (“Rate Setting Agreement”); and

WHEREAS, the Franchise Agreement permits the County to terminate the Franchise Agreement if Franchisee requests a rate increase that, if granted, would result in a rate increase that exceeds the cumulative cost of living increases, when compared to the rate as of the effective date of the Franchise Agreement; and

WHEREAS, the Franchise Agreement provides that any increase in Franchisee costs resulting from an increase in the pass-through costs associated with the disposal of solid waste shall be included when comparing the resulting rate increase to the cumulative cost of living increases, with limited exception, not including tipping fees; and

WHEREAS, the Franchise Agreement also provides that the Board of Supervisors shall adjust the collection rates charged by Franchisee to correspond with any Board approved tipping fee increase; and

WHEREAS, the County and Franchisee desire to amend the Franchise Agreement to exclude tipping fees charged by Cold Canyon and incurred by Franchisee from the rate change calculation described above provided that said fees are expressly approved in or in accordance with the Rate Setting Agreement; and

WHEREAS, the County and Franchisee desire to further amend the Franchise Agreement to permit the Board of Supervisors to cap any one time annual corresponding collection rate increase attributable to the tipping fee increases approved in the Rate Setting Agreement at 1.5%, as further described below.

NOW THEREFORE, in light of the above recitals, which the Parties hereto agree are true and correct and are incorporated herein by this reference, the Parties agree as follows:

1. Paragraph 8.3.3 of Section 8.3 (Rate Review) of the Franchise Agreement is hereby amended and restated in its entirety and shall hereafter be and read as follows:

8.3.3. When calculating the change in rate described in Paragraph 8.3.2, costs resulting from Article 7 Payments to County, Section 4.5 County Request to Direct Changes, new mandated regulatory costs and the per ton tipping fee charged by Cold Canyon Land Fill, Inc. to Franchisee for delivery of solid waste collected under this Agreement to the Cold Canyon Landfill that has been approved in or in accordance with a Rate Setting Agreement between Cold Canyon Land Fill, Inc. and the County Board of Supervisors in connection with the expansion of the Cold Canyon Landfill (the "Rate Setting Agreement") will not be included. However, any other increase resulting from an increase in the pass-through costs associated with the processing and/or disposal of Solid Waste and Recyclable Materials including greenwaste shall be included in the rate change calculation, unless a disposal or processing facility has been designated by County.

2. Paragraph 8.4.2.2 of Section 8.4 (Special Interim Rate Review) of the Franchise Agreement is hereby amended and restated in its entirety and shall hereafter be and read as follows:

8.4.2.2. If during the performance term of this Agreement, County approves an adjustment in the tipping fee at a solid waste disposal facility that Franchisee uses, collection rates for residential and commercial customers shall be adjusted

correspondingly by the Board of Supervisors. Notwithstanding the foregoing, for tipping fee increases under the Rate Setting Agreement effective on or after January 1, 2015, the Board of Supervisors shall have the discretion to deny any portion of any one time annual corresponding collection rate increase that would be greater than 1.5% and that is attributable to the tipping fees approved in accordance with the Rate Setting Agreement. The 1.5% threshold shall be measured against the quotient obtained by dividing the product of (a) (i) the tipping fee increase per ton under the Rate Setting Agreement and (ii) the number of tons collected by the Franchisee during the immediately preceding calendar year, by (b) the Franchisee's total annual gross revenues for the immediately preceding calendar year, and then dividing that quotient by one minus the franchise fee percentage. The Board of Supervisors intends to make a reasonable effort to adjust Franchisee's collection rates at the same time as the facility rate. In the event that there is a delay greater than 90 days between 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.

3. Except as specifically amended herein, all of the terms, provisions, requirements and specification contained in the Franchise Agreement shall remain in full force and effect.

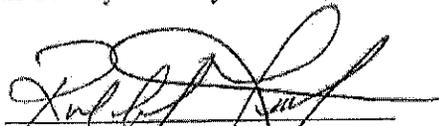
4. This Amendment shall be effective as of the day it is fully executed by both Parties.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of latter of the dates set forth below.

FRANCHISEE

South County Sanitary Service, Inc.

By: 
Name: RONALD MITTELSTAEDT
Title: CEO

Date: 4/30/2014

SAN LUIS OBISPO COUNTY

By: _____
Chairperson of the Board
San Luis Obispo County
State of California

Date: _____

ATTEST:

By: _____
County Clerk of the Board of Supervisors
San Luis Obispo County
State of California

Date: _____

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By: 
Deputy County Counsel

Date: 5-1-2014

**AMENDMENT NO. 3 TO SOLID WASTE COLLECTION
FRANCHISE AGREEMENT**

This Amendment No. 3 to Solid Waste Collection Franchise Agreement ("Amendment") is entered into by and between the County of San Luis Obispo, a political subdivision of the State of California ("County"), and San Luis Garbage Company, a California corporation ("Franchisee") (collectively, "Parties").

WHEREAS, on December 9, 2008, the County entered into an Amended and Restated Solid Waste Collection Franchise Agreement with Franchisee to provide solid waste collection, transportation and disposal service in certain unincorporated areas of San Luis Obispo County under terms which became effective December 9, 2008 and could be extended until June 30, 2026 ("Franchise Agreement"); and

WHEREAS, Cold Canyon Land Fill, Inc. ("Cold Canyon") operates the Cold Canyon Landfill in San Luis Obispo County ("Landfill"); and

WHEREAS, Franchisee utilizes the Landfill for, among other things, the disposal of solid waste collected under the Franchise Agreement; and

WHEREAS, on November 20, 2012, the County Board of Supervisors approved a conditional use permit for the expansion of the Landfill (Permit No. DRC2005-00170); and

WHEREAS, the County and Cold Canyon intend to enter into a Rate Setting Agreement whereby the County will approve certain annual increases to the tipping fee charged by Cold Canyon to Franchisee for disposal of solid waste collected under the Franchise Agreement over a nine (9) year period to allow Cold Canyon to recover the costs of the first two (2) phases of the expansion under the terms and conditions specified therein ("Rate Setting Agreement"); and

WHEREAS, the Franchise Agreement permits the County to terminate the Franchise Agreement if Franchisee requests a rate increase that, if granted, would result in a rate increase that exceeds the cumulative cost of living increases, when compared to the rate as of the effective date of the Franchise Agreement; and

WHEREAS, the Franchise Agreement provides that any increase in Franchisee costs resulting from an increase in the pass-through costs associated with the disposal of solid waste shall be included when comparing the resulting rate increase to the cumulative cost of living increases, with limited exception, not including tipping fees; and

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WHEREAS, the Franchise Agreement also provides that the Board of Supervisors shall adjust the collection rates charged by Franchisee to correspond with any Board approved tipping fee increase; and

WHEREAS, the County and Franchisee desire to amend the Franchise Agreement to exclude tipping fees charged by Cold Canyon and incurred by Franchisee from the rate change calculation described above provided that said fees are expressly approved in or in accordance with the Rate Setting Agreement; and

WHEREAS, the County and Franchisee desire to further amend the Franchise Agreement to permit the Board of Supervisors to cap any one time annual corresponding collection rate increase attributable to the tipping fee increases approved in the Rate Setting Agreement at 1.5%, as further described below.

NOW THEREFORE, in light of the above recitals, which the Parties hereto agree are true and correct and are incorporated herein by this reference, the Parties agree as follows:

1. Paragraph 8.3.3 of Section 8.3 (Rate Review) of the Franchise Agreement is hereby amended and restated in its entirety and shall hereafter be and read as follows:

8.3.3. When calculating the change in rate described in Paragraph 8.3.2, costs resulting from Article 7 Payments to County, Section 4.5 County Request to Direct Changes, new mandated regulatory costs and the per ton tipping fee charged by Cold Canyon Land Fill, Inc. to Franchisee for delivery of solid waste collected under this Agreement to the Cold Canyon Landfill that has been approved in or in accordance with a Rate Setting Agreement between Cold Canyon Land Fill, Inc. and the County Board of Supervisors in connection with the expansion of the Cold Canyon Landfill (the "Rate Setting Agreement") will not be included. However, any other increase resulting from an increase in the pass-through costs associated with the processing and/or disposal of Solid Waste and Recyclable Materials including greenwaste shall be included in the rate change calculation, unless a disposal or processing facility has been designated by County.

2. Paragraph 8.4.2.2 of Section 8.4 (Special Interim Rate Review) of the Franchise Agreement is hereby amended and restated in its entirety and shall hereafter be and read as follows:

8.4.2.2. If during the performance term of this Agreement, County approves an adjustment in the tipping fee at a solid waste disposal facility that Franchisee uses, collection rates for residential and commercial customers shall be adjusted

correspondingly by the Board of Supervisors. Notwithstanding the foregoing, for tipping fee increases under the Rate Setting Agreement effective on or after January 1, 2015, the Board of Supervisors shall have the discretion to deny any portion of any one time annual corresponding collection rate increase that would be greater than 1.5% and that is attributable to the tipping fees approved in accordance with the Rate Setting Agreement. The 1.5% threshold shall be measured against the quotient obtained by dividing the product of (a) (i) the tipping fee increase per ton under the Rate Setting Agreement and (ii) the number of tons collected by the Franchisee during the immediately preceding calendar year, by (b) the Franchisee's total annual gross revenues for the immediately preceding calendar year, and then dividing that quotient by one minus the franchise fee percentage. The Board of Supervisors intends to make a reasonable effort to adjust Franchisee's collection rates at the same time as the facility rate. In the event that there is a delay greater than 90 days between 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.

3. Except as specifically amended herein, all of the terms, provisions, requirements and specification contained in the Franchise Agreement shall remain in full force and effect.

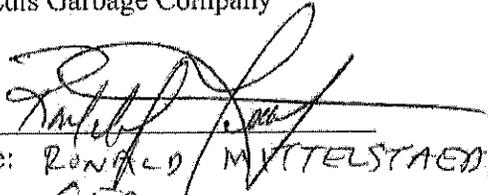
4. This Amendment shall be effective as of the day it is fully executed by both Parties.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of latter of the dates set forth below.

FRANCHISEE

San Luis Garbage Company

By: 
Name: RONALD MITTELSTAEDT
Title: CEO

Date: 4/30/2014

SAN LUIS OBISPO COUNTY

By: _____
Chairperson of the Board
San Luis Obispo County
State of California

Date: _____

ATTEST:

By: _____
County Clerk of the Board of Supervisors
San Luis Obispo County
State of California

Date: _____

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By: 
Deputy County Counsel

Date: 5-1-2014

**AMENDMENT NO. 3 TO SOLID WASTE COLLECTION
FRANCHISE AGREEMENT**

This Amendment No. 3 to Solid Waste Collection Franchise Agreement ("Amendment") is entered into by and between the County of San Luis Obispo, a political subdivision of the State of California ("County"), and Mission Country Disposal, a California corporation ("Franchisee") (collectively, "Parties").

WHEREAS, on December 9, 2008, the County entered into an Amended and Restated Solid Waste Collection Franchise Agreement with Franchisee to provide solid waste collection, transportation and disposal service in certain unincorporated areas of San Luis Obispo County under terms which became effective December 9, 2008 and could be extended until June 30, 2026 ("Franchise Agreement"); and

WHEREAS, Cold Canyon Land Fill, Inc. ("Cold Canyon") operates the Cold Canyon Landfill in San Luis Obispo County ("Landfill"); and

WHEREAS, Franchisee utilizes the Landfill for, among other things, the disposal of solid waste collected under the Franchise Agreement; and

WHEREAS, on November 20, 2012, the County Board of Supervisors approved a conditional use permit for the expansion of the Landfill (Permit No. DRC2005-00170); and

WHEREAS, the County and Cold Canyon intend to enter into a Rate Setting Agreement whereby the County will approve certain annual increases to the tipping fee charged by Cold Canyon to Franchisee for disposal of solid waste collected under the Franchise Agreement over a nine (9) year period to allow Cold Canyon to recover the costs of the first two (2) phases of the expansion under the terms and conditions specified therein ("Rate Setting Agreement"); and

WHEREAS, the Franchise Agreement permits the County to terminate the Franchise Agreement if Franchisee requests a rate increase that, if granted, would result in a rate increase that exceeds the cumulative cost of living increases, when compared to the rate as of the effective date of the Franchise Agreement; and

WHEREAS, the Franchise Agreement provides that any increase in Franchisee costs resulting from an increase in the pass-through costs associated with the disposal of solid waste shall be included when comparing the resulting rate increase to the cumulative cost of living increases, with limited exception, not including tipping fees; and

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WHEREAS, the Franchise Agreement also provides that the Board of Supervisors shall adjust the collection rates charged by Franchisee to correspond with any Board approved tipping fee increase; and

WHEREAS, the County and Franchisee desire to amend the Franchise Agreement to exclude tipping fees charged by Cold Canyon and incurred by Franchisee from the rate change calculation described above provided that said fees are expressly approved in or in accordance with the Rate Setting Agreement; and

WHEREAS, the County and Franchisee desire to further amend the Franchise Agreement to permit the Board of Supervisors to cap any one time annual corresponding collection rate increase attributable to the tipping fee increases approved in the Rate Setting Agreement at 1.5%, as further described below.

NOW THEREFORE, in light of the above recitals, which the Parties hereto agree are true and correct and are incorporated herein by this reference, the Parties agree as follows:

1. Paragraph 8.3.3 of Section 8.3 (Rate Review) of the Franchise Agreement is hereby amended and restated in its entirety and shall hereafter be and read as follows:

8.3.3. When calculating the change in rate described in Paragraph 8.3.2, costs resulting from Article 7 Payments to County, Section 4.5 County Request to Direct Changes, new mandated regulatory costs and the per ton tipping fee charged by Cold Canyon Land Fill, Inc. to Franchisee for delivery of solid waste collected under this Agreement to the Cold Canyon Landfill that has been approved in or in accordance with a Rate Setting Agreement between Cold Canyon Land Fill, Inc. and the County Board of Supervisors in connection with the expansion of the Cold Canyon Landfill (the "Rate Setting Agreement") will not be included. However, any other increase resulting from an increase in the pass-through costs associated with the processing and/or disposal of Solid Waste and Recyclable Materials including greenwaste shall be included in the rate change calculation, unless a disposal or processing facility has been designated by County.

2. Paragraph 8.4.2.2 of Section 8.4 (Special Interim Rate Review) of the Franchise Agreement is hereby amended and restated in its entirety and shall hereafter be and read as follows:

8.4.2.2. If during the performance term of this Agreement, County approves an adjustment in the tipping fee at a solid waste disposal facility that Franchisee uses, collection rates for residential and commercial customers shall be adjusted

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correspondingly by the Board of Supervisors. Notwithstanding the foregoing, for tipping fee increases under the Rate Setting Agreement effective on or after January 1, 2015, the Board of Supervisors shall have the discretion to deny any portion of any one time annual corresponding collection rate increase that would be greater than 1.5% and that is attributable to the tipping fees approved in accordance with the Rate Setting Agreement. The 1.5% threshold shall be measured against the quotient obtained by dividing the product of (a) (i) the tipping fee increase per ton under the Rate Setting Agreement and (ii) the number of tons collected by the Franchisee during the immediately preceding calendar year, by (b) the Franchisee's total annual gross revenues for the immediately preceding calendar year, and then dividing that quotient by one minus the franchise fee percentage. The Board of Supervisors intends to make a reasonable effort to adjust Franchisee's collection rates at the same time as the facility rate. In the event that there is a delay greater than 90 days between 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.

3. Except as specifically amended herein, all of the terms, provisions, requirements and specification contained in the Franchise Agreement shall remain in full force and effect.

4. This Amendment shall be effective as of the day it is fully executed by both Parties.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of latter of the dates set forth below.

FRANCHISEE

Mission Country Disposal

By: 
Name: RONALD MITTELSTUET
Title: CEO

Date: 4/30/2014

SAN LUIS OBISPO COUNTY

By: _____
Chairperson of the Board
San Luis Obispo County
State of California

Date: _____

ATTEST:

By: _____
County Clerk of the Board of Supervisors
San Luis Obispo County
State of California

Date: _____

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By: 
Deputy County Counsel

Date: 5-1-2014