AMENDMENT NO. 4 TO SOLID WASTE COLLECTION FRANCHISE AGREEMENT

This Amendment No. 4 to Solid Waste Collection Franchise Agreement ("Amendment") is entered into by and between the County of San Luis Obispo, a political subdivision of the State of California ("County"), and San Luis Garbage Company, a California corporation ("Franchisee") (collectively, "Parties").

WHEREAS, on or about December 9, 2008, the County entered into an Amended and Restated Solid Waste Collection Franchise Agreement with Franchisee to provide solid waste collection, transportation and disposal and recyclable materials collection, transportation and processing services in certain unincorporated areas of San Luis Obispo County ("Franchise Area") for a term of fifteen (15) years with a limited option to extend ("Franchise Agreement"); and

WHEREAS, on September 28, 2014, the Governor of California approved Assembly Bill 1826, codified at Public Resources Code Section 42649.8 *et seq.* ("AB 1826") which requires each jurisdiction, on and after January 1, 2016, to implement an organic waste recycling program to divert organic waste from certain businesses; and

WHEREAS, in order to implement AB 1826's requirements, Franchisee has proposed to enter into a long term agreement with Hitachi Zosen Inova U.S.A. LLC (HZI), a Delaware Limited Liability Company to finance, design, construct, own and operate a Kompogas facility located at Franchisee's property commonly known as 4388 Old Santa Fe Road, San Luis Obispo ("Facility"), to compost organic waste generated within the County; and

WHEREAS, in order to finance the Facility, HZI requires a twenty (20) year commitment from Franchisee (calculated from the operation date of the Facility) that Franchisee can divert all organic waste collected within the Franchise Area to the Facility; and

WHEREAS, in order for the Franchisee to provide the twenty (20) year commitment to divert all organic waste collected within the Franchise Area to the Facility, Franchisee requires an extension of the Franchise Agreement with the County; and

WHEREAS, the Board of Supervisors finds that extension of the Franchise Agreement is the most effective and efficient way to collect and divert organic waste within the County; and

WHEREAS, the Board of Supervisors further finds that the construction of an organic waste processing facility is in the best interests of the County, will help promote the health, safety and welfare of the community and the environment and otherwise furthers the goals and objectives of AB 1826; and

WHEREAS, the Parties now wish to amend the Franchise Agreement to extend the Term of the Franchise Agreement conditioned upon Franchisee's meeting the criteria set forth herein.

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

1. **Amendment to Article 1 (Definitions)**. Article 1 of the Franchise Agreement is hereby amended to replace or add, as applicable, the following definitions:

1.16 "Facility" means any plant or site utilized by Franchisee (or a subcontractor of Franchisee) for the purposes of performing the duties to fulfill this Agreement, including, without limitation, processing the Organic Waste collected within the Franchise Area. Without limiting the foregoing, for purposes of Section 3.9 of this Agreement, "Facility" means a Kompogas (or other similar technology) facility capable of processing the Organic Waste collected within the Franchise Area.

1.40 "Facility Operation Date" means the date on which, following its start-up, testing and commissioning, the Facility described in Section 3.9 of this Agreement processes commercial quantities of Organic Waste or January 1, 2020, whichever comes first.

1.41 "Organic Waste" means "organic waste" as defined in Public Resources Code Section 42649.8(c).

2. **New Section 3.9**. Article 3 (Term of Agreement) of the Franchise Agreement is hereby amended to add the following new Section 3.9:

3.9 **Additional Technology Extension**.

A. Subject to the conditions set forth in Section 3.9.B below, the Term of this Agreement as set forth in Section 3.2 above, shall be extended such that the Term of this Agreement shall expire at midnight on the twentieth (20th) annual anniversary of the Facility Operation Date.

B. Franchisee and County acknowledge that the foregoing twenty (20)-year Term extension is expressly contingent upon:

(i) By no later than January 1, 2018, Franchisee executing a definitive long-term agreement with HZI (or other company approved by the County of San Luis Obispo) for the development, construction and operation of a Kompogas (or other similar technology) Facility capable of processing the Organic Waste collected within the Franchise Area; and

(ii) By no later than January 1, 2020, completion of a Kompogas (or other similar technology) Facility capable of processing the Organic Waste collected within the Franchise Area; provided, however, that in the event such Facility has not been completed by January 1, 2020, due to reasons beyond the reasonable control of, and not due to the fault or negligence of Franchisee, such completion date shall be extended by the number of days reasonably required to complete the Facility, but only to the extent that Franchisee uses (and continues to use) due diligence to pursue completion of the Facility. Notwithstanding the foregoing, nothing in this section shall be construed to extend the Facility Operation Date beyond January 1, 2020.

C. In the event Franchisee does not enter into such definitive agreement and/or the Facility is not constructed and operational within the time frames set forth in Section 3.9.B, Franchisee and the County agree that the Term of this Agreement shall be until June 30, 2023, subject to further extension as provided in Section 3.4 (Option to Extend) in a manner consistent with the County Code.

3. **Counterparts**. This Amendment may be executed in one or more facsimile or original counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

4. **Ratification**. All terms and provisions of the Franchise Agreement not amended hereby, either expressly or by necessary implication, shall remain in full force and effect. From and after the date of this Amendment, all references to the terms "Franchise Agreement" and "Agreement" in the original Franchise Agreement and amendments thereto shall include the terms contained in this Amendment.

5. **Conflicting Provisions**. In the event of any conflict between the original terms of the Franchise Agreement or any prior amendment to this Franchise Agreement and this Amendment, the terms of this Amendment shall prevail.

6. **Authorization**. Each Party executing this Amendment represents and warrants that it is duly authorized to cause this Amendment to be executed and delivered.

[***Remainder of Page Intentionally Left Blank;***
Signature Page Follows.]

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

FRANCHISEE
San Luis Garbage Company

By: _____ Date: _____
Mike Dean
Division Vice President

SAN LUIS OBISPO COUNTY

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

ATTEST:

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

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

By: _____ Date: August 10, 2016
Deputy County Counsel

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