AGREEMENT TO EXTEND THE TERM OF THE
SOLID WASTE COLLECTION FRANCHISE AGREEMENT
Between Paso Robles Country Disposal, Inc. and the County of San Luis Obispo

This Agreement to Extend the Term of the Solid Waste Collection Franchise Agreement ("Agreement to Extend") is entered into by and between the County of San Luis Obispo, a political subdivision of the State of California (hereinafter referred to as "County") and Paso Robles Country Disposal, Inc. (hereinafter referred to as "Franchisee") (hereinafter collectively referred to as "Parties").

WHEREAS, on September 14, 2007, County and Franchisee entered into a Solid Waste Collection Franchise Agreement (hereinafter referred to as "Franchise Agreement"), attached hereto as Exhibit A, pursuant to which Franchisee is to provide solid waste collection, transportation, and disposal service in certain unincorporated areas of northern San Luis Obispo County under the terms and conditions set forth therein; and

WHEREAS, Section 3 of the Franchise Agreement provides that the Franchise Agreement shall terminate on January 31, 2015 but permits either the County or the Franchisee to request consideration of an extension for cause anytime during the term of the Franchise Agreement; and

WHEREAS, the Parties wish to exercise their rights under Section 3 of the Franchise Agreement and extend the term of the Franchise Agreement six (6) months in order to afford the Parties additional time to negotiate a new franchise agreement.

NOW, THEREFORE, in light of the above recitals, the Parties agree as follows:

1. The termination date of the Franchise Agreement shall be extended to July 31, 2015.

2. This Agreement to Extend may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute a single instrument. Signature pages may be detached from individual counterparts and attached to a single or multiple original(s) in order to form a single or multiple originals of this Agreement to Extend. Further, this Agreement to Extend may be executed by scanned copy, telecopy or other facsimile transmission, and such facsimile transmission shall be valid and binding to the same extent as if it was an original.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement to Extend on the dates set forth below.

FRANCHISEE
PASO ROBLES COUNTRY DISPOSAL, INC.

By: _____
Dale Gomer,
President and CEO

Dated: 11-26-14

COUNTY OF SAN LUIS OBISPO

By: _____
Chairperson of the Board of Supervisors

Dated: _____

ATTEST:
Clerk of the Board of Supervisors

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

Dated: _____

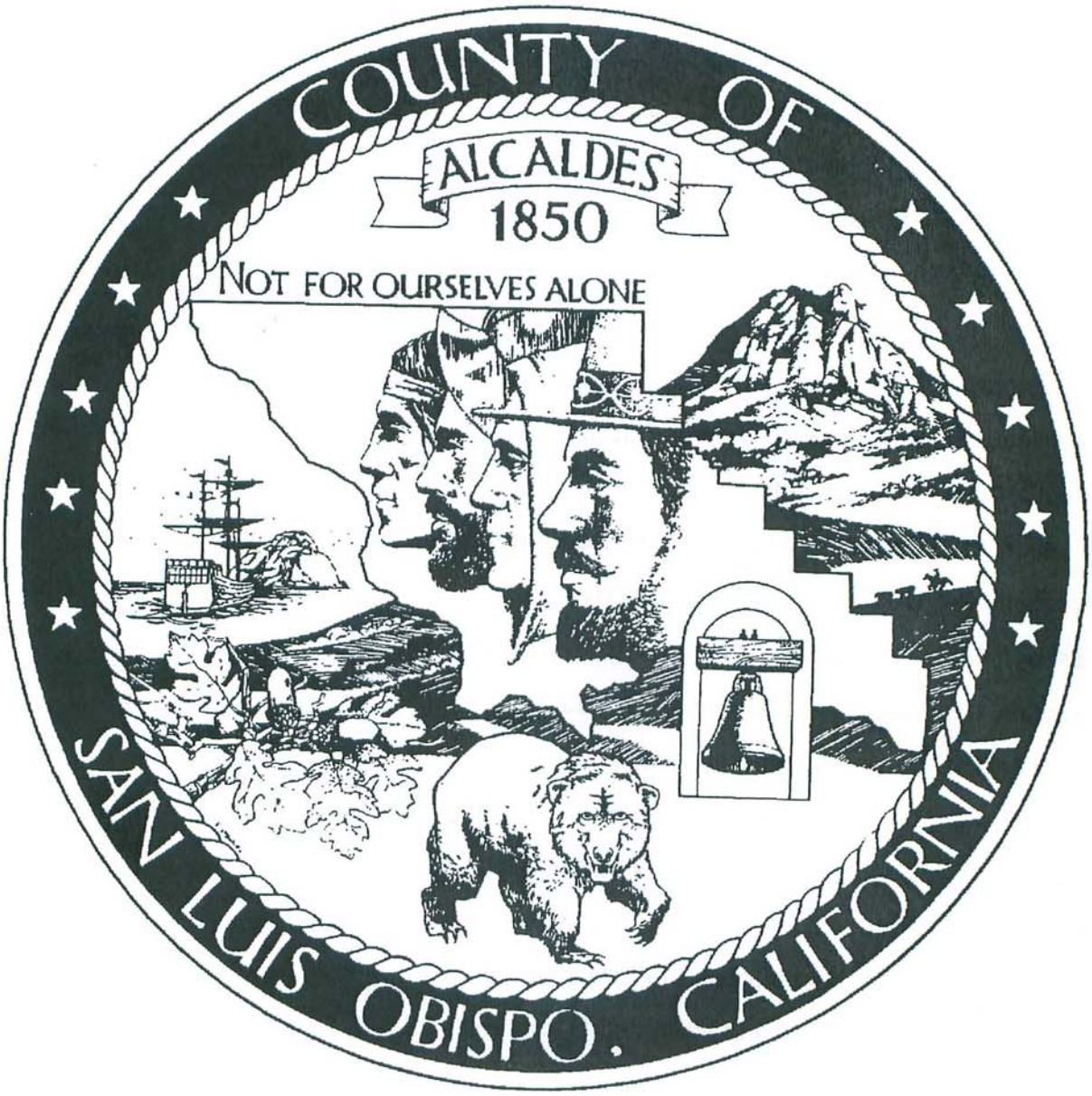
APPROVED AS TO FORM AND LEGAL EFFECT:
RITA L. NEAL

By: _____
Deputy County Counsel

Dated: 12-2-14

EXHIBIT A
SOLID WASTE COLLECTION FRANCHISE AGREEMENT

SOLID WASTE COLLECTION FRANCHISE AGREEMENT



PASO ROBLES COUNTRY DISPOSAL
AND
COUNTY OF SAN LUIS OBISPO

AUGUST 2007

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SOLID WASTE COLLECTION
FRANCHISE AGREEMENT

THIS SOLID WASTE COLLECTION CONTRACT (Contract) is entered into by and between the County of San Luis Obispo, a political entity in the State of California (County), and Paso Robles Country Disposal, Inc., A California Corporation (Franchisee).

WHEREAS, the Integrated Waste Management Act of 1989, Public Resources Code 40000 et. seq, imposes mandates on local government for the reduction of the waste stream; and

WHEREAS, Public Resources Code Section 40059(a)(2) authorizes the County to determine the terms of franchises within certain statutory limits for the collection and disposal of solid waste; and

WHEREAS, the County enacted San Luis Obispo County Code, Chapter 8.12, "Solid Waste Management Ordinance" (Ordinance) codifies and implements the County's policies with respect to solid waste management; and

WHEREAS, San Luis Obispo County Code, Chapter 8.12.700 implements and details the policies for County franchise contracts for the collection of solid waste; and

WHEREAS, it is in the interest of public health, safety and well being for County to enter into this contract to collect and dispose of all solid waste generated and/or accumulated within Franchise Areas, 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, recyclables, and other materials intended for separate collection and/or diversion from disposal; and

WHEREAS, Franchisee possesses the expertise and ability necessary to perform this contract; and

NOW, THEREFORE, in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

Section 1: Definitions.

For purposes of this Agreement, the defined terms, phrases, words, abbreviations, and their derivations shall have the meaning given in this Section. In addition to the terms defined in Chapter 8.12 of the County Code, which definitions are incorporated into this Agreement, the following terms are defined as follows:

1) "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.

2) "Board" means the San Luis Obispo County Board of Supervisors.

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

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

5) "Flow Control" means the County has explicitly, in writing, directed the Franchisee to dispose of waste or recyclables at a specific solid waste facility.

6) "Franchise Area" means the area in which the Franchisee has been granted the privilege of providing solid waste collection services.

7) "Gross Revenues" means those revenues earned, as recognized by Generally Accepted Accounting Principles (GAAP), by the Franchisee, or the value of any other economic benefit derived by the 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 the Franchisee nevertheless charged, shall also be deemed to be included in gross revenues.

8) "Gross Receipts" means those revenues received, on the cash basis of accounting, by the Franchisee, or the value of any other economic benefit derived by the 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 the Franchisee nevertheless collected, shall also be deemed to be included in gross receipts.

9) "In Yard" means residential collection service in which solid waste containers are located on a customer's property in excess of ten feet from a normal collection vehicle route.

10) "Set out" means the number of customers that put out materials for collection during the specific period of time being analyzed.

Section 2: Grant of Franchise.

1) Pursuant to San Luis Obispo County Code, Chapter 18.12.700, the Board hereby grants to Franchisee a right, privilege, and exclusive franchise to collect solid waste in those places in the unincorporated area of the County as hereinafter specified as the "Franchise Area." Franchisee hereby acknowledges and agrees that this Agreement is exclusive with respect to solid waste as defined by County Code Chapter 8.12 and is

not intended to establish an exclusive franchise regarding recyclables. However, if Franchisee collects recyclables within the Franchise Area, that activity shall comply with terms and conditions as specified in this Agreement.

2) Such grant of franchise shall also give Franchisee the right and privilege to operate solid waste collection vehicles and equipment on such streets, public ways, rights of way, or easements of the County.

3) Franchisee represents that there are 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) County and Franchisee mutually agree that County's granting of this franchise shall not be construed as "arranging for" the collection and disposal of solid waste within the meaning of CERCLA. The parties further mutually agree that the granting of the franchise by County shall be construed as an action whereby the 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 concluding on the termination of this Agreement, 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) Franchisee has relied on its own investigations, and not on any representations of the County or its agents of the conditions and circumstances surrounding the Agreement and the work to be performed under it.

6) This Agreement grants certain specific exclusive rights to Franchisee. This agreement also allows Franchisee to engage in certain nonexclusive activities. Franchisee acknowledges and agrees that pursuant to the California Emergency Services Act (Government Code 8550 et seq.) the County may use County staff or otherwise contract for emergency services as needed to perform even services within the exclusive franchise rights.

7) Not withstanding the above, County may need additional services that are not of an emergency nature or included in this contract. In that event, Franchisee will have a right to provide the first proposal. If within ninety (90) days of County's request the County and Franchisee, for any reason, do not come to an agreement that is signed by both parties, County may use its own staff or contract with others to provide such services.

8) Franchisee agrees to assist the County in an emergency situation by complying with any emergency operational or funding requirements set by any State or Federal agency.

Section 3: Franchise Term.

The rights, privileges, obligations, and duties granted and mandated under this Agreement with Franchisee shall begin on the date this contract is signed by the County and terminate on January 31, 2015. Franchisee or County may request consideration of an extension for cause anytime during the term of this Agreement.

Section 4: Franchise Area.

The Franchise Area subject to this Agreement shall consist of the unincorporated county area 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.

Section 5: Franchise Fees.

1) In consideration of the granting of this franchise, and for the privilege of providing solid waste 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.

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 within thirty (30) days after the end of each calendar month, or prorated portion thereof, in which the Franchisee derives receipts for the services provided under the terms of this Agreement.

3) In the event that payment is not received by County within thirty (30) days after the date specified in this Section, 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.

4) 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.

5) 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, other levies or assessments presently in effect, or subsequently adopted.

6) 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.

7) In addition to any other reporting requirements of this Agreement, and pursuant to County Code Chapter 8.12, the County may review, test, and audit the books and records of the 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 the Franchisee shall make all the books and records available to the County or any Certified Public Accountant engaged by County. In the event that material errors or irregularities are identified, then the costs associated with the County or the Certified Public Accountant engaged by County shall be paid by the Franchisee to County. In the case of errors, materiality shall be deemed to be one percent (1%) or greater of gross revenues of the Franchisee.

8) The Board reserves the right to adjust the rate of the franchise fee as specified in this Section.

Section 6: Assignments, Subcontracts, and Changes of Ownership.

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. 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 control is presumed to include, without limitation, the sale or transfer of at least 25 percent of Franchisee's assets or at least twenty-five percent (25%) of Franchisee's voting stock. County will not unreasonably withhold consent to any assignment, sale, subcontract or transfer.

2) Neither party shall assign its rights nor delegate or otherwise transfer its obligations under this Agreement to any other person without the prior written consent of the other party. Any such assignment made without the consent of the other party shall be void and the attempted assignment shall constitute a material breach of this Agreement. The County may, however, 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.

3) For purposes of this section, "assignment" shall include, but is not limited to

   a. a sale, exchange or other transfer to a third party of at least twenty five percent of Franchisee's assets dedicated to service under this Agreement; and

   b. 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; and

c. any dissolution, reorganization, consolidation, merger, recapitalization, stock issuance or re-issuance, voting trust, pooling agreement, escrow arrangement, liquidation or other transaction which Franchisee or any of its shareholders is a party which results in a change of ownership or control of Franchisee; and

d. 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 probate proceeding; and

e. 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.

4) Franchisee warrants that they have the required expertise, skills, reputation, equipment, understanding, knowledge and capacity of every kind to perform this contract. 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:

a. 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 waste management practices; and

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

c. County will rely on each of these factors, among others, in choosing the Franchisee to perform the services provided under this Agreement.

5) This contract is not assignable without County's prior written consent. If Franchisee requests County's consideration of and consent to an assignment, County may deny or approve such request at its discretion. County will not unreasonably withhold its consent. Any assignment will not result in rate increases or a change in the quality of service. Accordingly, the following standards have been set to ensure that assignment will result in continued quality service. 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:

a. 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

b. Franchisee has furnished County with audited financial statements of the proposed assignee's operations for the immediately preceding three (3) operating years;

c. Franchisee has furnished County with satisfactory proof:

i. 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; and

ii. that in the last five (5) years, the proposed assignee or affiliates has not suffered any significant citations or other censure from any federal, state or local agency having jurisdictions over its waste 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; and

iii. that the proposed assignee has at all times conducted its operations in an environmentally safe and conscientious fashion; and

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

v. that the proposed assignee has at all times conducted its operations in full compliance with all federal, state and local laws regulating the collection and disposal of solid waste, including hazardous wastes; and

vi. 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.

6) 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.

Section 7: Assignment of Agreement: Requests for Rate Adjustments.

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 then the inflationary index and do not reflect value changes in service standards.

Section 8: Insurance.

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 related warranty period if applicable.

2) Scope and Limits of Required Insurance Policies

a. 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 two million dollars combined single limit per occurrence. Policy shall be endorsed with the following specific language or contain equivalent language in the policy:

i. 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.

ii. 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 the County. Further, the County's insurance shall be considered excess insurance only and shall not be called upon to contribute to this insurance.

iii. The policy shall not be cancelled or materially changed without first giving thirty days prior written notice to the County of San Luis Obispo, Director of the Department of Public Works.

b. 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 two million dollars 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:

i. 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.

ii. The policy shall not be cancelled or materially changed without first giving thirty days prior written notice to the County of San Luis Obispo, Director of the Department of Public Works

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

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

   ii. The policy shall not be cancelled or materially changed without first giving thirty days prior written notice to the County of San Luis Obispo, Director of the Department of Public Works.

d. Employer's Liability Insurance policy shall provide two million dollars per accident for bodily injury or disease.

3) 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.

4) Prior to commencement of work 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 properly executed certificates of insurance clearly evidencing the coverage, limits, and endorsements specified in this Agreement. Further, at the County's request, the Franchisee shall provide certified copies of the insurance policies within thirty days of request.

5) 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 work and change of insurance shall be considered Contractor's delay and expense.

Section 9: Performance Surety.

1) Franchisee shall provide to County within ten (10) days after execution of this Agreement, a cash or surety bond in an amount equal to two hundred percent (200%) of the yearly average of monthly gross revenue or $100,000, whichever is greater, 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 of the San Luis Obispo County Code. Said surety bond must be approved by County prior to performance of any work under 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.

2) 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 work required under this Agreement.

3) County shall annually review the adequacy of the amount of the surety bond and increase or decrease the bond in an amount equal to two hundred percent (200%) of the yearly average of monthly gross revenue or $100,000, whichever is greater. 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.

Section 10: Indemnification.

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.

2) Franchisee's obligations shall include, but are not limited to, the obligation to defend and indemnify County for all actions of the Franchisee associated with the Franchisee's role as the arranger of solid waste service, or as a "potentially responsible party" within the meaning of CERCLA in performing solid waste 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 services as a result of this Agreement as long as County has not exercised flow control in accordance with this Agreement.

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 Integrated Waste Board 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.

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 Integrated Waste Management Board 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 (Stats 1989, c.1095) or as amended in the future.

5) Franchisee's obligations to defend and indemnify County are subject to the limitations provided in Public Resources Code section 40059.1.

Section 11: Technical and Performance Standards.

1) In addition to the requirements set forth in San Luis Obispo County Code, sections 8.12 et. seq, and this contract, Franchisee shall comply with all reasonable technical performance standards and requirements imposed by the San Luis Obispo County Health Officer, Local Enforcement Agency, and other responsible enforcement agencies.

2) 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. Further, County and Franchise 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.

3) 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 California Integrated Waste Management Act of 1989 (and as amended from time to time), or such other programs as may be established by County or State.

4) 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.

5) During the transition of services to the County or another services provider, Franchisee will cooperate with County and any subsequent provider to assist in an orderly transition. In the event of such a transition, and upon written request of the County, County shall be provided and shall own customer lists, route lists and billing information. Franchisee will provide current customer lists, current route lists and current billing information to County within 10 days of receiving a written request. County acknowledges that customer lists and route lists are the proprietary information

of Franchisee, and County agrees to not request disclosure of such information by the Franchisee unless or until another service provider has been selected to replace the Franchisee.

6) In a transition of services, Franchisee is not obliged to sell collection vehicles or containers to the next service provider. Franchisee at its option may enter into negotiations with the next service provider to sell (in part or all) collection vehicles and/or containers.

7) Throughout the term of this Agreement, Franchisee shall maintain a complete record of all written and verbal complaints received pertaining to the performance of services subject to this Agreement, which shall be provided to County within 24 hours of request. Said record shall contain, at a minimum, the following information:

a. Names, addresses, and telephone numbers of complaining parties;

b. Customer names, service addresses, and telephone numbers, if different than above;

c. Descriptions of problems/complaints and related dates and times, if applicable;

d. Date complaint received; and

e. Dates and descriptions of Franchisee's responses and actions taken.

8) 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.

9) Franchisee shall fully participate with County in preparing, processing, mailing and tabulating customer satisfaction surveys to residential and commercial customers. 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 90 days of a request by County, but not more than once a year.

10) Franchisee shall present, within 60 days of a written request to do so by County, a proposal to provide additional or expanded services. The proposal shall contain a complete description of the following:

a. Collection methodology to be employed (equipment, manpower, etc.)

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

c. Labor requirements (number of employees by classification).

d. Type of containers to be utilized.

e. Provision for program publicity/education/marketing.

f. 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.

g. Materials processing facility to be utilized.

Section 12: Collector Permit Requirements.

The Franchisee shall maintain a current and valid Solid Waste Collection and Transportation Permit pursuant to County Code. In order for the Franchisee to collect recyclables or green waste, all other required permits must be obtained. If the Franchisee fails to continuously maintain any one of these current and valid permits pursuant to said County Code, such failure shall constitute a breach of this Agreement. In that event, this Agreement shall immediately be subject to termination or limitation of the Franchisee's right to perform services, at the County's discretion, upon written notice by County, without the necessity of suit or other proceeding pursuant to procedures set forth herein. The termination remedy provided herein shall not be available in the event that Franchisee has made a timely application for the requisite permit or permits and there is a delay in issuance, which is attributable to County.

Section 13: Disposal and Processing Requirements.

1) Franchisee shall dispose of all solid waste and recyclables collected under this Agreement efficiently, at Franchisee's own expense, and in accordance with all Federal, State and local laws, rules, and regulations. Franchisee assumes sole responsibility for securing a local facility within the County of San Luis Obispo for disposal of all solid waste and processing of all recyclables collected by Franchisee pursuant to this Agreement. Franchisee shall secure within 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.

2) If the Franchisee determines all local facilities within the County of San Luis Obispo are not appropriate sites, and an out-of-county site would be more appropriate and an efficient part of the operation, Franchisee shall obtain the written agreement of the County. The Board of Supervisors specifically delegates to the Director of the Department of Public Works the authority to enter into a written agreement to change the site to an out-of-county site. The County must be notified in writing 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. County reserves the right to review disposal capacity commitments. Notwithstanding the foregoing, the parties agree that the requirement for advance notice shall be waived 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 Public Works Director, an unsafe practice or that may give rise to potential liability to the County or the Franchisee under CERCLA or any other applicable pollution, environmental or other law.

3) If Franchisee receives notice from the landfill operator or recyclables processor or otherwise finds, during the term of the Agreement, to be prevented, through no action of Franchisee, from delivering solid waste or recyclables 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 recyclables at 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.

4) Franchisee shall deliver all solid waste to any landfill which collects the San Luis Obispo County Tipping Fee Surcharge and Waste Management Program Fund Fee, pursuant to Resolution No. 90-383. If the Franchisee delivers solid waste to a landfill which does not collect the County Tipping Fee Surcharge and Waste Management Program Fund Fee, the Franchisee will make, on a monthly basis, the equivalent payment directly to the County's Waste Management Tipping Fee - AB 939 Trust Fund #4304000000 and Waste Management Tipping Fee Trust - Site Fund #5912000000, as provided below:

a. 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 the 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 (10) percent 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.

b. As of July 1, 2006 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 the Franchisee shall be sent to the Director with an itemized statement regarding how the payment was calculated. Payments shall be adjusted to reflect any future changes in the amount of these fees. 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.

5) The County may, at any time require Franchisee to dispose of all or a portion of the solid waste or recyclables collected pursuant to this Agreement in such manner as may be reasonably designated by County. In the event that County designates a different manner of, or location for, processing or disposal of solid waste or recyclables than anticipated in 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 manner, or location for processing or disposing of the solid waste, as designated by the County.

6) 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.

7) 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 the Franchisee.

a. The procedures shall be submitted to the Director and the County Health Officer/Environmental Health Services within six months after the effective date of this Agreement. At a minimum, the procedures shall provide instruction to employees and agents of the Franchisee on actions to be followed in the event hazardous wastes or medical wastes are found in the possession of Franchisee.

b. The purpose of the procedures will be to ensure that any hazardous waste or medical waste collected by the Franchisee is handled and disposed of safely by the Franchisee in compliance with all Federal, State and local laws, rules and regulations.

8) To the extent required by Franchisee's hazardous and medical waste response procedures, Franchisee shall either provide proof of an agreement or other suitable arrangement with a certified hazardous and medical waste hauler, or procure and maintain in 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.

9) All solid waste 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 and medical waste to the customer who generated the waste, if the customer can be identified. Any hazardous waste or medical waste that Franchisee collects shall be the responsibility of the Franchisee, as between Franchisee and the 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.

Section 14: Customer Relations / Outreach.

1) Franchisee shall cooperate with County in waste diversion and public education activities in accordance with regional and/or local implementation of the California Integrated Waste Management Act of 1989, and such other programs as may be reasonably determined by County. Franchisee shall encourage its customers and the general public to divert solid waste and recyclables from disposal, to the extent practicable, by reducing the amount of solid waste generated and/or accumulated by recycling or by other appropriate waste diversion strategies.

2) Franchisee shall provide its customers written notice a minimum of 30 days prior to any rate change. The notice will include information about all rates and services available to the customer. The form and content of the notice shall be in a form 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 his or her needs. In the event that Franchisee implements a paperless billing system for customers who desire it, Franchisee must still provide written notice, by mail, of a rate change to those customers, as provided herein.

3) Every billing cycle Franchisee shall include recycling and green waste program information in or on customer bills, in a form and content mutually acceptable to the Franchisee and the Director.

4) All residential and commercial billing statements shall clearly list:

a. the customer's level of service,

b. the monthly rate,

c. a telephone number to call with questions, and

d. the telephone number of the County Public Works Department if the customer is unable to resolve his or her problem with the Franchisee.

5) Because abbreviations used on the billing statement need to be easily understood by the average customer, Franchisee shall submit a list of abbreviations for prior approval to the Director. 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 the Franchisee to those customers.

6) At the direction of County, Franchisee shall participate in and promote waste reduction and recycling activities and other solid waste management techniques at community events and local activities. Such participation, no more than twice per year, normally includes providing educational and publicity information that promotes the goals of the County's solid waste and recycling programs.

7) The Franchisee shall prepare and update, as necessary, a customer information flier with the following information in a form and content mutually acceptable to the Franchisee and the Director. Franchisee shall provide all necessary copies of the flier. The flier shall be distributed, at a minimum, to new subscribers and annually thereafter for all residential and commercial customers. Franchisee's employees and agents shall inform customers that said flier is available upon request. The following information shall be included in the flier:

a. a list of solid waste and recyclables eligible for collection

b. complaint procedures

c. rates

d. company contact information including billing address

e. County contact information

f. office hours

g. office location

h. office telephone numbers

i. free dumpster cleaning (commercial customers)

j. Holiday collection schedule and

k. Clean-Up Week information and schedule.

Copies shall be provided to each customer at the time of subscription, upon customer's request, and annually.

8) Notwithstanding other Sections of this Agreement, Franchisee shall provide new and existing customers with information regarding available services. All such information will be reviewed by County for legibility and clarity of thought prior to printing and distribution and the presentation shall be clear, easy to read, and concise. 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.

9) Office: Franchisee's principal place of business and location of books and records shall be within the Franchise Area, or such other convenient location approved by County, where customers may arrange for service, pay bills, and file complaints.

10) 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.

11) Franchisee shall, for at least seven hours between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday, except holidays, have responsible personnel on site, conversant in English and Spanish, with whom County and customers may communicate.

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

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

14) Franchisee's office shall be open to public during normal business hours. If the office is not in the community served, Franchisee shall make arrangements for a convenient customer drop box in the community for bill paying purposes.

15) 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.

Section 15: Reporting Requirements.

County may request that Franchisee provide such additional information in the reports as may be reasonably necessary or appropriate to meet its needs.

A. Waste Collection Reports

1) In addition to any other reporting requirements pursuant to any Federal, State or local laws, rules and regulations, other terms of this Franchise Agreement, or other provisions of Chapter 8.12 of the San Luis Obispo County Code, monthly the Franchisee shall report the following information to the Director:

a. quantities (or weights) of collections, by type (commercial, residential, or institutional)

b. material collected (trash, recycling or green waste)

c. residential customer count, by service level and

d. origin of waste -- according to the geographic areas identified by the Director, of solid waste, recyclables and green waste collected, transported and disposed.

2) At the request of the County, but not more then once every six months, Franchisee shall report the number of set outs by service type and geographic area to the Director.

3) Franchisee shall obtain or prepare documentation that indicates the point of origin for solid waste collected and delivered to a landfill and will provide such documentation to the Director on a quarterly basis.

4) Every six months Franchisee shall provide County a report of the number of Adopt-A-Road bags collected and the roadway where they were collected.

B. Financial Reports

1) No later than 180 days after the end of the Franchisee's fiscal year, the Franchisee shall submit to the Director annual financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited by a Certified Public Accountant.

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

3) The detailed revenue statement shall clearly show the annual gross revenues of Franchisee, its parent or any related party, attributable to the collection of solid waste 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 the County, pursuant to this Agreement, and said classification of revenues shall illustrate the amount of revenues collected by the 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 the Franchisee's annual financial statements pursuant to this Agreement.

4) 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 paragraph. Any opinion which reflects a breach of the terms and conditions of the Franchise Agreement by the Franchisee may result in a limitation or loss of the Franchisee's right to perform services in accordance with the procedures set forth in this Agreement.

5) Franchisee shall annually disclose to the Director the entire nature and extent of transactions with related parties, as such parties are recognized by Generally Accepted Accounting Principles. The related parties known at the execution of this Agreement shall be disclosed by Franchisee in accordance with County Code Chapter 8.12.

C. Operational Reports

1) Franchisee shall promptly (within 30 days) provide Director with copies of each adverse report and each regulatory action from local, state or federal regulatory agencies. In addition, Franchisee shall send copies to Director of any reports that Franchisee submits to regulatory agencies with respect to activities or terms of performance of this Agreement.

2) Franchisee shall record, and report to County, the kinds (appliances, mattresses, furniture, green waste, miscellaneous trash, etc) and weights (in tons) of solid waste diverted from the landfill during clean-up events through recycling, reuse, transformation, or other means of diversion. Franchisee shall provide the report to County no later than 10 days after the event.

3) Franchisee shall direct its drivers to note 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 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 County within seventy-two (72) hours of such observation.

Section 16: Collection Service Requirements.

A. Practice

1) Franchisee shall, at all times during the term of this Agreement, provide efficient, effective, prompt, courteous, and professional service to all residential and commercial customers to the reasonable satisfaction of County. Further,

a. Franchisee shall not litter premises while collecting solid waste or allow such waste materials to blow or fall from any collection vehicle.

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

c. Premises shall be left in a neat and clean condition and containers shall be handled in a manner to not damage them.

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

e. Franchisee shall conduct all operations in accordance with County Code Chapter 8.12 and in a manner which minimizes obstruction or disruption to the peace and quiet of the areas in which collections are made.

f. Franchisee shall comply with the collection schedule requirements in San Luis Obispo County Code, section 8.12.230.

g. Franchisee shall establish a routine collection schedule in accordance with County Code Chapter 8.12. Franchisee shall provide County with the collection schedule.

2) When a regular collection day occurs on a holiday, Franchisee shall either provide collection on the holiday or one 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 and with a reminder 30 days in advance of the Holiday. The holiday schedule shall be added to the information in outgoing messages on telephone lines and, if applicable, company internet web sites.

3) During the first week of September each year, Franchisee shall notify County of the collection schedule for holidays occurring in the succeeding 12 months.

4) 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 County Code Chapter 8.12.

5) In the event Franchisee does not collect any item or container of solid waste, Franchisee shall attach a 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.

6) In the event Franchisee fails, without good cause, to collect, remove, and dispose of solid waste on a customer's regularly scheduled collection day or 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, including disposal, labor, equipment, administrative, and legal costs.

7) 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 ninety-five percent (95%) of the households and commercial establishments in the unincorporated portion of the county that are eligible for collection services. Households and commercial establishments shall be considered eligible for service if they are located within an urban or village reserve area as defined by the County General Plan.

8) If provided for in the collection rate paid by the customer, all customers shall be provided with solid waste, recycling or green waste collection service, consistent with County approved collection programs, within 7 days of the customer's request.

B. Recycling Services

1) 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. Green waste and other recyclable materials collected under this Agreement shall, absent extenuating circumstances as determined by the 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 facility used shall, at all times, absent extenuating circumstances as determined by the 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 process. County shall at all times have the right to determine the suitability and cost-effectiveness of the diversion process

2) Subject to rates established by Board of Supervisors through the rate setting process, Franchisee shall provide recycling services to all solid waste customers as defined in the rate setting process and indicated on the rate setting schedule. The recycling collection is to include at least the following materials. Deletions from this list can only be made with the written approval of the Director.

a. glass bottles and containers

b. paper

c. cardboard

d. plastic (1-7) bottles and containers

e. newsprint

f. junk mail

g. magazines

h. gable top containers

i. chipboard

j. aluminum

k. steel and tin containers

l. motor oil and filters

3) Franchisee shall service all public recycling containers.

4) Residential recycling shall be provided on the same day as solid waste collection unless Franchisee obtains written approval of a different schedule from the Director.

5) Commercial customers with multiple collections during the week shall have recycling collection provided at least once during that week, on a solid waste collection day.

C. Green Waste Service

1) Franchisee shall provide green waste collection service to all solid waste customers included in the rate schedule established by the Board of Supervisors through the rate setting process. The green waste collection is to include at least the following materials:

a. brush (maximum 4 foot lengths), tree trimmings, branches (<6" dia.)

b. untreated dimension lumber (maximum 4 foot lengths),

c. scrap wood (not painted)

d. grass, dead plants, except yucca

e. weeds, leaves

f. Christmas trees

Changes to this list can only be made with the written approval of the Director.

2) Green waste collection shall only use containers that are reusable and capable of being emptied at the curb. Green waste shall not be collected in non-compostable bags.

3) Residential green waste collection must be provided on the same day as solid waste collection unless Franchisee obtains prior written approval from the Director. Commercial green waste collection must be provided once during the week, on a solid waste collection day.

D. Clean-Up Week Service:

1) At least once per year throughout the term of this Agreement, Franchisee shall provide, in addition to regularly scheduled service, a one week collection event pursuant to guidelines established by the Franchisee and approved by the Director, for all solid waste placed at the curb by residential customers, in addition to each customer's normal collection service.

2) This 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.

3) The dates for the clean-up event shall be proposed by Franchisee and approved by Director prior to September 1st of each year.

E. Miscellaneous Services

1) Franchisee shall steam clean and refurbish all commercial dumpsters twice per year upon request at no additional expense to customers using these units. Customers desiring more frequent cleaning may arrange with Franchisee for additional cleaning (including pick-up, cleaning, and replacement of dumpster), at rates approved by the County Board of Supervisors. Commercial customers shall be notified annually of the availability of the free cleaning service and the charges for additional service.

2) 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.

3) Unless waived in writing by County, Franchisee shall provide collection of roadway litter set out under the County's "Adopt-A-Road" program.

4) Franchisee shall provide, with one week's notice, collection of bulky wastes from County Road Yards. The collection of not more than 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 25 items per year through an appropriate rate setting adjustment as provided by County ordinance. Disposal costs for the waste shall be reported to Director along with copies of disposal site weigh tickets.

F. Equipment:

1) All equipment used by Franchisee to perform work under this Agreement shall conform to industry standards and shall be maintained in a clean, neat, attractive, and efficient condition and kept in good repair at all times. Said equipment shall be operated in a safe manner consistent with industry standards. All vehicles, conveyances, or containers used by Franchisee for hauling or storing solid waste or recyclables within the County shall be constructed to comply with all applicable Federal, State and local laws, rules, and regulations and shall be designed to prevent leakage, spillage, or overflow. The color and size of collection containers used by Franchisee under this contract shall be approved by County prior to purchase.

2) All equipment used by Franchisee to perform work under this Agreement shall be free of any advertising, slogans, signs, symbols, political statements, or any other writing or communication except public service information regarding the recycling programs. All written communication on equipment used under this contract shall have the prior written approval of the Director regarding form, content and any other part or character of the communication. If Franchisee finds any street gang graffiti, Franchisee shall remove it as soon as possible, not to exceed 48 hours.

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

4) All solid waste or recyclables 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 area or processing facility 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.

5) Debris that has escaped Franchisee's trucks or containers and that litters the public rights of way or private property shall be removed by Franchisee within 3 days of escaping.

6) Franchisee shall maintain a fleet of collection trucks sufficient in number and capacity to efficiently perform the work required in the Agreement in strict accordance with the terms of this Agreement. Franchisee shall annually provide County a detailed description concerning the number, age and type of vehicles necessary for performance. Franchisee shall have available on collection days sufficient back-up vehicles for each type of collection vehicle (e.g., rear loader, front loader, side-loader, roll-off, etc.) to be used to respond to complaints and emergencies.

7) Vehicles shall be inspected daily.

8) A distinct identification number and company code, approved by 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 8 inches in height. Each vehicle shall also permanently display Franchisee's common name in the region served and telephone number.

9) Franchisee shall obtain and display the annual sticker issued by the County Health Officer/Environmental Health Services.

10) All vehicles used in collection activities, shall be kept on property in proper zoning within a building or fenced yard. Franchisee shall not store any vehicle on any public street or other public property.

Section 17: Special Service Requirements.

1) In addition to any other requirements mandated by County Code or otherwise required by law, Franchisee shall also provide "in yard" solid waste collection service to those disabled customers requiring such service, at no additional cost to those customers.

Section 18: Rates.

1) Pursuant to County Code Chapter 8.12, the Franchisee may only charge rates approved by the Board for the services performed or rendered under this Agreement.

2) Franchisee agrees to submit an application for a rate analysis and adjustment ("rate review") to County every three years unless otherwise agreed between Franchisee and County or as otherwise provided in this Agreement. The request will be reviewed by County and submitted to the Board of Supervisors for action. The rate review request must include documentation demonstrating a significant increase in Franchisee's operating costs. County agrees to consider rate review applications in a timely manner, subject to the constraints of staff availability. All items of revenue and expense in a rate review are subject to the reasonableness test of County.

3) In setting rates, County shall allow Franchisee a reasonable rate of return. For purposes of determining a reasonable rate of return, County shall refer to the rate setting processes utilized by the California Public Utilities Commission and other comparable agencies for similar industries.

4) If Franchisee chooses to operate in any manner or use facilities that cause increased costs, County is not obligated to include those costs in setting a reasonable rate of return.

5) In the event Franchisee intends to request inclusion of the expenses of recycling and waste reduction information and public education activities through the rate review process, Franchisee shall be required to obtain the prior review and approval of the Director in advance of publication and education. The public education and waste reduction costs shall be stated as a separate line item within all rate review requests.

6) Franchisee's rates are also subject to adjustment under the following circumstances:

a. In the event that County adjusts the rate of the franchise fee payable to County pursuant to this Agreement, Franchisee shall be entitled to pass through any change in the amount of franchise fee, subject to County's right to conduct a rate review. In the event that such review results solely from the adjustment of the franchise fee, the expense of the review shall be borne by County. Any increase in the rate of the franchise fee shall not be effective until the Franchisee's rates have been reviewed and adjusted.

b. 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, which County reserves the right to do in its sole discretion, collection rates for residential and commercial customers shall be adjusted correspondingly. The Board of Supervisors will make a reasonable effort to adjust the Franchisee's collection rate at the same time as the facility rate. In the event there is a delay between the tipping fee increase and the corresponding rate adjustment being approved by the Board of Supervisors, the rate adjustment will be made retroactive to the date the tipping fee was increased, if Franchisee so requests.

c. Except in years when a rate review is required, the collection rates shall be adjusted by a factor of fifty percent (50%) of the Consumer Price Index ("CPI"). In rate review years, any CPI adjustment is incorporated into the rate review process. In years when a rate review is not required, County will endeavor to make the CPI adjustment on the anniversary of this Agreement or within a reasonable time period thereafter. In the event there is a delay in making the adjustment, the adjustment may be made retroactive on agreement of both parties.

d. In the event that Franchisee suffers a significant increase in operating costs caused by compliance with additions, updates or amendments to any laws or as a result of additional performance standards 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: (1) a significant increase in operating costs, (2) 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 (3) that the requested increase needs to be addressed on an expedited basis rather than during the rate review process.

e. In the event that Franchisee's costs decrease or increase as a result of County designating a different manner of, or location for, processing or disposal of solid waste or recyclables than anticipated in this Agreement, either Franchisee or County may request an adjustment in collection rates which adjustment shall be effective at the time the designated manner of disposal begins. County will not unreasonably deny any such adjustment. In the event Franchisee receives any additional compensation for the value, if any, of the solid waste or recyclables disposed in such a manner, such compensation shall be considered in connection with future rate reviews.

7) Franchisee shall provide its customers written notice a minimum of thirty (30) days prior to any rate change. 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 in accordance with the form attached hereto and incorporated by reference as Exhibit B. 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.

8) Franchisee shall comply with all laws prohibiting discrimination in providing services or otherwise performing this agreement. Franchisee shall include an anti-discrimination practices clause in any subcontract for the performance of this Agreement.

9) Changes to Franchisee's existing billing format and billing frequency shall be subject to approval of County. In addition to other changes, County shall specifically have the right to require the Franchisee to revise the billing format in order to itemize specific charges.

Section 19: Non-Discrimination in Employment.

1) During the performance of this Agreement, Franchisee shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Franchisee shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Franchisee shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 (a-f) et seq.) and the applicable regulations promulgated in California Code of Regulations, Title 2, Section 7285 et seq.. The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Franchisee shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

Section 20: Violations and Liquidated Damages.

1) The parties agree that in the event that Franchisee violates the provisions of Chapter 8.12 of the County Code, or any other applicable law, or the terms of this Agreement, the resulting damages will be impracticable or extremely difficult to determine. The parties acknowledge that consistent, reliable solid waste, recycling and greenwaste collection service is of utmost importance to County and that in awarding the Agreement County has considered and relied on Franchisee's representations as to its commitment to quality of service. 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 fails 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 Agreement, 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 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. .

2) Therefore, the parties agree that Franchisee shall pay liquidated damages in the amounts and for the violations specified in this Agreement. Prior to any determination by the Director that Franchisee is obligated to pay liquidated damages as provided herein, the Director shall provide written notice to Franchisee of the alleged violation and intent to assess damages. If the violation is capable of being corrected by Franchisee, the Director shall include in the notice, a demand that Franchisee correct the violation within 10 days following receipt of said notice. For purposes of this Agreement and any notice required thereunder, the term "days" shall mean calendar days.

3) After notice has been given to Franchisee by the Director, and after the expiration of the 10 days following receipt of said notice at the location specified in this Agreement for those instances where the violation is capable of being corrected, and Franchisee has failed to correct the violation, the Director shall conduct a hearing. At least fifteen (15) days prior to the date scheduled for the hearing, the Director shall notify Franchisee of the time and place for the hearing.

4) At the hearing the Director shall hear any persons interested or concerned with the alleged violation and shall determine whether the alleged violation occurred and, if so, whether the violation was without just cause or excuse.

5) If the Director determines the violation was without just cause or excuse, then the Director shall direct Franchisee to comply with this Agreement and applicable rules and regulations at such time, and in such manner, and upon such terms and conditions as the Director deems reasonable and necessary.

6) Further, if the Director determines the violation was without just cause or excuse, then the Director may do either or both of the following:

a. impose the liquidated damages hereafter described as being applicable; or

b. set a deadline for Franchisee to correct any still outstanding violations, subject to such conditions as the Director finds necessary and appropriate.

7) Franchisee may appeal the decision of the Director imposing liquidated damages to the Board by filing with the Clerk of the County Board of Supervisors, within ten (10) days of the decision imposing the liquidated damages, a written appeal setting forth the particular errors alleged to have been made by the Director. The Board shall, within 45

days of the filing of the appeal, commence the hearing of the appeal. On appeal, the standard of review shall be whether there is substantial evidence on the record of the proceedings before the Director which supports the decision of the Director. The Board shall affirm or deny the appeal and may modify any action by the Director.

8) Liquidated damages commence on the date the violation first existed and continue to accrue until corrected regardless of the due process or hearing procedures.

Section 21: Liquidated Damages.

1) Subject to the procedures set forth above, the parties 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 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.

2) Subject to County's right to waive imposition of damages for good cause, the liquidated damages established above shall be imposed for any of the following:

a. For failure by Franchisee to provide 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;

b. For failure by Franchisee to obtain the prior consent of the Board for any assignment, sub contract or transfer as required by County Code Chapter 8.12, the Franchisee's collection permit or this Agreement;

c. 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;

d. 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;

e. For failure by Franchisee to properly comply with written Response Procedures for hazardous waste or medical waste;

f. 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 Collection Area and/or maintain a log of customer complaints, as required by County Code Chapter 8.12 and pursuant to this Agreement;

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

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

i. For each failure over five (5) annually to collect garbage, recyclables or greenwaste, which as been properly set out for collection, from any established customer on the scheduled collection day: $150.00

j. For each failure to collect garbage, recyclables or greenwaste, which have been properly set out for collection, from the same customer on two (2) consecutive scheduled pickup days: $150.00

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

l. For each occurrence over two (2) of discourteous behavior: $250.00

m. For each failure to clean up, following a spill caused by Franchisee, all garbage, recyclables or greenwaste, $150.00

n. For each occurrence over two (2) annually of collecting garbage, recyclables or greenwaste, during unauthorized hours: $250.00

o. For each failure to respond to a customer complaint by the next business day: $100.00

3) 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:

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

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

4) County may determine the occurrence of events giving rise to liquidated damages through the observations of County employees or representative or investigation of customer complaints.

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

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

7) Franchisee agrees to pay all amounts assessed unless County determines good cause exists for a waiver.

8) 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.

Section 22: Breach and Termination.

1) Termination for Cause. 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, and Franchisee has failed to remedy to the satisfaction of the County said breach after at least ten (10) days after written notice setting forth the nature of the breach, County, in its sole option, may terminate this Agreement for cause upon further written notice. 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.

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 Section shall not be exclusive, but shall be cumulative and in addition to any other remedies provided herein or pursuant to law.

3) 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), and other similar catastrophic events which are beyond the control of and not the fault of the party claiming excuse from performance hereunder. 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.

4) 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

5) The interruption or discontinuance of Franchisee's services caused by one 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 herein 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 the County determines the excuse from service is no longer valid, the County shall notify the Franchisee in writing to resume service within two (2) days from the receipt of such notification. If the Franchisee fails to resume service within the two (2) days, the County shall have the right to terminate or suspend 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 shall apply.

Section 23: County Right to Perform Services.

1) In the event that Franchisee, for any reason whatsoever, fails, refuses or is unable to collect, transport or process any or all solid waste materials which it is required by this Agreement to collect and process, 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 should accumulate in the county to such an extent, in such a manner, or for such a time that the Director or Health Officer 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) hour prior written notice to Franchisee during the period of such emergency as determined by the Director, (1) to perform, or cause to be performed, such services itself with its own or other personnel without liability to Franchisee, and/or (2) to take 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, to collect, transport or process any solid waste generated within the County which Franchisee would otherwise be obligated to collect, transport, process or market pursuant to this Agreement. In the event the County takes possession of the Franchisee's equipment and other property, the County shall be entitled to have another Franchisee or Franchisees operate such equipment and property under County direction. Additionally, in the event the County takes possession of the Franchisee's equipment and other property, the County does not guarantee repair of existing problems with equipment and facilities.

2) Notice of Franchisee's failure, refusal or neglect to collect, transport or process solid waste may be given orally by telephone to Franchisee at its principal local 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.

3) Franchisee further agrees that in such event:

   a. It will take direction from County to effect the transfer of possession of property to County for County's use.

   b. It will, if County so requests, keep in good repair and condition all of such property, 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.

4) County may immediately engage all or any personnel necessary or useful for the collection, transportation and processing solid waste, 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 collection, transportation and processing operations and for the billing and collection of fees for these services.

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

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.

7) Except as otherwise expressly provided in the previous paragraph, County's exercise of its rights under this Section (1) does not constitute a taking of private property for which compensation must be paid; (2) will not create any liability on the part of County to Franchisee; and (3) does not exempt Franchisee from the indemnity provisions of this Agreement which are meant to extend to circumstances arising under this Section, provided that Franchisee is not required to indemnify County against claims and damages arising from the sole negligence of County officers, employees and agents in the operation of collection vehicles during the time County has taken possession of such vehicles.

8) If the County suffers an interruption or discontinuance of service as described in this Agreement, County may take possession of and use all of Franchisee's property described above until other suitable arrangements can be made for the provision of solid waste services which may include the grant of a contract to another company. The same notice requirements above in this Section are applicable.

9) During such time that County is providing solid waste 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 service 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 the Franchisee, after deducting all expenses, including County-incurred expenses.

10) 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 solid waste services as provided in this Agreement, whereupon Franchisee shall be bound to resume the same.

11) County's right pursuant to this Section 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.

Section 24: Status of the Parties' Officers/Employees/Agents.

Neither party's officers, employees, agents, partners shall be deemed to be employees of the other party at any time. Nothing in this contract shall be construed as creating a civil service employer-employee relationship or a joint venture relationship. No officer, employee, agent, partner, of the other party shall be eligible for membership in or any benefits from any County group plan for hospital, surgical, or medical insurance, or for membership in any County retirement program, paid vacation, paid sick leave, other leave, with or without pay, collective bargaining rights, grievance procedures, appeals to the Civil Service Commission or any other benefits which inures to or accrues to a County civil service employee. The only performance and rights due the other party are those specifically stated in this contract.

Section 25: Public Records Act.

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 (Government Code section 6250 et. seq.) unless an exemption from disclosure is applicable. Public Resources Code section 40062 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 Civil Code. Franchisee agrees to identify all "trade secret" information on documents provided to the County.

2) 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 County believes to be responsive to the request. Within forty-eight 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.

3) 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.

4) 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.

5) 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 the County.

Section 26: Bankruptcy.

1) If at any time during the term of this Agreement 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, 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.

Section 27: Notices.

1) All notices required by this Agreement to be served on County shall be personally delivered to Director, or mailed return receipt requested to Director of the Department of Public Works, County Government Center, Room 207, San Luis Obispo CA 93408.

2) All notices required by this Agreement to be served on Franchisee shall be personally delivered to Dale Gomer Paso Robles Country Disposal, Inc., 2951Wallace Drive, P. O. Box 753, Paso Robles, CA 93447-0753 or mailed return receipt requested.

Section 28: Applicability of Adopting Additional Rules, Regulations, Laws, and Ordinances.

1) The Board specifically reserves the right to 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; provided, however, that such additional rules, regulations, laws, resolutions and/or ordinances do not directly conflict with the material privileges granted in this Agreement or the obligations of Franchisee set forth herein.

Section 29: Applicable Law and Venue.

1) This Agreement shall be governed in all respects by the laws of the County, the State of California, and the Federal Government of the United States and Franchisee and County expressly stipulate that this Agreement is entered into and to be performed in San Luis Obispo County and, therefore, venue shall be in said County.

Section 30: Waiver and Estoppel.

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 this Agreement are subsequently breached or violated by Franchisee.

Section 31: Entire Agreement: Procedure for Amendment Modification, Extension, or Renewal.

1) This Agreement, together with any attachments, sets forth the entire Agreement between County and Franchisee. 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. Any change, amendment, modification, extension, or renewal shall be in writing, and shall be executed by duly authorized representatives of both County and Franchisee.

Section 32: Resolution of Conflicts Between County Code and the Franchise Agreement.

1) 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.

Section 33: Headings.

1) The headings set forth in this Agreement are for ease of reference only, and shall not be construed to modify, limit, or restrict the provisions contained in one, or all, of the Sections of this Agreement.

Section 34: Severability.

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.

Section 35: Requirements for Franchise Extension.

1) To be eligible for the one-time two (2) year extension following the original term, 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.

a. At the time of requesting and exercising the Agreement extension option, Franchisee is not in breach of this contract or in violation of the County Code and applicable state and federal laws.

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

c. Franchisee has consistently delivered to an approved and, where applicable, permitted recycling facility, 100% of the uncontaminated recyclables set out for collection.

d. Franchisee has consistently delivered to an approved and, where applicable, permitted green waste processing or composting facility, 100% of the uncontaminated green waste set out for collection.

e. Thirty, sixty and ninety gallon cart solid waste, green waste and recycling services and rate levels are available for all residential customers requesting service.

f. Franchisee has had no more than two violations of this Agreement which resulted in liquidated damages or other penalties.

g. Residential recycling and green waste collection programs are established and are ongoing throughout the franchise urbanized area with collection every week, on the same day as solid waste collection.

h. Residential recycling programs are established and are ongoing throughout the rural franchise area with collection a minimum of every other week on the same day as solid waste collection.

i. All commercial customers have recycling and green waste collections at least once during the week, on a solid waste collection day.

j. Franchisee has actively sought to achieve the goal of including 95% of eligible households and establishments within the Franchise Area in the solid waste collection program.

k. Green waste and recyclables have not been collected in non-compostable bags or containers.

l. Throughout the term of this Franchise, and in conformance with County Code Chapter 8.12, not more than two substantiated early-morning operating complaints have been received.

m. Throughout the term of this Agreement, within any 12 month period, not more than two substantiated non-early-morning operating complaints have been received.

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

o. Franchisee has operated in the most efficient manner, as determined by County, with respect to equipment, routes, and the disposal and recycling facilities used.

p. 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.

q. Franchisee has conducted one customer satisfaction survey

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

s. Franchisee has suffered no suspensions during the term of this Agreement .

2) County reserves the right to waive Franchisee's compliance with any franchise extension requirements.

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

Franchisee
Paso Robles Country Disposal, Inc.,
a California Corporation

Approved as to form and legal effect.

P. Terence Schubert, Attorney for Franchisee Date: August 7, 2007

By _____ Date: 8-2-07
Dale Gomer, President

By: Katherine Gomer Secretary Date: 8-1-07
(Name and title of a Franchisee corporate officer)

County of San Luis Obispo
A political entity in the State of California

JAMES B. LINDHOLM, Jr., County Counsel

Approved as to form and legal effect.

By: Kathleen Bouchard Date: August 8, 2007
Kathleen Bouchard, Deputy County Counsel

By: _____ Date: _____
Jerry Lenthal, Chairman

ATTEST:

By _____
Clerk of the Board of Supervisors

[SEAL]

Paso Robles Country Disposal

formerly known as

PASO ROBLES WASTE DISPOSAL, INC.

Territorial Boundaries

July 30, 1990

The southern boundary of Paso Robles Waste Disposal, Inc. (PRWDI) territory begins at the Highway 101 overpass of Templeton Main Street. PRWDI will service the north side of the Main Street extension up to the Peterson Ranch boundary and Wil-Mar Disposal Company (WMDC) will service the south side of the Main Street extension. Going north from the Main Street extension on Theatre Drive to Highway 46 West, PRWDI will service Theatre Drive and all extensions to include Cemetery Road, Tract 1679, the extension of Golden Meadow Drive and Tract 1495, the extension of Rancho Paso Mobile Home Park. PRWDI will stop its service to all of the above-mentioned tracts and extensions at the Peterson Ranch boundary. On the east side of Highway 101 PRWDI will continue to service Ramada Drive and all extensions stopping service at the Templeton Main Street overpass.

PRWDI will service both sides of Highway 46 West stopping at Bethel Road. Service will include the Claasen Ranch Lane subdivision and the next two adjoining parcels going west on Highway 46 to Bethel Road. From Bethel Road and Highway 46, WMDC will service the south side of Highway 46 to include all of Bethel Road and PRWDI will service all of the north side of Highway 46 to Santa Rosa Creek Road.

The southwestern boundary of PRWDI is located at Highway 46 West and Santa Rosa Creek Road. PRWDI will service both sides of Santa Rosa Creek Road, Cypress Mountain Road and Cypress Mountain Drive to stop at Chimney Rock Road. The northwestern boundary of PRWDI is located at Cypress Mountain Drive and Chimney Rock Road. From the Cypress Mountain Drive and Chimney Rock Road intersection, San Miguel Garbage Company (SMGC) will service both sides of Chimney Rock Road to Nacimiento Lake Drive. PRWDI will service both sides of Nacimiento Lake Drive up to San Marcos Road, G.14. SMGC will service both sides of San Marcos Road and both sides of Wellsona Switch to Highway 101. Wellsona Road will be serviced by SMGC on both sides of the road. PRWDI will service all areas south of Wellsona Road with the exception of both sides of Monterey Road for a distance of one mile south of Wellsona Road. SMGC will service both sides of Airport Road from Wellsona Road to Tower Road, PRWDI will service both sides of Airport Road from Tower Road to Highway 46 East. SMGC will service the north side of Tower Road and PRWDI will service the south side of Tower Road from Airport Road to Jardine Road. SMGC will service the east side of Jardine Road and PRWDI will service the west side of Jardine Road from Tower Road to Highway 46 East. PRWDI will service both sides of Highway 46 East west of Jardine Road. From Highway 46 East and Jardine Road, SMGC will service the north side of Highway 46 East and PRWDI will service the south side of Highway 46 East stopping at Union Road.

The northeastern boundary of PRWDI is located at Highway 46 East and Union Road. PRWDI will service both sides of Union Road and continue in a southerly direction until Union Road intersects Geneseo Road. PRWDI will service both sides of Geneseo Road from Union Road to Creston Road to include all easterly extensions from Geneseo Road for a distance of one mile. The intersection of Creston Road and Geneseo Road forms a boundary between PRWDI

Paso Robles Country Disposal
formerly known as
PASO ROBLES WASTE DISPOSAL, INC.
Territorial Boundaries
Page Two

and Wil-Mar Disposal Company (WMDC). PRWDI will service both sides of Creston Road going west from the intersection with Geneseo Road to Cripple Creek Road. From the intersection of Creston Road and Cripple Creek PRWDI will service both sides of Cripple Creek Road until it intersects with El Pomar Drive.

The southeastern boundary of PRWDI is located at Cripple Creek Road and El Pomar Road. WMDC will service both sides of El Pomar Drive west of Cripple Creek Road. PRWDI will service Hollyhock Lane and the short segment of South El Pomar Road from Creston Road to El Pomar Drive. From the intersection of El Pomar Drive and Vaquero Road the PRWDI southern boundary follows an imaginary straight line which ends at the Highway 101 overpass of Templeton Main Street.

Note: Wil-Mar Disposal Company is now Mid-State Solid Waste and Recycling, Inc.

Rate Notice to be printed on letterhead or some other identifying paper.

Dear Valued Customer:

After extensive review of our operating costs, the San Luis Obispo County Board of Supervisors has approved a collection rate increase effective _____. The overall increase for the company is_____%, however the increases for individual service and service levels vary. The specific rates are listed below. The rate increase is effective _____.

OR

The San Luis Obispo County Board of Supervisors has approved a Cost of Living Adjustment (COLA) for our company. The overall increase in rates is __% However, the increases for individual services and service levels vary. The COLA increase for our company is ½ the increase as published for the Consumer Price Index, all Urban, for Los Angeles, Riverside and Orange County. The new service rates are listed below. The rate increase is effective _____.

For all increases, these paragraphs will follow.

If you have questions or wish to change your service, please call our office between __ am and __ pm Monday through Friday, at ____-_____. Messages left after hours will be returned the next business day. Our walk in office is located at _____, _____.

Remember you can save money by recycling.

The following items are recyclable in your blue cart: paper (magazines, catalogs, junk mail, newspaper, cereal boxes), cardboard, aluminum cans, bimetal cans (tuna, cat food, vegetables, etc.), glass bottles, plastics (labeled with a recycling arrow and numbers 1-7), milk jugs, water and soda bottles. Please NO plastic bags, NO paper towels or napkins, NO light bulbs or mirrors, NO drinking glasses or ceramic mugs.

The Yellow Pages of your ATT telephone book has a Recycling Guide (under 'R') that will tell you everything you want to know about local recycling programs and how to reduce the amount of materials you throw away. The website www.iwma.com is also a very up-to-date resource for local recycling program information, including information about household hazardous wastes such as batteries, fluorescent lights, pesticides, etc. The local household hazardous waste drop-off sites are also listed there.

Include the rate listings next

SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT MONTHLY RATE	RECYCLING PROGRAM & CPI RATE ADJUSTMENT	PROPOSED MONTHLY RATE EFFECTIVE 1/1/2008
URBAN RESIDENTIAL: see note (1)				
1 Can (32 Gallon) - *Discontinued*	1	$22.05	-	-
2 Cans (32 Gallon) - *Discontinued*	1	$27.50	-	-
40 Gallon Carts- *Discontinued*	1	$26.05	-	-
32 Gallon Automated Cart (formerly 32 gal can service)	1	$22.05	25.82%	$27.75
64 Gallon Automated Cart (formerly 60 Gallon)	1	$31.50	28.73%	$40.55
96 Gallon Automated Cart (formerly 90 Gallon)	1	$36.40	46.55%	$53.35
4 Cans - pick up twice per month - *Discontinued*	2x / month	$27.50	-	-
For all urban residential customers, rates as of January 1, 2008 include weekly collection of trash and 96 gallon commingled				

SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT MONTHLY RATE	RECYCLING PROGRAM & CPI RATE ADJUSTMENT *	PROPOSED MONTHLY RATE EFFECTIVE 1/1/2008
RURAL RESIDENTIAL: see note (1)				
1 Can (32 Gallon) - ***Discontinued***	1	$31.25	-	-
2 Cans (32 Gallon) - ***Discontinued***	1	$36.55	-	-
40 Gallon Carts- ***Discontinued***	1	$34.70	-	-
32 Gallon Automated Cart (formerly 32 gal can service)	1	$31.25	-7.97%	$28.75
64 Gallon Carts (formerly 60 Gallon)	1	$42.90	-2.53%	$41.80
96 Gallon Carts (formerly 90 Gallon)	1	$45.50	20.59%	$54.85
4 Cans - pick up twice per month - ***Discontinued***	2x / month	$36.55	-	-
10 Cans - pick up once per month - ***Discontinued***	1x / month	$38.20	-	-
Off Road Service Charge Per Trip - see note (4)				
100 feet to 1/4 mile from main service road	Per Trip	$6.30	1.62%	$6.40
1/4 mile to 1 mile from the main service road	Per Trip	$9.35	1.62%	$9.50
More than 1 mile from the main service road	Per Trip	$10.40	1.62%	$10.55
For all rural residential customers, rates as of January 1, 2008 include weekly collection of trash and 96 gallon commingled recycling service.				

If you would like a copy of the entire rate schedule, including commercial customer rates, call the office (____-_____) and we will be glad to mail it to you.

Sincerely,

_____
President