AMENDED AND RESTATED AGREEMENT
BETWEEN
NOVATO SANITARY DISTRICT
AND
NOVATO DISPOSAL SERVICE, INC.
FOR
SOLID WASTE COLLECTION,
PROCESSING, DIVERSION
AND DISPOSAL

_____, 2011

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AGREEMENT

This Amended and Restated Franchise Agreement ("Agreement") is entered into this _____day of ____, 2011, between the Novato Sanitary District ("District") and Novato Disposal Service, Inc. ("Company"), for the collection, transportation, recycling, reduction, composting, and disposal of solid waste and other services related to meeting the goals and requirements of the California Integrated Waste Management Act ("CIWMA").

Recitals

WHEREAS, Company currently provides solid waste collection, recycling and disposal services within the jurisdictional boundary of District, including the City of Novato ("City") and surrounding areas, and has provided said services for a number of years in a manner which has been consistent with quality service being provided at competitive rates; and

WHEREAS, Company provides said solid waste collection, recycling and disposal services pursuant to an existing Franchise Agreement dated January 1, 2001 and such term of the existing agreement provide for termination on December 31, 2015; and

WHEREAS, the Legislature of the State of California, by enactment of the CIWMA, has declared that it is within the public interest to authorize and require local agencies to make adequate provisions for solid waste handling, source reduction and recycling within their jurisdictions; and

WHEREAS, said CIWMA sets goals for the diversion of solid wastes from landfills, and imposes the responsibility on cities and counties within the State to reduce the amount of solid waste disposed of by 50 percent by the year 2000, and beyond; and

WHEREAS, District and City entered into an arrangement under which City will make policy decisions on solid waste programs necessary to meet the goals of the CIWMA and District will, through Company as its franchisee, implement those programs under its jurisdiction; and

WHEREAS, pursuant to California Health and Safety Code Sections 6512, 6515, 6518.5, and 6522, the Board of Directors of District has determined that the public health, safety, and well-being may best be obtained by updating the existing exclusive franchise for the collection, transportation, recycling, and disposal of solid waste and other services related to meeting said CIWMA diversion goals and other requirements of the CIWMA; and

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WHEREAS, the Board of Directors of District declares its intention of maintaining reasonable rates for the collection, transportation, recycling, reducing, composting, and disposal of solid waste and other services related to meeting and maintaining the District's Zero Waste goal of 80 percent landfill diversion by December 31,2025 and beyond; and,

WHEREAS, the Board of Directors of District finds that the service which has been provided by Company has been consistently satisfactory in meeting the direction of District and the cost for such services has been provided at competitive rates as compared to surrounding communities; and

WHEREAS, District has determined that in order to continue to provide satisfactory service levels at competitive prices, modifications to the current manner of providing service are required, which include automated service, increased recycling services, and the operation of a permanent household hazardous waste facility; and

WHEREAS, District's current franchise agreement, requires revisions in order to reflect the changes necessary to implement an automated collection program for solid waste and organic waste, to enable enhanced recyclable collection, and to establish a permanent household hazardous waste facility; and

WHEREAS, District continues to conclude that the best interest of the constituents of the District is served by providing an exclusive franchise for the group of interrelated solid waste recycling and household hazardous waste services through a single provider, and further that the provision of these services can be best obtained through an integrated program controlled pursuant to a franchise agreement providing for collection, processing, disposal, marketing, and other related activities; and

WHEREAS, the parties hereto desire to enter into an updated franchise agreement with an adequate term to amortize the costs associated with these service changes; and

NOW, THEREFORE, the parties agree as follows:

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ARTICLE 1

DEFINITIONS

1.1 AB 32
The California Global Warming Solutions Act (Assembly Bill 32)

1.2 AB 939 or CIWMA
The California Integrated Waste Management Act (Assembly Bill 939, California Public Resources Code Sections 40000 et al.), as amended from time to time.

1.3 Agreement
The written document and all amendments thereto, between the District and the Company, governing the provision of Collection Services as provided herein.

1.4 Agreement Year
Each twelve (12) month period from January 1st to December 31st and the last Agreement Year will end on December 31st, 2025 unless otherwise extended by the District according to Article 2.3 of this Agreement.

1.5 Alternative Daily Cover (ADC)
Disposal Facility cover material, other than Organic Waste and at least six (6) inches of earthen material, placed on the surface of the active face of the refuse fill area at the end of each operating day to control vectors, fires, odor, blowing litter and scavenging, as defined in Section 20164 of the California Code of Regulations.

1.6 Biohazardous or Biomedical Waste
Any waste which may cause disease or reasonably be suspected of harboring pathogenic organisms; included are waste resulting from the operation of medical clinics, hospitals, and other facilities processing wastes which may consist of, but are not limited to, human and animal parts, contaminated bandages, pathological specimens, hypodermic needles, sharps, contaminated clothing and surgical gloves.

1.7 Brown Goods
Electronic equipment such as stereos, televisions, VCR's, Personal Data Assistants (PDAs), telephones, and other similar items not containing cathode ray tubes (CRTs).

1.8 Bulky Waste
Those materials including furniture, carpets, mattresses, White Goods, Brown Goods, E-Waste, clothing, tires without rims, Green Waste, and Large

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Green Waste which are attributed to the normal activities of a SFD Service Unit, or MFD Service. Large Items must be generated by and at the Service Unit wherein the Large Items are collected. Large Items do not include items herein defined as Exempt Waste.

1.9 Business Service Unit
All retail, professional, office, wholesale and industrial facilities, and other commercial enterprises offering goods or services to the public.

1.10 City
The City of Novato, California.

1.11 Collection
The process whereby Garbage, Recyclable Materials and Organic Waste are removed and transported to the Disposal Facility, an Organic Waste Processing Facility, or a Materials Recovery Facility, as appropriate.

1.12 Collection Services
Single-Family Collection Service (SFD), Multi-family Collection Service (MFD), Public Agency Collection Service and Commercial Collection Service.

1.13 Commercial Collection Service
Commercial Garbage Collection Service, Commercial Recycling Collection Service, and Commercial Organic Waste Collection Service.

1.14 Commercial Organic Waste
Green Waste and Food Waste separated at the source of generation for inclusion in the Commercial Organic Waste Collection Service program.

1.15 Commercial Organic Waste Collection Service
The Collection of Commercial Organic Waste by the Company from Commercial Service Units in the Service Area, and the delivery of that Commercial Organic Waste to an Organic Waste processing facility.

1.16 Commercial Recycling Collection Service
The Collection of Recyclable Materials by the Company from Commercial Service Units in the Service Area, the delivery of those Recyclable Materials to a Materials Recovery Facility and the processing and marketing of those Recyclable Materials.

1.17 Commercial Service Unit
Business Service Units, and Mixed Use Dwellings that utilize a Garbage Cart or Bin for the accumulation and set-out of Garbage.

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1.18 Commercial Garbage Collection Service
The Collection of Garbage by the Company, from Commercial Service Units in the Service Area, and the delivery of that Garbage to the Disposal Facility.

1.19 Compactor
Any Debris Box Container or Bin, which has a compaction mechanism, whether stationary or mobile.

1.20 Composting
The controlled biological decomposition of Organic Waste into a specific mixture of decayed organic matter used for fertilizing or soil conditioning.

1.21 Construction and Demolition Debris
Commonly used or discarded materials removed from construction, remodeling, repair, demolition, or renovation operations on any pavement, house, commercial building, or other structure, or from landscaping. Such materials include, but are not limited to, dirt, sand, rock, gravel, bricks, plaster, gypsum wallboard, aluminum, glass, asphalt material, plastics, roofing material, cardboard, carpeting, cinder blocks, concrete, copper, electrical wire, fiberglass, formica, granite, iron, lad, linoleum, marble, plaster plant debris, pressboard, porcelain, steel, stucco, tile, vinyl, wood, masonry, rocks, trees, remnants of new materials, including paper, plastic, carpet scraps, wood scraps, scrap metal, building materials, packaging and rubble resulting from construction, remodeling, renovation, repair and demolition operations on pavements, houses, commercial buildings and other structures. Construction and Demolition Debris does not include Exempt Waste.

1.22 Company
Novato Disposal Services, Inc.

1.23 County
Marin County, California.

1.24 Customer
Means a Service Recipient that receives Collection Services under the terms of this Collection Service Agreement.

1.25 Debris Box Collection Service
Collection utilizing 10 - 40 cubic yard containers, on a temporary or permanent basis, and provided to Service Units for the Collection of Garbage, Recyclable Materials, Organic Waste, and Construction and Debris Materials, and for the delivery of that material to an appropriate facility.

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1.26 Debris Box Container

A metal container that is normally tipped loaded onto a motor vehicle and transported to an appropriate facility.

1.27 Disposal Facility

A site designated by District for the disposal, or processing as appropriate, of Garbage and other materials as appropriate.

1.28 District

Novato Sanitary District

1.29 District Manager-Engineer

Manager-Engineer of the Novato Sanitary District or his or her designated representative.

1.30 Diversion From Landfill Rate

The Diversion From Landfill Rate will be calculated as the tons of materials collected by Company from providing services as specified in this Agreement that are sold or delivered to a Processing Facility, recycler or re-user, net of all residue, divided by the total tons of materials collected under this Agreement by Company in each 12-month calendar year (January 1st – December 31st).

1.31 Dwelling Unit

Any individual living unit in a single family dwelling (SFD) or multi-family dwelling (MFD) structure or building intended for, or capable of being utilized for, residential living other than a Hotel or Motel.

1.32 E-Waste

E-Waste, includes discarded items such as CRT devices including televisions and computer monitors, LCD desktop computers, laptop computers, LCD and plasma televisions, DVD players, cash registers computers and computer peripherals, telephones, cell phones, answering machines, stereo equipment, radios, tape and CD players/recorders, phonographs, video cassette recorders, calculators, small household and kitchen electronic equipment.

1.33 Environmental Laws

All federal and state statutes, city, county, and District ordinances concerning public health, safety, and the environment including, by way of example and not limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Sections 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901 et seq.; the Federal Clean Water Act, 33 U.S.C. Sections 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. Sections 1601 et seq.; the Occupational Safety and

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Health Act, 29 U.S.C. Sections 651 et seq.; the California Hazardous Waste Control Act, California Health and Safety Code Sections 25300 et seq.; the Safe Drinking Water and Toxic Enforcement Act, California Health and Safety Code Sections 5249.5 et seq.; as currently in force or as hereafter amended, and all rules and regulations promulgated thereunder.

1.34 Exempt Waste
Biohazardous or Biomedical Waste (except Sharps), Hazardous Waste, Sludge, automobiles, automobile parts, boats, boat parts, boat trailers, internal combustion engines, and those wastes under the control of the Nuclear Regulatory Commission.

1.35 Fiscal Year
The period commencing January 1st of one year and concluding December 31st of the same year for Company. For District, it means the period commencing July 1st of one year and concluding June 30th of the subsequent year. Nothing herein shall limit the right of Company to change its fiscal year, if Company should so elect.

1.36 Food Waste
Food scraps and trimmings from food preparation, including but not limited to: meat, fish and dairy waste, fruit and vegetable waste, grain waste, and acceptable food packaging such items as pizza boxes, paper towels, waxed cardboard and food contaminated paper products.

1.37 Garbage
All non-recyclable packaging, and putrescible waste attributed to normal activities of a Service Unit. Garbage must be generated by and at the Service Unit wherein the Garbage is collected. Garbage does not include those items defined herein as Recyclable Materials, Organic Waste, Bulky Waste, E-Waste, U-Waste, or Exempt Waste.

1.38 Garbage Bin
A metal or plastic container, with a capacity of at least one (1) cubic yard up to, and including, six (6) cubic yards, designed or intended to be mechanically dumped into a loader packer type garbage truck that is approved for such purpose by the District. Garbage Bins may also include Compactors that are owned by the MFD or Commercial Service Unit wherein the MFD or Commercial Collection Service occurs.

1.39 Garbage Cart
A heavy plastic receptacle with wheels and a rated capacity of at least twenty (20) gallons and not more than ninety-six (96) gallons, having a hinged tight-

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fitting lid and wheels, that is approved by the District Manager-Engineer for use by Service Recipients for Collection Services under this Agreement.

1.40 Green Waste
Any vegetative matter resulting from normal yard and landscaping maintenance that is not more than three (3) feet in its longest dimension or six (6) inches in diameter and fits in the Organic Waste Cart utilized by the Service Recipient. Green Waste includes plant debris, such Yucca and Cactus, ivy, grass clippings, leaves, pruning, weeds, branches, brush, Holiday Trees, and other forms of vegetative waste and must be generated by and at the Service Unit wherein the Green Waste is collected. Green Waste does not include items herein defined as Exempt Waste.

1.41 Hazardous Waste
Any material which is defined as a hazardous waste under California or United States law or any regulations promulgated pursuant to such law, as such as local, state or federal law or regulations may be amended from time to time.

1.42 Household Hazardous Waste (HHW)
Residential household hazardous is governed by Health and Safety Code 25218 – 25218.13. HHW includes dry cell household batteries, cell phones and PDAs; used motor oil; used oil filters when contained in a sealed plastic bag; compact fluorescent light bulbs contained in a sealed plastic bag; cleaning products, pesticides, herbicides, insecticides, painting supplies, automotive products, solvents, stripes, and adhesives, auto batteries; and Universal Waste.

1.43 HHW Element
The Household Hazardous Waste Element of the Integrated Solid Waste Plan required to be developed by the City and the County.

1.44 Interfamilial Assignments
The sale, exchange, or other transfer of substantially all of Company's assets dedicated to service under this Agreement to a spouse, sibling, child, or grandchild of James Ratto.

1.45 Large Green Waste
Oversized Green Waste such as tree trunks and branches with a diameter of not less than six (6) inches and not more than two (2) feet and a length of not more than six (6) feet in its longest dimension, and not weighing more than seventy (70) pounds, which are attributed to the normal activities of a SFD, or MFD. Large Green Waste must be generated by and at the Service Unit wherein the Large Green Waste is collected.

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1.46 Materials Recovery Facility (MRF)
Any facility, selected by the Company and approved by the District, or specifically designated by the District, designed, operated, and legally permitted for the purpose of receiving, sorting, processing, storing, or preparing Recyclable Materials for sale.

1.47 MFD Collection Service
MFD Garbage Collection Service, MFD Recycling Service, MFD Organic Collection Service, and MFD Bulky Waste Collection Service.

1.48 MFD Organic Waste
Green Waste and Food Waste separated at the source of generation for inclusion in the MFD Organic Waste Collection Service program.

1.49 MFD Organic Waste Collection Service
The Collection of MFD Organic Waste by the Company from MFD Service Units in the Service Area, and the delivery of that MFD Organic Waste to an Organic Waste processing facility.

1.50 MFD Recycling Service
The Collection of Recyclable Materials, by the Company, from MFD Service Units in the Service Area, the delivery of those Recyclable Materials to a Materials Recovery Facility and the processing and marketing of those Recyclable Materials.

1.51 MFD Service Unit
Any combination of Dwelling Units in the Service Area utilizing a common Garbage Bin for the accumulation and set-out of Garbage.

1.52 MFD Garbage Collection Service
The Collection of Garbage, by the Company, from MFD Service Units in the Service Area and the delivery of that Garbage to the Disposal Facility.

1.53 Non-Collection Notice
A form developed and used by the Company, as approved by the District, to notify Service Recipients of the reason for non-collection of materials set out by the Service Recipient for Collection by Company pursuant to this Agreement.

1.54 Occupied
When a person or persons has taken or is/are holding possession of the Service Unit for temporary or permanent use. For the purpose of determining whether a Service Unit was occupied during periods when refuse collection service was available to such Service Unit, the Service Unit shall be

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presumed to have been so occupied unless evidence is presented that no gas, electric, telephone, or water utility services were consumed on such Service Unit during such periods or such other evidence is presented to the satisfaction of the District Manager-Engineer.

1.55 Organic Waste
Includes Food Waste and Green Waste.

1.56 Organic Waste Bin
A metal or plastic container, with a capacity of at least one (1) cubic yard up to and including six (6) cubic yards, designed or intended to be mechanically dumped into a loader packer type truck that is approved for such purpose by the District.

1.57 Organic Waste Cart
A heavy plastic receptacle with wheels and a rated capacity not exceeding ninety-six (96) gallons, having a hinged tight-fitting lid, and wheels, that is approved for such purpose by the District. If the organic waste cart is used to hold Food Waste the cart must have a Food Waste program sticker attached in a clearly visible area.

1.58 Organic Waste Processing Facility
Any facility selected by the Company that is designed, approved by the District, or specifically designated by the District, operated and legally permitted for the purpose of receiving and processing Organic Waste and Large Green Waste.

1.59 Owner
The person holding the record title to the real property constituting the Service Unit to which solid waste collection service is to be provided under this Agreement.

1.60 Pass-Through Cost
A cost to which no element of overhead, administrative expense, profit, or other mark-up is added when included in calculations for compensation and rates.

1.61 Recyclable Materials
Those materials which are capable of being recycled and which would otherwise be processed or disposed of as Garbage. Recyclable Materials include those materials defined by the District, including newsprint (including inserts); mixed paper (including magazines, catalogs, envelopes, junk mail, corrugated cardboard, brown bags and paper, paperboard, paper egg cartons, office ledger paper, and telephone books); glass containers;

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aluminum beverage containers; small scrap and cast aluminum (up to 20 pounds); steel including "tin" cans, empty aerosol cans (empty, non-toxic products) and small scrap (up to 20 pounds); bimetal containers; plastic bags, plastic food containers, #1-7 plastics regardless of form or mold (including but not limited to plastic containers, bottles, wide mouth tubs, plastic bags, film plastic, and polystyrene), aluminum foil and pans.

1.62 Recycling Bin
A plastic or metal container, with a capacity of at least one (1) cubic yard up to and including six (6) cubic yards, designed or intended to be mechanically dumped into a loader packer type recycling truck that is approved for such purpose by the District and is appropriately labeled as a Recycling Bin.

1.63 Recycling Cart
A heavy plastic receptacle with wheels and a rated capacity of at least sixty-four (64) gallons and not more than ninety-six (96) gallons, having a hinged tight-fitting lid, and wheels that is approved for such purpose by the District and is appropriately labeled as a Recycling Cart.

1.64 Related Party Entity
Any entity that has contractual relationships with Company during the term of this agreement, including extensions, and in which a majority of the ownership interest of the other entity is owned or effectively controlled by the Company, or by one or more of the current, then current or former shareholders, directors, officers, or senior management employees of Company or by their spouses, siblings, or issue.

1.65 Service Area
That area within the corporate limits of the Novato Sanitary District, California.

1.66 Service Recipient
An individual or company receiving Collection Service.

1.67 Service Unit
SFD Service Units, MFD Service Units, and Commercial Service Units.

1.68 SFD Collection Service
SFD Garbage Collection Service, SFD Recycling Collection Service, SFD Organic Waste Collection Service, and SFD Bulky Waste Collection Service.

1.69 SFD Organic Waste
Green Waste and Food Waste comingled for inclusion in the SFD Organic Waste Collection Service program.

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1.70 SFD Organic Waste Collection Service
The Collection of Residential Organic Waste by the Company from SFD Service Units in the Service Area, the delivery of that Residential Organic Waste to an Organic Waste Processing Facility.

1.71 SFD Recycling Collection Service
The Collection of Recyclable Materials by the Company from SFD Service Units in the Service Area, the delivery of those Recyclable Materials to a Materials Recovery Facility and the processing and marketing of those Recyclable Materials.

1.72 SFD Garbage Collection Service
The Collection of Garbage, by the Company, from SFD Service Units in the Service Area and the delivery of that Garbage to a Disposal Facility.

1.73 SFD Service Unit
Any Dwelling Unit in the Service Area utilizing a Garbage Cart, or any combination of Dwelling Units sharing Garbage Carts, for the accumulation and set out of Garbage.

1.74 Sharps
California law defines household sharps as " hypodermic needles, pen needles, intravenous needles, lancets and other devices used to penetrate the skin for the delivery of medications. It also includes broken medical glass, broken capillary tubes and ends of dental wires..

1.75 Sludge
The accumulated solids, residues, and precipitates generated as a result of waste treatment or processing, including wastewater treatment, water supply treatment, or operation of an air pollution control facility, and mixed liquids and solids pumped from septic tanks, grease traps, privies, or similar disposal appurtenances or any other such waste having similar characteristics or effects.

1.76 Solid Waste
Garbage, organic waste, recyclable materials, and construction and demolition debris

1.77 SRRE Element
The Source Reduction and Recycling Element of the County Integrated Waste Management Plan prepared by the City and the County.

1.78 Universal Waste
Universal wastes are hazardous wastes that are widely produced by households and many different types of businesses. Universal wastes include televisions, cathode

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ray tubes, computers and other electronic devices as well as batteries, fluorescent lamps, non-empty aerosol cans, mercury thermostats, and other mercury containing equipment, among others.

1.79 Waste Reduction Program

1.80 Any program that reduces the amount of refuse that would otherwise be disposed of in a landfill, including without limitation, source reduction, recycling, composting, salvaging, and waste-to-energy projects.**White Goods** Discarded refrigerators, ranges, water heaters, freezers, and other similar household appliances.

1.81 Work Day

Any day, Monday through Saturday that is not a holiday.

1.82 Zero Waste

The term "Zero Waste" derives from applying the principal of sustainability to redefine the concept of waste in our society. Zero Waste principals promote the highest and best use of materials to eliminate waste and pollution, emphasizing a closed-loop system of production and consumption, moving in logical increments toward the goal of Zero Waste through the core principals of:

- Improving "downstream" reuse/recycling of end-of-life products and materials to ensure their highest and best use;
- Pursuing "upstream" redesign strategies to reduce the volume and toxicity of discarded products and materials, and promote low-impact or reduced consumption lifestyles;
- Fostering and supporting use of discarded products and materials to stimulate and drive local economic and workforce development.

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ARTICLE 2

GRANT AND ACCEPTANCE OF FRANCHISE

2.1 **Grant and Acceptance of Franchise.** Subject to Section 2.5, District hereby grants to Company the exclusive franchise, right and privilege to collect, transport, recycle, and dispose of solid waste accumulating in the service area that is required to be offered for collection to Company in accordance with current laws, regulations, and ordinances for the term of and within the scope set forth in this Agreement. Company hereby accepts the franchise on the terms and conditions set forth in this Agreement.

2.2 **Effective Date**. The "Effective Date" of this Agreement shall be the date entered on the first page of this Agreement.

2.3 **Term of Agreement**. Except as provided in Section 2.5, the Term of this Agreement shall begin on _____, 2011 and shall expiree at midnight on December 31, 2025, subject to extension as may occur pursuant to Section 2.4 herein.

2.4 **Option to Extend Term**. Provided that the Company has met the Zero Waste Minimum Requirements as specified in Article 4.8, District shall have the option to extend this Agreement for a maximum additional sixty (60) months. If District elects to exercise this option, it shall give written notice not less than one (1) year prior to the initial termination date provided in Section 2.3 of this Agreement.

Company may request, prior to the time for District to provide written notice of extension, that District consider extending the Agreement as provided herein. Upon request of Company for such extension, District agrees to consider any proposal included with such request in good faith and District agrees not to unreasonably withhold approval of such request, provided that Company has at no time breached this Agreement, service has been provided at least at a satisfactory level, collection rates are competitive by comparison with surrounding communities and the Zero Waste Minimum Requirements as specified in Article 4.8 have been met. Nonetheless, the granting of such extension shall remain in the sole discretion of the District. Furthermore, should the provisions of Section 2.5 cause the term of the Agreement to be reduced, no extension of the term under this provision shall be considered.

2.5 **Reduction to Seven Year Term**
In the event that Company ceases to be within the effective management control of James Ratto or an assignment occurs pursuant to the terms of Section 11.6 herein at any time during the Term of this Agreement, then the

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Term shall be reduced to a maximum of seven (7) years from the date of the change of control or assignment; provided such seven (7) year term does not exceed the expiration date as provided in Section 2.3, including any extension previously granted under Section 2.4. Interfamilial assignments shall not be subjected to the reduction in term; however, any such interfamilial assignment shall be subject to all the provisions of Section 11.6.

2.6 Conditions to Effectiveness of Agreement

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

2.6.1 Accuracy of Representations. Representations and warranties made by Company throughout this Agreement are accurate, true, and correct on and as of the effective date of this Agreement.

2.6.2 Absence of Litigation. There is no litigation pending or threatened in any court challenging the award of this franchise to Company or the execution of this Agreement, or seeking to restrain or enjoin its performance.

2.6.3 Furnishing of Insurance and Bonds. Company has furnished evidence of the insurance and bonds required by Article 8.

2.6.4 Effectiveness of Board of Directors Action. The District's Resolution approving this Agreement, shall have become effective pursuant to California law prior to the Effective Date of this Agreement.

2.7 Scope of Franchise

Subject to Section 2.8, the franchise granted to Company shall be exclusive for garbage, mixed recyclables, recyclable materials, refuse, rubbish, construction debris, residential and commercial solid waste, and organic waste. The franchise shall be for a group of interrelated services, not merely for transportation or hauling, which include the collection, transportation, processing, recycling and disposal of the solid waste recyclables and organic waste within the District service area.

2.8 Limitations to Scope

The franchise for the collection, removal, and disposal of solid waste granted to Company shall be exclusive except as to the following categories of solid waste listed in this section. The granting of this franchise shall not preclude the categories of solid waste listed below from being delivered to and collected and transported by others:

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2.8.1 Recyclable materials separated from solid waste by the waste generator and for which the waste generator sells or is otherwise compensated by a collector in a manner resulting in a net payment to the waste generator;

2.8.2 Recyclable materials as may be accumulated for donation to youth, civic, and charitable entities;

2.8.3 Recyclable materials that are separated at any premises and are transported personally by the owner or occupant of such premises (or by his or her full-time employees) to a processing facility;

2.8.4 Containers delivered for recycling under the California Beverage Container Recycling Litter Reduction Act, found at Section 14,500 et seq. of the California Public Resources Code;

2.8.5 Organic waste removed from a premises by a gardening, landscaping, or tree trimming service as an incidental part of a total service offered by that company or person rather than as a hauling service;

2.8.6 Demolition and construction debris (including excavated soil) removed from a premises by a licensed demolition or construction contractor using its own employees as an incidental part of a total service offered by that company rather than as a hauling service;

2.8.7 Animal waste and remains from slaughterhouse or butcher shops for use as tallow;

2.8.8 By-products of sewage treatment, water treatment, and industrial facilities, including sludge, grit, chemical wastes, and other by-products that are not similar to solid waste generated by household and commercial users;

2.8.9 Materials removed by householders or occupants and transported by them to public dumps or recycling centers.

2.8.10 Specific varieties of recyclable materials separated from solid waste by a waste generator and for which Company has no recycling program in place for said specific variety of recyclable materials; provided that the District has approved the collection of such specific recyclables by a third party after providing Company with notice of the proposed recycling program and allowing Company an opportunity to propose a program for said variety of recyclables.

This grant to Company of an exclusive franchise for services, including the right and privilege to collect, transport, process or recycle, and dispose of

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solid waste shall be interpreted to be consistent with state and federal laws, now and during the term of the franchise. The scope of this exclusive franchise shall be limited by current and developing state and federal laws with regard to solid waste handling, exclusive franchises, control of recyclables, solid waste flow control, and related matters. In the event that future interpretations of current law, enactments, or developing legal trends limit the ability of District to lawfully provide for the scope of franchise services as specifically set forth herein, Company agrees that the scope of the franchise will, as a matter of law, be limited to those services and materials that may be lawfully provided for under this Agreement. District shall not be responsible for any damages or additional compensation claimed by Company to arise out of a further limitation to the scope of the Agreement as set forth above.

2.9 District's Right to Direct Changes

District may direct Company to perform additional solid waste services or modify the manner in which it performs existing services. Company shall promptly take direction from District in responding.

If Company is capable of performing or developing the ability to perform a requested service or modifying an existing service, and an adjustment in Company's revenue requirement has been requested but has not been agreed upon, Company shall commence the new or changed service while the appropriate revenue adjustment is being determined. Pilot programs and innovative services that may entail new collection methods, different kinds of services, and/or new requirements for waste generators are included among the kinds of changes that District may direct. Company acknowledges and agrees that District may permit other persons besides Company to perform additional solid waste services, if Company and District cannot agree on terms and conditions of such services one hundred twenty (120) days from the date when District first requests a proposal from Company to perform such services, provided such additional services are new services not subject to the exclusive rights of the franchise as set forth in this Agreement.

2.10 Ownership of Solid Waste

Once refuse, compostables, recyclables, and construction debris are placed in containers and properly presented for collection at curbside, ownership and the right to possession shall transfer directly from the waste generator to Company by operation of law. The Company is hereby granted the right to retain, recycle, compost, dispose of, and otherwise transport and/or use such refuse, compostables, recyclables, and construction debris, or any part thereof, in any lawful fashion or for any lawful purpose desired by Company. Subject to the provisions of this Agreement, and the following optional

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ownership rights of District, Company shall have the right to retain any benefit resulting from its right to retain, recycle, compost, dispose of, or use the refuse, compostables, recyclables, and construction debris that it collects. Refuse, compostables, recyclables, and construction debris, or any part thereof, that is disposed of at a disposal site or sites (whether landfill, transformation facility, transfer station, or material recovery facility) shall become the property of the owner or operator of the disposal site or sites once deposited there by Company.

Notwithstanding the foregoing, District may determine that in order to meet the resource reduction and recycling goals of the CIWMA that apply to District, the City, and/or County, or in order to negotiate or bid for the most favorable transfer, disposal, and/or recyclables marketing options, District may assert its authority to control the wastestream once the solid waste that is to be collected under this Agreement is presented for collection at curbside. In such event, the right to possession and ownership shall transfer directly from the waste generator to District by operation of law. District shall assert its right to ownership and control of the wastestream by providing Company with specific written notification of District's intent to assert its authority with regard to ownership and control of the wastestream. Thereafter, District shall have and retain the rights to direct Company to particular facilities, such as resource recovery, transfer, or disposal facility(ies) for purposes of processing of the waste, and District may, as a market participant, enter into contracts in its own name for the disposal, processing, recycling, composting, transfer, transport, and use of a materials recycling and recovery facility. In the event that District asserts its right to own and fully control the wastestream, Company shall be viewed as an agent of District with regard to Company's actions in collection, transfer, recycling, and disposal of the solid waste subject to this Agreement.

Nothing contained in this Section 2.10 is intended to nor shall it affect the exclusive right granted to Company to collect, transport, recycle and dispose of solid waste, recyclables, or compostable materials, as set forth in this Agreement, provided that Company remains in compliance with District directives and orders, once the District has elected to assume ownership and control of the solid wastestream.

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ARTICLE 3

FRANCHISE FEE
AND OTHER MISCELLANEOUS FEES

3.1 Franchise Fee

3.1.1 Franchise Fee Amount. In consideration of the exclusive franchise provided in Section 2.1 of this Agreement Company shall pay to District $45,000 per year (or another amount as provided in Section 3.1.3). This franchise fee shall be a pass-through cost.

3.1.2 Time and Method of Payment. On or before the fifteenth (15th) day of July of each year during the term of this Agreement, Company shall remit the franchise fee amount set forth in Section 3.1.1 (or another amount as provided in Section 3.1.3).

3.1.3 Adjustment to Franchise Fee. District may adjust the amount of the franchise fee annually with ninety (90) days' notice to Company. Such adjustment shall be reflected in the rates that Company is allowed to charge and collect from customers.

3.2 Other Miscellaneous Fees

District may incur expenses other than as set forth above in its administration of this franchise and as a result of carrying out its individual or shared responsibilities with regard to administration of solid waste and recycling programs within the greater Novato area. These additional costs may include costs associated with membership in joint powers authorities, CIWMA fees, participation in private solid waste programs, undertaking additional public educational efforts with regard to solid waste recycling and HHW, consulting and legal fees arising from District's solid waste activities, and other miscellaneous costs that may be incurred as a result of District's role in solid waste activities. District may from time to time determine that it is appropriate to fix additional fees to reimburse District for the potential costs associated with these miscellaneous solid waste activities. District may from time to time adopt and fix such fees, and thereafter adjust the amount of such fees. Such fees may be included within the franchise fee or may be set forth as an additional segregated fee. Company shall be allowed to charge and collect from customer such fees, and Company agrees to do so at the direction of District. These fees shall be pass-through costs. The time and method for payment and for adjustment of such fees shall be the same as set forth in Sections 3.1.2 and 3.1.3 above.

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ARTICLE 4

Zero Waste Collection And Processing Services

4.1 General Conditions

4.1.1 Service Units. Service Units shall include all the following categories of Service Unit which are in the Service Area as of _____2011, and all such Service Unit which may be added to the Service Area by means of annexation, new construction, or as otherwise set forth in this Agreement during term of this Agreement:

- SFD Service Units
- Commercial Service Units
- MFD Service Units
- Local Government Agencies Service Units

Any question as to whether a Service Unit falls within one of these categories shall be determined by the District Manager-Engineer and the determination of the District Manager-Engineer shall be final.

4.1.2 Service Unit Changes. The District and Company acknowledge that during the term of this Agreement it may be necessary or desirable to add or delete Service Units for which Company will provide Collection Services.

4.1.3 Additions and Deletions. Company shall provide services described in this Agreement to new Service Units within five (5) Work Days of receipt of notice from the District or new Service Unit to begin such service.

4.1.4 Route Map Update. Company shall revise the Service Unit route maps to show the addition of Service Units added due to annexation and/or addition of new service areas and shall provide such revised maps to the District Manager-Engineer as requested.

4.1.5 District Direction of Collected Materials. The District reserves its right to direct Company to deliver Garbage, Recyclable Materials, Organic Waste, or Construction and Demolition Debris collected by Company under the terms of this Agreement to an appropriately licensed and permitted facility that may provide financial or environment benefits to the District. If such direction by the District results in the Company's costs to provide services to increase, the Company may request additional compensation.

4.2 SFD Collection Services. These services shall be governed by the following terms and conditions:

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4.2.1 General Conditions of Service. The Company shall provide SFD Collection Service to all SFD Service Units in the Service Area whose Garbage is properly containerized in Garbage Carts, Recyclable Materials are properly containerized in Recycling Carts; and Organic Waste is properly containerized in Organic Waste Carts. Garbage, Recycling and Organic Waste Carts will be collected at least once a week and on the same collection day. SFD Collection Service shall be automated wherever feasible. The method of collection and location for collection of SFD Carts shall at all times be consistent with District's Garbage, Recyclable Materials, and Organic Waste collection, removal, diversion, and disposal regulation. Company shall offer Garbage Carts in minimum 20, 32, 64 and 96-gallon cart sizes, and Recyclables Materials and Organic Waste Carts in 64 or 96 gallon cart sizes. If containers smaller than 20 gallons become available and agree with collection methods, District and Company agree to work together to provide the smaller garbage collection containers. The size of the recycling and organic waste containers shall be determined by the customer. Customers may request up to one (1) additional recycling and organic waste containers which will be supplied at no additional charge. As new programs are developed, Company may provide alternate containers with the approval of the District. The size of the Cart shall be determined between the SFD Service Recipient and the Company.

4.2.2 Ownership of and Replacement of Carts. Company-furnished Carts will remain property of Company. Company shall be responsible for reasonable maintenance and replacement of Carts. Company may inform customers that containers are to remain at the residence upon sale or transfer of the property. To the extent that Carts are lost or stolen, Company shall provide new Carts to the Service Recipient at no cost, provided that Company shall not be required to supply more than one replacement Cart to any Service Unit within a one-year period unless circumstances demonstrate that Service Recipient had no responsibility for the loss or damage to the Cart. At the end of the Term of this Agreement, including any extensions provided hereunder, the Carts shall be property of the Company, and Company shall be responsible for removal of the Carts from all Service Units, unless alternative arrangements for disposition of the Carts are agreed to by Company and District.

4.2.3 Curbside Collection Service. The Company shall service Carts that are used for SFD Service Units that are placed at the curb or roadway edge, so as to be readily accessible to the armature of the automated collection truck. In cases where placement of containers at the curb or roadway edge would present a safety hazard for motorists or pedestrians or represent a physical hardship to customers, Company shall designate an alternate

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location for the placement of the Carts. The designated pick-up area, if disputed by the customer or Company, shall be determined by the District Manager-Engineer. In such cases, Company shall be responsible for service of the Cart, irrespective of whether the automated armature can reach the Cart. However, Company shall not be obligated to provide off-sized Carts or nonstandard Cart. Some SFD Service Unit locations may not be appropriate for standard automated service, due to the topography or road conditions. In such cases, customers may be required to supply their own solid waste containers. Any dispute between the Company and customer concerning the availability and use of automated Carts, shall be determined by the District Manager-Engineer.

4.2.4 <u>On-Premise Collection Service - Subscription</u>. A SFD Service Recipient may subscribe for On-premise SFD Collection Service where Garbage, Recyclable Materials, and Organic Waste Carts are collected from a side-yard, backyard, or other off-street location agreed on between the Company and the Service Recipient. Company may charge for On-premise collection at the rates as set forth in the SFD Collection Rates in **Exhibit 1 unless all of the adults at the SFD are disabled and proof of the disability is provided to the Company. In cases of dispute, the Manager-Engineer will make the determination**.

4.2.5 <u>Frequency and Scheduling of Service</u>. Unless otherwise approved by District, residential recyclable materials collection will be on the same day of the week as solid waste collection service. Company will notify recycling customers, as is done for regular service, regarding holiday collection schedules.

4.2.6 <u>Non-Collection</u>. Company shall not be required to collect any Garbage, Recyclable Material, or Organic Waste that is not placed in a Cart. In the event of non-collection, Company shall affix to the Cart a Non-collection Notice explaining why collection was not made, or alternatively Company shall telephone the customer with an explanation on the same day as the intended pick up. Company shall maintain a copy of such notices during the term of this Agreement.

4.2.7 <u>SFD Garbage Collection Service</u>. This service will be governed by the following additional terms and conditions:

> **4.2.7.1 <u>Disposal Facility</u>**. All Garbage collected as a result of performing SFD Garbage Collection Services shall be transported to, and disposed of, at the Disposal Facility.

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4.2.7.2 **Additional Garbage Carts**. Upon notification to the Company by the District or a Service Recipient that additional Garbage Carts are requested, the Company shall deliver such Garbage Carts to such Service Recipient within five (5) Work Days. Company shall be compensated for the cost of additional Garbage Carts in accordance with the SFD Collection Rates Rate in **Exhibit 1** or as may be adjusted under the terms of this Agreement.

4.2.8 **SFD Recycling Collection Service.** This service will be governed by the following additional terms and conditions:

4.2.8.1 **Free Service.** The Company may not charge for the collection of Recyclable Materials, and SFD Recycling Collection Service shall be unlimited. However, for a SFD Service Recipient to receive free recycling services, they must be subscribe for SFD Garbage Collection Service.

4.2.8.2 **Recyclables Materials**. Company shall collect Recyclable Materials as specified in this Agreement and consistent with direction of the District, the District's Zero Waste Goals, AB 32, and the HHW and SRRE Element Plans approved by the City and the County.

4.2.8.3 **Material Recovery Facility**. All Recyclable Materials collected as a result of performing Recycling Services shall be delivered to the Materials Recovery Facility.

4.2.8.4 **Marketing and Sale of Recyclable Materials**. All expenses related to Recyclable Materials processing and marketing will be the sole responsibility of Company. Revenues from the sales of these materials shall be applied to the cost of services under the Agreement to reduce Company's revenue requirement. Company shall sell all recyclable materials collected pursuant to this Agreement at not less than fair market value.

4.2.8.5 **Records.** District shall have the right to request Company to provide to District the Company's records, as to sale of recyclables, in such form and to the extent as District deems necessary to review Company's marketing methods, primary contingent markets, pricing policy, and assumed salvage value for each collected type of recyclable.

4.2.8.6 **Additional Recycling Carts**. Company shall provide additional SFD Recycling Carts to SFD Collection Service Recipients within seven (7) days of request at no additional cost provided that

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additional carts are used by Service Recipients for the purposes of setting out additional Recyclable Materials for regular weekly Recycling Collection Service.

4.2.8.7 **Overages**. Corrugated cardboard or other recyclable materials that will not fit inside the Recycling Cart may be flattened, bagged and/or bundled and placed beside the Recycling Cart.

4.2.8.8 **Recycling - Changes to Work**. Should changes in law arise that necessitate any additions or deletions to the work described herein including the type of items included as Recyclable Materials, the parties shall negotiate any necessary cost changes and shall enter into an Agreement amendment covering such modifications to the work to be performed and the compensation to be paid before undertaking any changes or revisions to such work.

4.2.8.9 **Recycling - Improper Procedure**. Except as set forth in Section 4.2.11 the Company shall not be required to Collect Recyclable Materials if the Service Recipient does not segregate the Recyclable Materials from Garbage or Organic Waste. If Recyclable Materials are contaminated through commingling with Garbage or Organic Waste, the Company shall, if practical, separate the Garbage or Organic Waste from the Recyclable Materials. The Recyclable Materials shall then be collected and the Garbage or Organic Waste shall be left in the Recycling Cart along with a Non-collection Notice explaining why the Garbage or Organic Waste is not considered a Recyclable Material. However, in the event the Recyclable Materials and Garbage or Organic Waste are commingled to the extent that they cannot easily be separated by the Company or the nature of the Garbage or Organic Waste renders the entire Recycling Cart contaminated, the Company will leave the Recycling Cart un-emptied along with a Non-collection Notice that contains instructions on the proper procedures for setting out Recyclable Materials.

4.2.9 **SFD Organic Waste Collection Service**. This service will be governed by the following terms and conditions:

4.2.9.1 **Free Service For Up to Two (2) Organic Waste Carts.** The Company may not charge for the collection of Organic Waste collected in up to two (2) Organic Waste Carts. Company may charge SFD Service Recipients for three (3) or more Organic Waste carts in accordance with SFD Collection Rates in **Exhibit 1**. However, Company may not limit the amount of SFD Organic Waste Collection Service provided to a Service Recipient.

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4.2.9.2 Organic Waste Processing Services. Company shall ensure that all Organic Waste collected pursuant to this Agreement are diverted from the landfill in accordance with AB 939 and AB 32 and any subsequent or other applicable legislation and regulations. Company shall ensure that all materials collected under this Organic Waste Collection Service will qualify for CalRecycle diversion credits. If so directed in writing by District, Company agrees to develop, implement, operate, and participate (locally and/or regionally) in mulching, composting, and/or similar such activities to achieve diversion requirements within the jurisdictional boundaries of the District. Company agrees to aggressively pursue new opportunities to divert organic waste from disposal at the landfill.

4.2.9.3 Organic Waste Processing Facility. Company shall deliver all collected Organic Waste to a fully permitted Organic Waste Processing Facility or a fully permitted Organic Waste transfer station. All expenses related to Organic Waste processing and marketing will be the sole responsibility of Company.

4.2.9.4 Organic Waste Processing. Company shall ensure that the Organic Waste collected pursuant to this Agreement is not disposed of in a landfill, except as a residue resulting from processing, and the degree feasible, that Organic Waste shall be composted and not be used as Alternative Daily Cover.

4.2.9.5 Additional Organic Waste Carts. Company shall provide one (1) additional SFD Organic Waste Cart to SFD Service Recipients within five (5) days of request at no additional cost provided that additional carts are used by SFD Service Recipients for the purposes of setting out additional Organic Waste Materials for regular weekly Organic Waste Collection Service.

4.2.9.6 Kitchen Food Waste Pails. Company shall make one Kitchen Food Waste Pail per SFD available for pick up at the Recycling Center for a period of six months after roll out of the food waste available at no additional cost. After the initial six months, food waste pails will be available at cost. The District shall approve the specific size and labeling of the Kitchen Food Waste Pails to be provided by the Company.

4.2.9.7 Home Compost Bins. Company shall provide, at direct cost, a Bio-Stack Compost Bin to any SFD Collection Service Recipient that request one.

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4.2.9.8 **Curbside Holiday Tree Collection.** Company shall operate an annual Christmas tree collection program. The program shall include, as a minimum service level, curbside collection of reasonably-sized whole trees during at least a one-week period each January, in addition to the collection of Holiday trees placed within the Organic Waste Carts and collected pursuant to ordinary Organic Waste collection procedures. The Holiday tree collection program shall target all properties in the service area.

4.2.9.9 **Contaminated Holiday Trees**. Holiday trees that are flocked or contain tinsel or other decorations may be delivered to the Disposal Facility at the discretion of the Company.

4.2.9.10 **Non-collection**. Company shall not be required to Collect any Organic Waste that is mixed with either Garbage, or Recyclable Materials. In the event of non-collection, Company shall affix to the Organic Waste Cart a Non-Collection Notice explaining why collection was not made. Company shall maintain a copy of such notices during the term of this Agreement.

4.2.10 **Bulky Waste Collection**. This service will be governed by the following terms and conditions:

4.2.10.1 **Maximum Reuse and Recycling**. Company shall dispose of Bulky Waste collected from Service Units pursuant to this Agreement in accordance with the following hierarchy:

- Reuse
- Disassemble for reuse or Recycling
- Recycle
- Compost
- Disposal

4.2.10.2 **Bulky Waste Pick up**. Company shall provide Bulky Waste collection services to all Single Family Dwelling Units in the District whose Bulky Wastes have been placed within (3) feet of the curb, swale, paved surface of the public roadway, closest accessible roadway, or other such location agreed to by the Company and customer, that will provide safe and efficient accessibility to the Company's collection crew and vehicle. The customer shall be limited to three (3) cubic yards or three (3) Bulky waste items per collection; however, in no event shall the aggregate of Bulky Waste exceed the equivalent of three (3) cubic yards. The Bulky Waste must be contained and does not include construction and demolition debris.

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Accordingly, Company shall be compensated for the cost of collecting Bulky Waste in excess of this limitation in accordance with the "Additional Large Item Collection" service rate as set forth in Exhibit 1 . Each Single Family Dwelling Unit in the District shall be entitled to receive Bulky Waste collection service up to four (4) times/year. Bulky waste pickup shall be scheduled within seventy-two (72) hours of the customer request excluding Weekends and holidays .

4.2.10.3 **Bulky Waste Items Containing Freon**. Service Recipients may also make an appointment with Company for the collection of used appliances *(i.e. washers, dryers, stoves, refrigerators, freezers, etc.)*. In the event Company Collects Bulky Waste that contain Freon, Company shall handle such Bulky Waste in a manner such that the Large Items are not subject to regulation as Hazardous Waste under applicable state and federal laws or regulations. Company may charge for collecting Large Items containing Freon in accordance with the rates in Bulky Waste Collection Rates set forth in **Exhibit 1**.

4.2.10.4 **Records**. Company shall record by class and weight the solid waste, used appliances, etc., collected during the cleanup events. Company shall record the kinds and weights of waste diverted during these cleanups from the landfill through recycling, reuse, composting, transformation, or other means of diversion.

4.3 **Commercial Collection Services.** These services will be governed by the following terms and conditions:

4.3.1 **General Conditions of Service**. The Company shall provide Commercial Garbage Collection Service, Commercial Recycling Collection Service, Commercial Organic Waste Collection Service, and Commercial Debris Box Collection Service to all Commercial Service Units in the Service Area whose Garbage, Recyclable Materials, and Organic Waste are properly containerized in Bins, Carts, or Debris Boxes as appropriate where the Bins, Carts are accessible as set forth in Sections 4.03.3 and 4.03.4. The size of the container and the frequency (above the minimum) of collection shall be determined between the Service Recipient and the Company. However, the size and frequency shall be sufficient to provide that no Garbage, Recyclable Materials, or Organic Waste Materials need be placed outside the Bin, Cart or Debris Box.

4.3.1.1 **Required Capacity**. Company shall provide Commercial and MFD Recycling Collection Service and Organic Waste Collection Service to all Commercial Service and MFD Units in the Service Area. For each Service Unit, Company shall offer a minimum

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capacity of Commercial and MFD Recycling Collection and Commercial and MFD Organic Waste Collection Service appropriate to the capacity measured as the total cubic yards collected weekly for Commercial and MFD Garbage Collection Service.

4.3.1.2 **Accessibility**. Company shall collect all Garbage, Recycling, or Organic Waste Bins or Carts that are readily accessible to the Company's crew and vehicles and not blocked.

4.3.1.3 **Manner of Collection**. The Company shall provide Commercial Collection Service with as little disturbance as possible and shall leave any Bin or Cart at the same point it was originally located without obstructing alleys, roadways, driveways, sidewalks or mail boxes. Company shall provide containers and shall collect contents of the containers not less than once per week. The designated pick-up area, if disputed by customer or Company, shall be determined by District Manager-Engineer. Additionally, if in his/her opinion the location of an existing pick up area is inappropriate, he/she shall cause the customer or Company to relocate the pick up area.

4.3.2 **Commercial Garbage Collection Service**.

4.3.2.1 **Conditions of Service**. The Company shall provide Commercial Garbage Collection Service to all Commercial Service Units in the Service Area whose Commercial Garbage is properly containerized in Garbage Bins or Carts, where the Garbage Bins or Carts are accessible.

4.3.2.2 **Disposal Facility**. All Commercial Garbage collected as a result of performing Commercial Garbage Collection Services shall be transported to, and disposed of, at the Disposal Facility. Failure to comply with this provision shall result in the levy of an administrative charge as specified in this Agreement and may result in the Company being in default under this Agreement.

4.3.2.3 **Size and Frequency of Service.** This service shall be provided as deemed necessary and as determined between the Company and the customer, but such service shall be received no less than one (1) time per week with no exception for holiday(s) as set forth herein, except that Collection Service scheduled to fall on a holiday may be rescheduled as determined between the customer and the Company as long as the minimum frequency requirement is met. Service may be provided by Bin or Cart at the option of the customer. The size of the container and the frequency (above the minimum) of

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collection shall be determined between the customer and the Company. However, size and frequency shall be sufficient to provide that no Commercial Garbage need be placed outside the Bin or Cart. The Company shall provide containers as part of the Commercial Collection Service Rates and the MFD Collection Service Rates in **Exhibit 1**, however, customers may own their compactor provided that the customer is completely responsible for its proper maintenance and that such compactor shall be of a type that can be serviced by the Company's equipment.

4.3.2.4 **Commercial Garbage Overflow**. In the case of repeated overflows of Commercial Garbage, Company shall contact the Commercial Service Unit management to arrange for an appropriate change in Garbage Bin or Cart size, collection frequency or both. In the event, Company cannot successfully contact the Commercial Service Unit management after three attempts, or cannot reach an agreement with such management regarding the change in service, Company shall advise the District Manager-Engineer, either by Fax or e-mail, of the details of the Commercial Garbage overages, and the attempts at communication with the Commercial Service Unit management. The District Manager-Engineer shall respond to Company's report and make a final written determination. Within five (5) Work Days of receipt of the District Manager-Engineer's written determination, Company shall change the Collection Service in accordance with such written determination.

4.3.2.5 **Non-Collection**. Company shall not be required to collect any Commercial Garbage that is not placed in a Garbage Bin or Cart unless such Commercial Garbage is outside the Garbage Bin or Cart as a result of overflow. In the event of non-collection, Company shall affix to the Garbage Bin or Cart a Non-collection Notice explaining why collection was not made, or alternatively Company shall telephone the customer with an explanation on the same day as the intended collection.

4.3.3 **Commercial Recycling Collection Service.** This service will be governed by the following terms and conditions:

4.3.3.1 **Free Service**. The Company may not charge for the collection of Recyclable Materials, for Commercial and MFD Customers receiving garbage service. Commercial and MFD Recycling Collection Service shall be unlimited provided that Recyclable Materials are placed in Carts or Bins.

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4.3.3.2 **Conditions of Service**. The Company shall provide Commercial Recycling Collection Service to all Commercial and MFD Service Units in the Service Area whose Recyclable Materials are properly containerized in Recycling Bins, Carts or Debris Boxes, except as set forth below, where the Recycling Bins, Carts, or Debris Boxes are accessible. Any dispute between Company and customer concerning the availability and use of automated containers shall be determined by the District Manager-Engineer. Materials collected shall be those specified by Company consistent with direction of the District, the District's Zero Waste Goals, AB 32, and the HHW and SRRE Element Plans approved by the City and the County. Commercial Recycling Collection will occur Monday – Friday, and on Saturdays upon request.

4.3.3.3 **Material Recovery Facility**. All Recyclable Materials collected as a result of performing Commercial and MFD Recycling Services shall be delivered to the Material Recovery Facility. Failure to comply with this provision shall result in the levy of liquidated damages as specified in this Agreement. All expenses related to Recyclable Materials processing and marketing will be the sole responsibility of Company.

4.3.3.4 **Size and Frequency of Service**. This Service shall be provided as deemed necessary and as determined between the Company and the customer, but such service shall be received no less than one (1) time per week with no exception for holiday(s) as set forth herein, except that collection service scheduled to fall on a holiday may be rescheduled as determined between the customer and the Company as long as the minimum frequency requirement is met. Service may be provided by Bin, Cart or Debris Box at the option of the customer. The size of the container and the frequency (above the minimum) of collection shall be determined between the customer and the Company. However, size and frequency shall be sufficient to provide that no Recyclable Materials need be placed outside the Bin, Cart or Debris Box. The Company shall provide containers as part of the Commercial Collection Service Rates and the MFD Collection Service Rates in **Exhibit 1**, however, customers may own their Compactor provided that the customer is completely responsible for its proper maintenance and such Compactor shall be of a type that can be serviced by the Company's equipment.

4.3.3.5 **Additional Recycling Bins or Carts**. Company shall provide additional Commercial and MFD Recycling Bins and Carts to

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Commercial Service Recipients within five (5) days of request at no additional cost provided that additional bins and carts are used by Commercial Service Recipients for the purposes of setting out additional Recyclable Materials for regular weekly Recycling Collection Service.

4.3.3.6 **Recycling - Improper Procedure**. If Recyclable Materials are contaminated through commingling with Commercial Garbage, the Company shall, if practical, separate the Commercial Garbage from the Recyclable Materials. The Recyclable Materials shall then be collected and the Commercial Garbage shall be left in the Recycling Bin, Cart or Debris Box along with a Non-collection Notice of why the Garbage is not considered a Recyclable Material. However, in the event the Recyclable Materials and Commercial Garbage are commingled to the extent that they cannot easily be separated by the Company or the nature of the Commercial Garbage renders the entire Recycling Bin, Cart or Debris Box contaminated, the Company will leave the Recycling Bin, Cart or Debris Box un-emptied along with a Non-collection Notice which contains instructions on the proper procedures for setting out Recyclable Materials. Upon notification from the District Manager-Engineer, Company shall collect the contaminated Recyclable Materials as part of the next regularly scheduled Commercial Garbage Collection and dispose of it at the Disposal Facility.

4.3.3.7 **Recycling - Changes to Work**. Should changes in law arise that necessitate any additions or deletions to the work described herein including the type of items included as Recyclable Materials, the parties shall negotiate any necessary cost changes and shall enter into an Agreement amendment covering such modifications to the work to be performed and the compensation to be paid before undertaking any changes or revisions to such work.

4.3.4 **Commercial Organic Waste Service.** This service will be governed by the following terms and conditions:

4.3.4.1 **Service Rate**. Company agrees that the provision of Commercial and MFD Organic Waste Collection Service to Commercial and MFD Service Units is critical to Company's ability to meet the Zero Waste Minimum Requirements as set forth in Article 4.8 of this Agreement. The cost of providing Commercial Organic Waste recycling is not known at the present. The Company agrees to limit the cost charged for this service to the net cost of pick up,

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hauling and processing the material as determined through a cost audit prior to the initiation of service. Company further agrees that not all Commercial Service Units will elect to receive Organic Waste Collection Service in Carts, and that Company will provide Organic Waste Collection Bins upon request and as necessary. Further, Company agrees that there are several Commercial Service Units that utilize Compactors for collection or Organic Waste, and that Company will provide a sufficient number of Carts or Bins and at a collection frequency to allow for any such Commercial Service Unit to utilize the collection of Organic Waste. Commercial Organic Waste Collection will occur Monday – Friday, and on Saturdays upon request and as necessary.

4.3.4.2 **Conditions of Service**. The Company shall provide Commercial Organic Waste Collection Service to all Commercial Service Units in the Service Area whose Organic Waste materials are properly containerized in Organic Waste Bins, Carts, Debris Boxes, or Compactors except as set forth below, where the Organic Waste Bins, Carts, debris Boxes, or Compactors are accessible. Company shall collect and remove all organic waste material placed in collection containers from commercial and institutional locations where property owners or resident on-site managers perform their own landscaping work and do not contract for a fee for such service.

4.3.4.3 **Organic Waste Processing Facility**. All Organic Waste collected as a result of performing Commercial Collection Services shall be delivered to an Organic Waste Processing Facility approved by the District. Failure to comply with this provision shall result in the levy of an administrative charge as specified in this Agreement and may result in the Company being in default under this Agreement. All expenses related to Organic Waste processing and marketing will be the sole responsibility of Company.

4.3.4.4 **Size and Frequency of Service**. This Service shall be provided as deemed necessary and as determined between the Company and the customer, but such service shall be received no less than one (1) time per week with no exception for holiday(s) as set forth herein, except that Collection Service scheduled to fall on a holiday may be rescheduled as determined between the customer and the Company as long as the minimum frequency requirement is met. Service may be provided by Bin, Cart or Debris Box at the option of the customer. The frequency of collection should be as required in this Article unless generation of organic waste does not warrant such

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service to said commercial and institutional units. The size of the container and the frequency (above the minimum) of collection shall be determined between the customer and the Company. However, size and frequency shall be sufficient to provide that no Organic Waste Materials need be placed outside the Bin, Cart or Debris Box. The Company shall provide containers,, however, customers may own their Compactor provided that the customer is completely responsible for its proper maintenance and such Compactor shall be of a type that can be serviced by the Company's equipment.

4.3.4.5 **Additional Organic Waste Bins or Carts**. Company shall provide additional Commercial Organic Waste Bins and Carts to Commercial Service Recipients provided that additional bins and carts are used by Commercial Service Recipients for the purposes of setting out additional Organic Waste materials for regular weekly Organic Waste Collection Service.

4.3.4.6 **Organic Waste - Improper Procedure**. If Organic Waste is contaminated through commingling with Commercial Garbage, the Company shall, if practical, separate the Commercial Garbage from the Organic Waste. The Organic Waste shall then be collected and the Commercial Garbage shall be left in the Organic Waste Bin, Cart, or Debris Box along with a Non-collection Notice of why the Organic Waste is not collected. However, in the event the Organic Waste and Commercial Garbage are commingled to the extent that they cannot easily be separated by the Company or the nature of the Commercial Garbage renders the entire Organic Waste Bin, Cart, or Debris Box contaminated, the Company will collect and dispose of the bin contents as garbage and charge the customer based on rates for commercial garbage disposal. The Company will also notify the customer of the contamination and provide instructions on the proper procedures for setting out Organic Waste..

4.3.4.7 **Organic Waste - Changes to Work**. Should changes in law arise that necessitate any additions or deletions to the work described herein including the types of items included as Organic Waste, the parties shall negotiate any necessary cost changes and shall enter into an Agreement amendment covering such modifications to the work to be performed and the compensation to be

4.4 **MFD Collection Services.** These services will be governed by all conditions of service as specified in Article 4.03 of this Agreement, with the following additional services:

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4.4.1 <u>MFD Organic Waste Collection Services.</u> The Company shall provide Organic Waste Collection Services to all MFD Service Units in a manner consistent with Section 4.2.9 for those service Units receiving cart collection, and section 4.3. 4 for those MFD Service Units receiving bin collection. The Company shall not charge for MFD Organic Waste Collection Service.

4.4.2 <u>MFD Recycling Tote Bags</u>. Company shall provide 5,000 Recycling Tote Bags at the Recycling Center for handout to MFD Service Units during the roll out of the MFD recycling program . The District shall approve the specific size and labeling of the MFD Recycling Tote Bags to be provided by the Company.

4.4.3 <u>Kitchen Food Waste Pails</u>. Company shall provide one Kitchen Food Waste Pail per MFD Service Recipients available for pick up at the Recycling Center at no additional cost provided that additional pails for the first six months after the roll out of the MFD Food Waste program. The District shall approve the specific size and labeling of the Kitchen Food Waste Pails to be provided by the Company.

4.4.4 <u>MFD Bulky Waste Collection</u>. Company shall provide Bulky Waste collection service to all Multi-family dwelling units at the request of the MFD manager in a manner agreed to between the MFD manager and the Company. MFD units shall be entitled to equivalent complimentary services as a Single Family Dwelling unit (i.e. three (3) cubic yards four (4) times per year.

4.4.5 <u>Rates</u>. Charges for MFD Collection Services shall be in accordance with the MFD Collection Service Rates in **Exhibit 1** of this Agreement.

4.5 <u>Construction and Temporary Bins/Roll-Off Service</u>. Upon twenty-four (24) hours request by a Service Unit for a Debris Box Container, Company shall provide a Debris Box Container at the Service Unit. Such SFD Debris Box Collection Service shall be on a temporary basis not to exceed seven (7) days without collection, emptying, and replacement of the Debris Box Container.

4.5.1 Processing Required. Debris Box Containers shall be transported by Company to an approved processing facility to achieve maximum diversion. Debris Box Containers may not be taken by the Company to a landfill for disposal.

4.5.2 Rates. Charges for Debris Box Containers shall be in accordance with Debris Box Collection Rates in **Exhibit 1** of this Agreement.

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4.5.3 Container Placement. The Company shall provide Debris Box Collection Services with as little disturbance as possible and shall leave any Debris Box Containers in an upright position at the same point it was collected without obstructing alleys, roadways, driveways, sidewalks, or mail boxes. Company shall only place Debris Boxes in strict adherence with the appropriate right-of-way requirements and Municipal Code.

4.5.4 Graffiti Removal. The Company shall remove any and all graffiti within 24 hours of being identified by the Company or District Manager-Engineer. Company shall not deliver a Debris Box Container without Company information or with any graffiti visible on the Debris Box Container.

4.6 **Service to Local Government Agencies Within District Boundaries.** State and federal laws require cities, counties, and other units of local government to take effective measures to eliminate pollution from land, streams, creeks, rivers, lakes, and bays. The National Pollutant Discharge Elimination System (NPDES) permits issued to the City, the County, and the District, require that solid waste be removed and averted from water bodies. An essential method for achieving this is the maximum collection of trash and debris in public places that, if not collected, will work its way into drainage systems and water bodies. Costs for these state and federal mandated programs should properly be placed with solid waste disposal customers, and this can best be done by inclusion in the waste collection costs of Company. Accordingly, Company shall collect, and dispose of, at no charge, all solid waste generated in containers placed for the use of the general public at Novato School District sports fields, City of Novato public parks and streets, and County of Marin public parks and open space within the Novato Sanitary District's service area.

4.6.1 Included Services. This service shall include all Garbage and Recyclable Materials that fall within the normal collection categories of this Agreement. It shall not include construction debris, or toxic materials requiring special handling, unless such collections are part of a toxic collection program made available to the general public. The Company shall provide On-call litter pick up to clean up locations of roadside dumping. These services shall be provided at the direction of the Manager-Engineer. Company shall respond to request for roadside litter clean-up within 72 hours of notice from the Manager-Engineer. Company shall create a monthly log of all roadside clean-ups requested which include the date and time and location of the response and the labor, tools and equipment used to pick-up, and transport waste to the disposal or recycling facility.

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4.6.2 Public Schools Collection Services. Company shall provide a School Recycling and Food Waste Program as specified in **Exhibit 5**. Company's School Recycling and Food Waste Program shall include, at a minimum, on-site classroom visits, worm composting, internships, written and electronic materials, and sponsorship of environmental field trips.

4.7 Household Hazardous Waste Programs.

4.7.1 Household Hazardous Waste (HHW) Collection Facility. The household and small business hazardous waste collection facility ("HHW Facility") is currently located at the Novato Recycling Center at 7576 Redwood Boulevard, Novato, California. The Novato Recycling Center is presently leased by Company or a Company affiliate. Company agrees to provide District use of a portion of the Company's existing facility for a long-term lease. District shall serve as sponsor and operator of the HHW Facility and may contract with a hazardous waste contractor to provide turnkey or other services. District shall be responsible for permitting and design of the HHW Facility as well as improvements to the current structures as may be required to operate the HHW Facility. District shall assume such responsibilities as may be set forth in the lease. The Company further agrees to participate in the relocation of the HHW Facility to a new site along with the construction of the new Recycling Facility as described in Article 4.11.7.

4.7.2 E-Waste Events. Company shall participate in District's semi-annual E-Waste events held at the Recycling Center. Company agrees to supply sufficient labor to collect and sort E-Waste at the events, as well as providing for individuals to assist with surveys and provide for a supervisor. District shall be responsible for contracting with E-Waste recycler, scheduling dates, advertising, paperwork and overall administration of the events.

4.8 Drop-Off Program and Facility.

4.8.1 Company will operate a drop-off program responsive to the District's requirements. A convenient Novato drop-off facility shall be used for the collection of Recyclables Materials, including glass, plastic and metal containers, newspapers, cardboard, waste paper, telephone books, used latex paint, used motor oil, oil filters, antifreeze, used car batteries, household batteries, fluorescent tubes, compact fluorescents, and such additional recyclable materials as may be required by District.

4.8.2 In addition to the above facility, Company shall provide at least two (2) beverage container buy-back centers to collect beverage containers eligible for deposit redemption in accordance with the beverage container deposit redemption program of the State of California. One of these buy-

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back centers shall be located at the main drop-off facility. The locations of the drop-off and buy-back facilities shall be approved by District. Upon the request of the District, Company shall develop and implement a third buy-back and/or drop-off facility at a location determined by the District.

4.8.3 Hours of operation for the main Novato drop-off and buy-back center shall be 10:00 am to 4:00 p.m. Tuesday through Sunday. Hours of operation of the other beverage container drop-off and buy-back facilities shall be 10:00 a.m. to 4:00 p.m., Tuesday through Saturday.

4.8.4 If a release or spill occurs at the drop-off facility, Company shall provide reports as required by Marin County Division of Environmental Health and any other competent authority with jurisdiction, and shall clean up the release or spill using approved techniques.

4.9 **Zero Waste Minimum Requirements.** The Company must achieve all of the following Zero Waste Requirements.

4.9.1 **Landfill Diversion Requirements.** In 2009 Company reached a 50% Diversion From Landfill Rate. The District requires the Company to achieve a diversion from landfill rate with a minimum diversion rate of 60 percent by December 31, 2015; 70 percent by December 31, 2020; and 80 percent by December 31, 2025, and each successive calendar year or such other amount as may be set by the District. The Diversion From Landfill Rate will be calculated as the tons of materials collected by Company from providing services as specified in this Agreement that are sold or delivered to a Processing Facility, recycler or re-user, net of all residue, divided by the total tons of materials collected under this Agreement by Company in each 12-month calendar year (January 1st – December 31st).

4.9.2 **MFD and Commercial Recycling**. Company shall fully implement the MFD and Commercial Recycling Programs as set forth in Section 4.4.3 by July 31, 2012.

4.9.3 **Organic Waste Collection and Processing Requirements**. Company shall fully implement the SFD, MFD, and Commercial Organic Waste programs as set forth in Sections 4.03.4 and 4.5 by December 31, 2012.

4.9.4 **Recycling and Reuse Center**. Company shall fully implement the relocation, expansion and operation of a new Recycling and Reuse Center programs as set forth in Section 4.11.7 by December 31, 2015.

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4.9.5 Public School Recycling. Company shall fully implement the Public School Recycling program as set forth in **Exhibit 5** by December 31, 2011.

4.9.6 Community Outreach Program. Company shall fully implement the Community Outreach Program as set forth in Section 5.4 by December 31, 2011.

4.9.7 Wet-Dry Collection. Company shall work with the District to determine if Wet-Dry collection is necessary to meet the December 31, 2020 Landfill Diversion Requirements. Such determination shall be made by December 31, 2018, and if it is determined that Wed-Dry collection is necessary, and the District agrees and approves of implementing Wet-Dry Collection, than the Company shall fully implement Wet-Dry collection by December 31, 2020.

4.9.8 Conversion Technology. Company shall work with the District to determine if utilizing Conversion Technology is viable and necessary to meet the December 31, 2025 Landfill Diversion Requirements. Such determination shall be made by December 31, 2020, and if it is determined that the use of Conversion Technology is necessary, and the District agrees and approves of implementing the use of Conversion Technology, than the Company shall delivery collected Garbage to Conversion Technology facilities by December 31, 2025.

4.9.9 Failure to Meet Minimum Requirements. Company's failure to meet the minimum Zero Waste Requirements set forth in Sections 4.12.1 through 4.12.9 above may result in the denial of an extension to this Agreement as specified in Article 2.4. In determining whether or not to hold the Company in default of this Agreement, or denial of a term extension, the District will consider the good faith efforts put forth by the Company in implementing the required programs to meet the minimum Zero Waste Requirements and the methods and level of effort of the Company to fully implement the services required in this Agreement.

4.10 Future Zero Waste Services.

4.10.1 Technology and Requlatory Changes. The Company and the District acknowledge that during the term of this Agreement new technologies may be developed to cost effectively divert materials from landfill disposal, and that new local, state, or federal laws and regulations may be enacted that change the manner in which Garbage, Recyclable Materials, and Organic Waste are managed. Accordingly, the Company and the District will cooperate to develop and implement addition, or

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replacement, programs to further the goal of reaching Zero Waste. These changes could include the following:

4.10.1.1 **Change in Collection Methods**. If District determines that a change in collection methods is feasible, including Wet/Dry Route Collection, and would lead to accomplishing Zero Waste Goals, Company agrees to work with the District to implement new collection and processing methods.

4.10.1.2 **Conversion Technology Systems**. If District determines that conversion technology system are feasible, and would lead to accomplishing Zero Waste Goals, Company agrees to work with the District to implement new conversion technology system(s).

4.11 Disposal, Processing, Drop-off, and Reuse Facilities

4.11.1 **Compliance with Regulations**. All materials collected under this Agreement shall be delivered to facilities that comply with the Department of Resources Recycling and Recovery regulations under Title 14, Chapter 3, Minimum Standards for Solid Waste Handling and Disposal (Article 5.9 – Sections 17380-17386). Company, and not the District, must assure that all Disposal, transfer, and processing facilities are properly permitted to receive material collected under this Agreement. Failure to comply with this provision may result in the Company being in default under this Agreement.

4.11.2 **Permits and Approvals**. Company must assure that all facilities selected by Company shall possess all existing permits and approvals by local enforcement agencies to be in full compliance with all regulatory agencies to conduct all operations at the approved location. Company shall, upon written request from the District, arrange for the facilities selected by the Company to provide copies of facility permits, notices of violations, inspection areas or concerns, or administrative action to correct deficiencies related to the operation. Failure to provide facility information may result in the Company being in default under this Agreement.

4.11.3 **Disposal Facility.** All Garbage collected as a result of performing Garbage Collection Services shall be transported to, and disposed of, at the Disposal Facility. Failure to comply with this provision shall result in the levy of an administrative charge as specified in this Agreement and may result in the Company being in default under this Agreement.

4.11.4 **Material Recovery Facility**. All Recyclable Materials collected as a result of performing Recycling Collection Services shall be delivered to a fully licensed and permitted Material Recovery Facility. Failure to comply

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with this provision shall result in the levy of liquidated damages as specified in this Agreement. All expenses related to Recyclable Materials processing and marketing will be the sole responsibility of Company.

4.11.5 Organic Waste Processing Facility. All Organic Waste collected as a result of performing Organic Waste Collection Services shall be delivered to a fully licensed and permitted Organic Waste Processing Facility. Failure to comply with this provision shall result in the levy of an administrative charge as specified in this Agreement and may result in the Company being in default under this Agreement. All expenses related to Organic Waste processing and marketing will be the sole responsibility of Company.

4.11.6 Construction and Demolition Debris Processing Facility. All Construction and Demolition Debris collected as a result of performing Collection Services shall be delivered to a fully licensed and permitted Construction and Demolition Debris Processing Facility. Failure to comply with this provision shall result in the levy of an administrative charge as specified in this Agreement and may result in the Company being in default under this Agreement. All expenses related to Construction and Demolition Debris processing and marketing will be the sole responsibility of Company.

4.11.7 Recycling and Reuse Center. The Company will work with the District to relocate the current Recycling Center, and to expand, and operate a new Recycling and Reuse Center at a site designated by the District. The specific details of operations and timeframe for implementation will be mutually agreed on between the District and the Company. The Company will be responsible for the cost of building and operating of the Recycling and Reuse Center.

4.12 Operations

4.12.1 Schedules. To minimize inconvenience to the public, solid waste recyclables and organic waste shall be collected from residential customers between the hours of 6:00 a.m. and 4:00 p.m. Commercial and multiple residential accounts that are adjacent to residential neighborhoods shall also be serviced between these hours. Otherwise, commercial, governmental, and institutional accounts shall be collected between the hours of 3:00 a.m. and 4:00 p.m., Monday through Saturday.

Company shall notify District and customers in writing at least two (2) weeks before an alternate collection day is scheduled, when the regularly scheduled collection day falls on Christmas Day or New Year's Day.

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Company may be required to review its operations plan with the District Manager-Engineer upon written request provided not less than thirty (30) days prior to the review. The review may occur once annually and will focus on the collection, routes, intervals of collection and collection times for all materials collected under this Agreement. More frequent reviews may be required if operations are not satisfactory based on documented observations, reports, or complaints. If the plan is determined to be inadequate by the District Manager-Engineer, Company shall revise the plan incorporating any changes into a revised plan and review the revised plan with District Manager-Engineer within thirty (30) calendar days.

In the case of a missed pick-up, Company shall collect the solid waste, recycling and organic waste within one (1) working day (24 hours) of being notified. Company shall not charge a fee in cases of missed pick-ups. However, where the customer has failed to place solid waste, recycling or organic waste out for collection on the collection day, Company may charge an extra fee for call-back collections in accordance with the District's authorized collection rates.

4.12.2 Vehicles

4.12.2.1 General. Company shall provide a fleet of collection vehicles sufficient in number and capacity to efficiently perform the work required by the Agreement in strict accordance with its terms. Company shall have available on collection days sufficient back-up vehicles for each type of collection vehicle (e.g., residential, commercial, and roll-off) used to respond to complaints and emergencies.

4.12.2.2 Specifications. All vehicles used by Company in providing refuse, recycling, construction and demolition debris, and organic waste collection services shall be registered with the California Department of Motor Vehicles. All such vehicles shall have watertight bodies designed to prevent leakage, spillage, or overflow.

4.12.2.3 Vehicle Identification. Company's name, local telephone number, and a unique vehicle identification number designed by Company for each vehicle shall be prominently displayed on all vehicles, in letters and numbers no less than two and one-half (2 1/2) inches high.

4.12.2.4 Cleaning and Maintenance

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

4.12.2.4.2 Vehicles used in the collection of refuse, recyclables, and organic waste shall be painted, thoroughly washed, and thoroughly steam cleaned on a regular basis so as to present a clean appearance. District may inspect vehicles at any time to determine compliance with this Agreement. Company shall also make vehicles available to the Marin County Division of Environmental Health for inspection, at any frequency it requests.

4.12.2.4.3 Company shall inspect each vehicle daily to ensure that all equipment is operating properly. Vehicles that are not operating properly shall be taken out of service until they are repaired and do operate properly. Company shall perform all scheduled maintenance functions in accordance with the manufacturer's recommendations, specifications, and schedule.

4.12.2.4.4 Company shall repair, or arrange for the repair of, all of its vehicles and equipment for which repairs are needed because of accident, breakdown, or any other cause so as to maintain all equipment in a safe and operable condition. If an item of repair is covered by a warranty, Company shall obtain warranty performance. Company shall maintain accurate records of repair, which shall include the date/mileage, nature of repair, and the signature of a maintenance supervisor affirming that the repair has been properly performed.

4.12.2.4.5 Company shall furnish sufficient equipment to provide all service required under this Agreement, including back-up collection vehicles. Company shall furnish District, upon request, a written inventory of all equipment, including collection vehicles, used in providing service, and shall, upon request, update the inventory annually. The inventory shall list all equipment by manufacturer, ID number, date of acquisition, type, and capacity.

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4.12.2.4.6 Company shall arrange to store all vehicles and other equipment in safe and secure location(s) in accordance with City and County's applicable zoning regulations.

4.12.2.5 Vehicle Operation and Specifications. Vehicles shall be operated in compliance with the California Vehicle Code and all applicable safety and local ordinances. Company shall not load vehicles in excess of the manufacturer's recommendations or limitations imposed by state or local weight restrictions on vehicles. All vehicles shall have watertight bodies designed to prevent leakage, spillage, or overflow.

Company equipment used for solid waste, recycling, and organic waste services shall be registered with the California Department of Motor Vehicles. Equipment shall comply with U.S. Environmental Protection Agency noise emission regulations and other applicable noise control regulations. Company shall store all equipment in safe and secure locations.

Company shall be responsible for any extraordinary damage caused by its trucks and other vehicles to City and County driving surfaces, whether or not paved, and associated curbs, gutters and traffic control devices, which damages shall exclude normal wear and tear resulting from proper use of such vehicles. Nothing herein shall create liability for the District for damages caused to such property by Company; nor shall this Agreement create liability by Company to owners of private property (including private drives) where liability would not otherwise exist at law.

As required by law, Company shall convert and/or retrofit its vehicles and/or fuel utilizing the most cost-effective means to reduce air pollutant emissions and at all times be in full compliance with local, state, and federal clean air requirements that were adopted or proposed to be adopted, including the proposed California Air Resources Board Heavy Duty Engine Standards to be contained in CCR Title 13, Section 2020 et seq; and the Federal EPA's Highway Diesel Fuel Sulfur regulations. All of Company's costs of compliance with such clean air requirements shall be considered an ordinary cost of business. Such costs shall be capitalized and depreciated and shall not constitute a basis for an Interim Rate Adjustment under Section 6.9 of this Agreement. A reasonable estimate of anticipated costs for modification of the fleet to comply with clean air regulations expected

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to become effective in 2009, shall be provided during the rate setting process for the 2008 rate year so as to address these anticipated costs.

4.12.2.6 BAAQMD Grant Restrictions. Solid Waste Collection Vehicles retrofitted with diesel emission control systems (DECS) funded in part by a grant from the Bay Area Air Quality Management District (BAAQMD) shall comply with the following special terms and conditions:

4.12.2.5.1 Display the TFCA logo decal;

4.12.2.5.2 Use only ultra-low sulfur diesel fuel, in compliance with CARB requirements;

4.12.2.5.3 Operate only within the boundaries of the BAAQMD;

4.12.2.5.4 Maintain information as to the operational status of each vehicle and DECS and provide this information to the BAAQMD within 60 calendar days of a request for this information;

4.12.2.6.5 Provide written notification to BAAQMD of any change in operational status of the vehicles or DECS. For the purposes of this agreement, a change in operational status means that the DECS, or the vehicle has been removed from active service in the BAAQMD, wrecked, scrapped, or sold or transferred to another entity, before it has been in use for at least five full years of service;

4.12.2.6.6 Refund the grant funds to the District, on a pro-rated basis, if any vehicle or DECS is subject to a change in operational status.

The Company is liable to reimburse the District for any refunds of grant monies or penalties incurred for failure to comply with the conditions of the grant.

4.12.3 Litter Abatement

4.12.3.1 Minimization of Spills. Company shall use due care to prevent solid waste from being spilled or scattered during the

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collection or transportation process. If any solid waste is spilled during collection, Company shall promptly clean up all spilled materials. Each collection vehicle shall carry a broom and shovel at all times for this purpose.

Without prior written approval by the District Manager-Engineer, Company shall not transfer loads from one vehicle to another on any public street, unless it is necessary to do so because of mechanical failure or accidental damage to a vehicle.

4.12.3.2 Clean Up. During the collection or transportation process, Company shall clean up litter in the immediate vicinity of any solid waste storage area (including the areas where collection boxes and debris boxes are delivered for collection) whether or not Company has caused the litter. Company shall discuss instances of repeated spillage not caused by it directly with the waste generator responsible and will report such instances to District. District Manager-Engineer will attempt to rectify such situations with the waste generator if Company has already attempted to do so without success.

4.12.3.3 Covering of Loads. Company shall cover all open debris boxes during transport to the disposal site.

4.12.4 Personnel. Company shall furnish such qualified drivers, mechanical, supervisory, clerical, management, and other personnel as may be necessary to provide the services required by this Agreement in a satisfactory, safe, economical, and efficient manner. All drivers shall be trained and qualified in the operation of vehicles they operate and must possess a valid license, of the appropriate class, issued by the California Department of Motor Vehicles.

Company also agrees to establish and vigorously enforce an educational program that will train Company's employees in the identification of hazardous waste. Company's employees shall neither knowingly place such hazardous waste in the collection vehicles, nor knowingly dispose of such hazardous wastes at a transfer station, processing facility, or disposal site.

Company shall train its employees in customer courtesy, shall prohibit the use of loud or profane language, and shall instruct collection crews to perform the work quietly. Company shall use its best efforts to assure that all employees present a neat appearance and conduct themselves in a courteous manner. If any employee is found to be discourteous or not to be performing services in the manner required by this Agreement, Company shall take all necessary corrective measures including, but not limited to, transfer,

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discipline, or termination. If District has notified Company of a complaint related to a discourteous or improper behavior, Company will consider reassigning the employee to duties not entailing contact with the public while Company is pursuing its investigation and corrective action process.

Company shall provide suitable operations, health, and safety training for all its employees who use or operate equipment or who are otherwise directly involved in collection or other related operations.

4.12.5 Identification Required. Company shall provide its employees, companies, and subcontractors with identification for all individuals who may make personal contact with residents or businesses in service area. District may require Company to notify customers yearly of the form of said identification. Company shall provide a list of current employees, companies, and subcontractors to District upon request.

4.12.6 Fees and Gratuities. Company shall not itself, or through any agent, employee, or subcontractor employed by it request, solicit, demand, or accept, either directly or indirectly, any compensation or gratuity for temporary bin/roll off services or the collection, transportation, recycling, composting, and disposal of solid waste and construction and street debris otherwise required under this Agreement.

4.12.7 Non-Discrimination. Company shall not discriminate in the provision of service or the employment of persons engaged in performance of this Agreement on account or race, color, religion, sex, age, physical handicap, or medical condition in violation of any applicable federal or state law.

4.12.8 Change in Collection Schedule. Company shall provide written notification to District not less than thirty (30) days prior to a proposed change in residential collection operations that results in a change in the day of operation on which solid waste collection, organic waste collection, or recyclable collection occurs. District shall have the right to approve all such changes; however, District's consent will not be unreasonably withheld.

Upon consent by District to a change in the day of collection services, the customer will be given not less than ten (10) days notice and Company will not permit any customer to go more than seven (7) days without service as a result of the collection schedule change.

4.12.9 Report of Accumulation of Solid Waste; Unauthorized Dumping. Company shall direct its drivers to note the address or other location

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description, of any premises at which they observe: (1) solid waste accumulating that is not being delivered for collection; (2) solid waste having been dumped in an apparent unauthorized manner; and/or (3) solid waste accumulating due to customer subscribing to an inadequate service level. Company shall deliver the address or description to the District within five (5) working days of such observation.

4.13 Contingency Plan

Company shall submit to District on or before the effective date of the Agreement, a written contingency plan demonstrating Company's arrangements to provide vehicles and personnel and to maintain uninterrupted service during breakdowns, and in case of natural disaster or other emergency, including the events described in Section 10.4.

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ARTICLE 5

OTHER SERVICES

5.1 Mandatory Company Billing Services

5.1.1 Billing. Company shall prepare, mail and collect bills, and issue written receipts for cash payments, for solid waste collection services provided by Company under this Agreement. Except for multiple residential customers, bills for residential service shall be mailed to customers quarterly. Company may mail bills at the beginning of the quarter, and they are due and payable upon mailing, and if not paid, become delinquent thirty (30) days after the end of the billing period. Company shall add an administrative late charge of 10% per month for amounts due and remaining unpaid for a period sixty (60) days after the end of the billing period. In addition, Company shall be allowed to discontinue collection service to any customer whose billing remains unpaid for a period of sixty (60) days after the end of the billing period, provided Company complies with Section 5.3.1.

Commercial, industrial, institutional, and multiple residential customers shall be billed monthly, for one (1) month in arrears. Such bills are due and payable upon mailing and, if not paid, become delinquent thirty (30) days after the end of the billing period. The service charge for late payment, and service cancellation provisions shall be the same as those for residential customers listed above.

Company may also provide a payment option for voluntary advance payment for one (1) year of service with the twelfth (12th) month of service provided at no charge in exchange for such advance payment. District shall have the right to stipulate the billing format to itemize certain charges.

Company may require full payment for debris boxes or other special services prior to delivery of debris box or the provision of other special services by Company.

5.1.2 Review of Billings. The District Manager-Engineer may require that Company review its billings to customers. The purpose of the review is to determine that the amount Company is billing each customer is correct in terms of the level of service (i.e. frequency of collection, size of container, location of container) being provided to such customer by Company. Company shall review customer accounts not less than every other year, unless District shall direct Company to do so more frequently, and submit to District a written report of that review annually on the anniversary of the

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effective day of this Agreement, unless otherwise directed by District Manager-Engineer. The intent of this section is for District to have the right to receive reports that will cover the entire list of customers every other year. The scope of the review and the reviewer's work plan shall be submitted to District for approval prior to submission of the first report.

5.2 Customer Service

5.2.1 Company Office. Company's current office location is in Santa Rosa, approximately thirty miles north of the City. Office hours shall be, at a minimum, from 8:00 a.m. to 4:30 p.m., Monday through Friday, exclusive of holidays. For the convenience of customers who wish to pay their bills in cash, Company shall maintain at least two (2) convenient locations in the Novato area where payments may be made. Such locations shall be approved by District.

A responsible and qualified representative of Company shall be available during office hours for communication with the public. Normal office hour telephone numbers shall either be a local or toll free call. The local and/or toll free number shall be printed on all Company bills or invoices for service and listed in the local telephone book. Company's telephone system shall be adequate to handle the volume the calls typically experienced on the busiest days. Company shall also maintain a local or toll free telephone number for after-hours. Company shall have a representative, or answering machine/message service (voice mail) available at said after-hours telephone number.

5.2.2 Complaints. All service complaints shall be directed to Company. A representative of the Company shall be available to receive complaints during normal business hours. All service complaints will be handled by the Company in a prompt and efficient manner. In the case of a dispute between the Company and the customer, the matter will be reviewed and a decision made by the District Manager – Engineer. Company may appeal the decision of the District Manager – Engineer to the District Board within 10 days of the receipt of the decision. Customers will be advised that any unresolved complaint can be forwarded to the District in accordance with Section 5.2.3.

All complaints alleging that Company personnel have mixed recyclables or organic waste with refuse, have missed collection, have failed to pick up litter, have refused to pick up unauthorized wastes, or have engaged in unsafe driving will be logged. Also, all complaints alleging Company failure to maintain vehicles, equipment, or refuse containers. Such log will be available for review by the District upon request.

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All customer service records and logs kept by Company shall be available to District upon request and provided at no cost to District. District shall, at any time during regular Company business hours, have access to Company's customer service department for purposes that may include monitoring the quality of customer service or researching customer complaints.

5.2.3 Resolution of Customer Complaints. Company shall notify customers of the complaint procedure at the time customers apply for or are provided service, and subsequently in the New Customer Brochure provided for in Section 5.4.3 herein.

A customer dissatisfied with Company's response regarding a complaint may ask District to review the complaint. To obtain this review, the customer must submit a written request within thirty (30) days of the original complaint to Company if Company has failed to respond to the complaint. District may extend the time to request its review for good cause. In reviewing the complaint, the District Manager-Engineer shall seek a response and remedy by Company.

The District Manager-Engineer shall determine if the customer's complaint is justified, and if so, what remedy if any shall be provided. The District Manager-Engineer may delegate these duties to a designee. The decision of the District Manager-Engineer or his/her designee shall be final on any matter under Five Hundred Dollars ($500). In the event of a decision on a matter involving Five Hundred Dollars ($500) or more, Company may seek review by the Board of Directors.

5.2.4 Company Liaison. Company shall designate in writing a "company liaison" who shall be responsible for working with the District Manager-Engineer and/or the District Manager-Engineer's designated representative(s) to resolve customer complaints.

5.3 Discontinuance of Collection Service and/or Refusal to Collect

5.3.1 Discontinuance of Service. If Company elects, pursuant to Section 5.1.1 to discontinue collection service for failure to pay for said services, the Company shall, prior to discontinuance: (1) provide the customer with thirty (30) days prior written notice of the intent to discontinue service and (2) provide the District with fifteen (15) days prior written notice of the intent to discontinue service to said customer. Company shall not, however, discontinue service until resolution of any good faith disputes concerning amounts due Company.

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5.3.2 Refusal to Collect. Company may, at its discretion, refuse to collect waste and/or recyclable materials from any customer who uses a non-standard sized container for disposal of wastes or collection of recyclables.

Company may refuse to collect any waste containing hazardous substances or hazardous waste, medical wastes, or any other such unauthorized wastes. Company shall immediately notify the District and the Marin County Division of Environmental Health of any hazardous wastes or hazardous substances left for collection by said customer, to the extent said wastes pose a significant threat to human health or the environment.

Company may, at its discretion, refuse to collect any recyclable containers containing significant amounts of solid waste that is commingled with recyclable materials.

If, for any reason, Company refuses to collect recyclable and/or waste containers from a customer, Company shall promptly provide said customer with a written explanation or alternatively, Company shall telephone the customer with an explanation on the same day as the intended pick up. Company shall maintain a log of such events.

5.4 Community Outreach Services.

Company agrees to work diligently to promote and expand Zero Waste programs and to meet the goals established to meet the requirements of the City of Novato's and the District's Zero Waste Goals. Company shall develop and distribute promotional materials describing recycling programs and encouraging recycling to all residential, commercial, and industrial accounts at least two times per year, or more often if requested by the District. These materials shall be submitted to the District Manager-Engineer for prior approval. A schedule for preparation and approval of promotional materials shall be submitted for approval of District by November 1 of each subsequent year. The Company's Community Outreach Services shall include, at a minimum, the following:

5.4.1 Community Involvement and School Recycling Programs. By October 31, 2011, The Company shall fully develop for implementation the Zero Waste Community Outreach Outline as included in **Exhibit 4,** and the School Recycling and Food Waste Program Outline as included in **Exhibit 5**. The District shall review and approve the plans prior to implementation by the Company. Updates of the action plans must be submitted annually for District approval no later than October 31, 2012 and no later than October

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31st each Agreement Year thereafter. The program must include specific steps designed to increase diversion and participation, for the District residents, businesses, and Public Schools. Campaigns should target certain diverted materials or "problem" areas of the Company's Service Area where improvements can be maximized. Targets of outreach should be based on local trends and recycling patterns based on information obtained by both the District Manager-Engineer and Company staff. The Company shall provide space in Company's public outreach materials, such as mailers, flyers and newsletters, for the District to include announcements, community information, articles, and photographs. The Public School campaigns shall correspond with the school year and should target student, faculty and staff participation in the diversion of Recyclable Materials and Organic Waste.

5.4.2 Recycling Coordinator. Company will provide for the equivalent 2/5 full-time Recycling Coordinator dedicated to the District. Company may use an approved sub-contractor as approved by the District to perform some or all the duties normally assigned to the Recycling Coordinator.

5.4.3 Annual Collection Service Notice. Company shall periodically prepare and distribute at least twice annually, subject to direction from the District Manager-Engineer, separate notices to all SFD Service Units regarding the SFD Collection Service, to all MFD Service Units regarding MFD Collect Service, and to all Commercial Service Units regarding Commercial Collection Service. To the extent appropriate, based on the category of customer receiving the notice, it shall contain at a minimum: definitions of the materials to be collected, procedures for setting out the materials, collection and disposal options for unacceptable materials such as Hazardous Waste, maps of the Service Area indicating the day of the week that Collection Service will be provided, and the Company customer service phone number and website address. The notice shall also inform customers of recycling and waste diversion opportunities and goals, emphasizing Zero Waste as well as AB 32, and explain use of recycling and waste diversion services offered by Company and other specific information that will assist in the efficient collection of garbage, organic waste, and recyclable materials. The notice shall be provided in English, and other languages as reasonably directed by the District, and shall be distributed by the Company no later than November 1st each Agreement Year.

5.4.4 Website. Company shall be responsible for updating and maintaining a website for use by Customers. The website shall emphasize Zero Waste goals as well as AB 32 and shall contain the same information discussed in the Zero Waste Community Outreach Outline included in **Exhibit 4.**

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5.4.5 New Customer Brochure. Company shall also prepare and update annually a brochure for mailing to all new customers entitled to service under this Agreement. The brochure shall contain a listing of Company's collection rates, annual holiday schedule and a general summary of services required to be provided hereunder and optional service that may be furnished by Company. The brochure shall include the same type of information as described in Section 5.04.3. This brochure shall include information appropriate to allow a new customer to participate fully in the garbage, recycling, and organic waste programs offered by Company. Company shall include any specific information as may be requested by District.

5.4.6 Additional Programs and Services. Company shall provide additional services and programs as requested by District at a price to be mutually agreed upon between the Company and the District Manager-Engineer. In the event the Company and the District Manager-Engineer cannot reach a mutually agreed upon price for the requested service or program, District shall have the right to procure the service of other vendors or Companies to provide the requested service.

5.4.7 News Media Relations. Company shall notify the District Manager-Engineer by e-mail or phone of all requests for news media interviews related to the Collection Services program within twenty-four (24) hours of Company's receipt of the request. Before responding to any inquiries involving controversial issues or any issues likely to affect participation or Service Recipient perception of services, Company will discuss Company's proposed response with the District Manager-Engineer.

5.4.8 News Releases. Copies of draft news releases or proposed trade journal articles shall be submitted to District for prior review and approval at least five (5) Work Days in advance of release, except where Company is required by any law or regulation to submit materials to any regulatory agency in a shorter period of time, in which case Company shall submit such materials to District simultaneously with Company's submittal to such regulatory agency. Copies of articles resulting from media interviews or news releases shall be provided to the City within five (5) Work Days after publication.

5.4.9 Compost Delivery. Upon request by the District Manager-Engineer, Company shall provide premium quality compost materials delivered to locations and in amounts as requested by the District Manager-Engineer, provided that the total amount during any single Agreement Year does not exceed three-hundred sixty (360) cubic yards. Such delivery of compost shall be made within seventy-two (72) hours upon request by the District

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Manager-Engineer. Company shall also deliver premium quality compost to individual Service Unit seventy-two (72) hours upon request of a Service Recipient. The quantity of Company deliveries of premium compost and shall be a minimum of five (5) cubic yards.

5.4.10 Community Reuse E-Network. The Company will work with the District to develop, implement, and manage a Community Reuse E-Network to promote the reuse of Bulky Waste.

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ARTICLE 6

COMPANY'S COMPENSATION AND RATES

6.1 General

Company's compensation provided for in this article shall be the full, entire, and complete compensation due to Company for all labor, equipment, materials, and supplies, taxes, insurance, bonds, overhead, disposal, profit, and all other things necessary to perform all the services required by this Agreement in the manner and at the times prescribed.

Company will not look to District for payment of any sums under this Agreement. Company will perform the responsibilities and duties described in this Agreement in consideration of the right to charge and collect from customers for services rendered at rates fixed by District from time to time. The District shall have the right to structure those rates as it deems appropriate so long as the revenues forecasted to be received by Company from charging such rates can reasonably be expected to generate sufficient revenues to provide for compensation to Company as set forth herein, and an adequate rate of return (profit).

6.2 Rates Applicable Through December 31, 2011

The maximum allowable refuse disposal rate currently in effect are those set forth in Resolution 3028 adopted by the District Board of Directors on December 27, 2010. A copy of this rate schedule is attached hereto as Exhibit 1. These rates shall remain in effect through December 31, 2011.

6.3 Rates Applicable During the 2013 Calendar Year

On or before July 1, 2012, Company shall submit an application for adjustment of rates to be applicable for the 2013 calendar year. This application shall be based on the audited financial statements for the preceding complete fiscal year.

The application shall be submitted in the same or similar format as that described below. Company shall assemble and submit such information as necessary to support assumptions made with regard to forecasts used to develop their requested rate schedule.

Company shall provide all information requested by District as part of its review of Company's application including, but not limited to, all information from related party entities by District regarding any transactions between Company and those related party entities.

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District, or its representative, will review Company's application for compliance with this Agreement, accuracy and reasonableness. The District Board of Directors shall set rates calculated to provide adequate revenues for Company to properly comply with its obligations under this Agreement. This Agreement does not contemplate a guaranteed level of return (profit) for Company, nor does District, through the rate setting process, assume responsibility to guarantee revenues to cover all market or business risks, unreasonable operational costs, or losses due to business judgment.

Rates shall be established based on the forecasted annual cost of operations, profit, and forecasted pass-through expense reviewed as set forth below.

6.3.1 Forecasted annual cost of operations for 2013. The forecasted annual cost of operations shall consist of the sum of:

Forecasted labor-related costs
Forecasted vehicle-related costs
Forecasted other costs
Forecasted depreciation expense

Each of these sums shall be reviewed based on the following:

6.3.1.1 Determination of actual costs. Company's financial statement will be reviewed to determine Company's costs for each of the foregoing categories during the fiscal year involved. District will determine that costs have actually been incurred and have been assigned to the appropriate category.

6.3.1.2 Adjustment of actual costs. District may adjust the actual costs in two ways: (1) to exclude any non-allowable costs, set out below, and (2) to exclude and/or reduce any costs that were not reasonably and necessarily incurred in the performance of the services provided in accordance with this Agreement.

Costs that may be deemed non-allowable include, but are not limited to, the following:

6.3.1.2.1 The forecasted costs of operations for Commercial Recycling Collection Service.

6.3.1.2.2 The forecasted costs of Operations for MFD Recycling Service.

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6.3.1.2.3 The following costs associated with the SFD Organic Waste Collection Service:

6.3.1.2.3.1 Ten percent (10%) of the forecasted SFD Organic Waste Collection Service tonnage times the tipping fee at the Organic Waste Processing Facility; and

6.3.1.2.3.2 Ninety percent (90%) of the forecasted SFD Organic Waste Collection Service tonnage times the difference between the Organic Waste tipping fee at the Organic Waste Processing Facility minus the tipping fee for Green Waste at the Organic Waste Processing Facility.

6.3.1.2.4 The forecasted cost of operations associated with the MFD Organic Waste Collection Service.

6.3.1.2.5 Payments to directors and/or owners of Company unless paid to reasonably compensate for services actually rendered.

6.3.1.2.6 Promotional, entertainment, and travel expenses, unless authorized in advance by District.

6.3.1.2.7 Payments to repair damage to property of District or other parties, including the City or County for which Company is legally liable.

6.3.1.2.8 Fines or penalties of any nature.

6.3.1.2.9 Liquidated damages assessed under Section 10.3 of this Agreement.

6.3.1.2.10 Federal or state income taxes.

6.3.1.2.11 Charitable or political donations.

6.3.1.2.12 Attorney's fees and other expenses incurred by Company in any court proceeding in which District and Company are adverse parties, unless Company is the prevailing party in said proceedings.

6.3.1.2.13 Attorney's fees and other expenses incurred by Company in any court proceeding in which Company's own

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negligence, violation of law or regulation, or other wrongdoing, are in issue and occasions in part the attorney's fees and expenses claimed, provided, however, such attorney's fees will be allowed to the extent Company can demonstrate they were reasonable and necessary and a cost of doing business, and were not the result of any intentional or willful misconduct by Company or its employees; and attorney's fees and expenses incurred by Company in a court proceeding in which the legal theory or statute providing a basis of liability against Company also provides for separate strict liability for District arising from the action of its citizens or ratepayers (such as in a CERCLA lawsuit).

6.3.1.2.14 Payments to related party entities for products or services, in excess of the fair market value for those products or services. For purposes of this Agreement, related party expenses are those resulting from transactions between Company and another company (companies) that has (have) common ownership or management control. Except as otherwise provided below the amount of these transactions shall be based on the actual cost to the related party and shall include no profit. To demonstrate the actual cost to the related company, Company shall provide, at a minimum, the invoice for the good or service, the receiving document, the corresponding canceled check and the basis for the transaction. Whenever possible, materials shall be delivered directly to Company or the related party entity, as appropriate. Because the following types of related party transactions have existed, they have been specifically addressed below:

6.3.1.2.14.1 Management Fees: Company pays management fees to North Bay Corporation, a related party. The management fee compensates North Bay Corporation for its management team's time spent in managing the operations and administering the Company (including the time of Mr. James Ratto). For purposes of determining Company's compensation in accordance with this Agreement, a management fee of $134,400 annually shall be stipulated and the North Bay Corporation management team, including Mr. James Ratto, shall not otherwise be compensated for these same services. This stipulated amount shall not be

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adjusted during the term of this Agreement or any extension period.

6.3.1.2.14.2 Site Rent Expense: Company operates from facilities it leases from Creekwood Investments and North Bay Corporation, related parties. For purposes of determining Company's compensation in accordance with this Agreement, a lease amount of $54,000 annually shall be stipulated. This stipulated amount shall not be adjusted during the term of this Agreement or any extension period.

6.3.1.2.14.3 Equipment Rental: Company leases equipment from North Bay Corporation, a related party, and is entitled to compensation for depreciation and interest expense related to this equipment. No compensation for the depreciation of the equipment listed in Exhibit 3 shall be provided to Company, pursuant to this Agreement.

For purposes of this Agreement, Company shall be entitled to compensation for equipment depreciation whether leased or purchased by the Company, based on the following useful lives:

5 Years: Recycling containers, computers and software, office equipment.
7 Years: Collection vehicles, collection bins, toters, debris boxes.

Company shall be required to provide to District (or District's representative) documentation of the original cost of the equipment.

For purposes of this Agreement, Company shall be entitled to compensation for interest expense on equipment leases assuming financing of seventy five percent (75%) of the original cost and based on the Prime Rate of the Bank of America NT & SA in effect at the time the equipment was first leased.

6.3.1.2.14.4 Employee Health Insurance: Company purchases employee health insurance for both itself and

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related parties and is entitled to compensation for Company's cost of this insurance. Because the premium is allocated among several companies, Company's compensation shall be calculated by dividing the premium by the total number of employees covered and multiplying the quotient by the number of Company employees. If Company provides ongoing administration of the health insurance program for itself and related parties, the full cost of such administration shall be distributed among the parties and the Company on the basis of the number of employees covered. To determine the amount of compensation due the Company, Company shall submit to District (or District's designated representative) a copy of the insurance broker's invoice, the corresponding canceled check and the calculations described above, including corresponding documentation supporting the values used (e.g., total employees covered).

6.3.1.2.14.5 Automotive Liability Insurance: Company purchases automotive liability insurance for both itself and related parties and is entitled to compensation for Company's cost of this insurance. Because the premium is allocated among several companies, Company's compensation shall be calculated by prorating the premium among related parties and Company on the basis of the actual total liability premiums paid for vehicles of each company. To determine the amount of compensation due Company, Company shall submit to District (or District's designated representative) a copy of the insurance broker's invoice, the corresponding canceled check and the calculations described above, including corresponding documentation supporting the values used (e.g., total vehicles covered).

6.3.1.2.14.6 Fuel Expense: Company purchases fuel for both itself and related parties and is entitled to compensation for Company's cost of fuel. Because fuel is pumped into both Company and other trucks, Company shall maintain a fuel log that will record actual usage by particular truck. To determine the amount of compensation due Company, Company shall submit to District (or District's designated representative) a copy

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of the fuel invoices, the receiving documents, the corresponding canceled checks and copies of the fuel log, and calculations supporting the amount of fuel expense claimed by Company.

6.3.1.3 Forecasts of Costs. Allowed Costs of operations for the Company's fiscal year ending December 31, 2011 will be used to evaluate the forecasted cost for the 2013 rate year. The review will evaluate forecasted labor-related costs, vehicle-related costs, and other costs, including pass-through expenses as outlined below.

6.3.1.4 Depreciation Expense. Depreciation expense will be calculated by dividing the actual purchase price of the assets by the number of years in the Term of the Agreement. The result is the forecasted depreciation expense for the rate year.

6.3.2 Profit. Profit or return to Company shall be determined by District applying an operating ratio so as to provide for reasonable costs of service and adequate rate of return to Company. The rate of return or profit shall be reasonably sufficient to allow for financial soundness of Company's operations within the service area of this Agreement, when operated under efficient and economical management, and to provide a return to Company over the term of the Agreement commensurate with the level of business risk, the competitive market place and the necessity to provide the public with reasonable rates. For purposes of this Agreement the District-determined operating ratio shall be 90% as of the date of the execution of this Agreement.

6.3.3 Compensation for Recyclable Materials

6.3.3.1 Recyclable Material Per Ton Net Revenue Amount.

6.3.3.1.1 Fair Market Value - For purposes of forecasting recyclable material net revenues for 2013, the Company shall use the calculated fair market value of recyclable material revenues for 2011, which shall equal the annual total of the fair market value for such material for each month times the associated monthly tonnage collected or received by the Company for calendar year 2011, times any applicable growth rate (the 2011 Projected Revenues). That fair market value shall be calculated as follows:

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6.3.3.1.2 The fair market value of net revenue paid by related parties to the Company for recyclable materials net of processing costs, and any and all other costs (the Per Ton Net Revenue Amount), shall initially be set at $44.85 per ton effective July 2005. This initial Per Ton Net Revenue Amount will be adjusted on a monthly basis, as described below.

6.3.3.1.3 The prior month Per Ton Net Revenue Amount shall be adjusted for purposes of establishing the Per Ton Net Revenue Amount for the current month based on changes to the Official Board Markets Transacted Paper Stock Prices (OBM Index Prices) as reported for "San Francisco" as follows:

6.3.3.1.3.1 The starting point for the Per Ton Net Revenue Amount shall be $44.85 per ton effective July 2005.

6.3.3.1.3.2 The Per Ton Net Revenue Amount shall be adjusted monthly based on changes to the OBM Index Prices for Mixed Paper, #8 Newspaper and OCC as reported in the first weekly OBM issue of each month. The OBM Index Prices for each of these commodities shall be set at the average of the high and low prices reported each month, which are $67.50, $87.50 and $87.50 respectively for July 2005.

6.3.3.1.3.3 The weighted average percentages for Mixed Paper, #8 Newspaper and OCC for purposes of applying the OBM Index Prices shall be 46%, 46% and 8% respectively.

6.3.3.1.3.4 Every month, one hundred percent (100%) of the weighted average O.B.M. index price adjustment (up or down) compared to the previous month shall be added or subtracted from the prior month Per Ton Revenue Amount for purposes of establishing the Per Ton Revenue Amount for each month.

6.3.3.1.4 Example: The OBM Index Price adjustments from July 2005 to August 2005 for Mixed Paper, #8 Newspaper and OCC were -$10/ton, -$5/ton and -$10/ton respectively. Applying the above referenced weighted average by material type, the price change July to August is -$9.00/ton. The Per

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Ton Net Revenue Amount for July 2005 would decrease from $44.85 to $35.85. which is the Per Ton Net Revenue Amount for August 2005. (See Exhibit A for a sample calculation.)

6.3.3.1.5 The calculated Per Ton Net Revenue Amount for each month shall be applied to all tonnages collected or received by the Company through the recycling program and delivered to related parties for processing for that month, including any and all processing residue, contaminants, non-processable or other material tonnages.

6.3.3.1.6 Notwithstanding any provision of this Agreement to the contrary, at no time shall the Per Ton Net Revenue Amount paid by a related party be less than $10 per ton (The Floor Price) nor more than $80 per ton (The Ceiling Price) – The Floor Price and Ceiling Price shall be adjusted for the full impact of any change in the CRV value as provided for below.

6.3.3.1.7 In the event of any future changes to the California Redemption Value (CRV) paid by the State of California, the Per Ton Net Revenue Amount shall be adjusted to account for that relative impact on the Per Ton Net Revenue Amount. That impact shall be determined by multiplying the total applicable CRV tons for the prior 12 months times the applicable net change in CRV per ton revenue to project the total additional annual CRV revenue. This total additional annual CRV revenue shall then be divided by the total tonnage collected or received by the Company through the recycling program for the prior 12 months to determine the net additional per ton revenue amount that shall be added to the calculated Per Ton Net Revenue Amount going forward. The parties agree that should the CRV value be adjusted on or after July 1, 2007, as provided for in the California Beverage Container Recycling and Litter Reduction Act, allowances will be made to the rates that are set for 2008 and beyond to fully account for this change, notwithstanding any provision of this Agreement to the contrary.

6.3.3.2 Balancing Account Calculation for Recyclable Materials. Because of the potential volatility of recyclable material prices, the District and Company agree to establish a Balancing Account for recyclable material sales revenue. The Balancing Account amount will be based on the difference between the projected revenues for each year (as calculated using the above methodology) and the

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calculated revenues for that year (i.e., the annual total of the actual monthly tonnage times the calculated Per Ton Revenue Amount for each month using the methodology described above).

6.3.3.2.1 For purposes of tracking the Balancing Account amount, the Company shall provide the District with an annual report that includes:

6.3.3.2.1.1 A copy of the OBM Index Prices as reported in the first issue of each month;

6.3.3.2.1.2 The total commingled recyclable tonnage delivered to any related party for processing;

6.3.3.2.1.3 The calculated current month Per Ton Revenue Amount and the calculation used to determine that amount;

6.3.3.2.1.4 The total monthly Calculated Revenue equal to the total tonnage collected or received by the Company through the recycling program and delivered to the related parties for processing times the calculated monthly Per Ton Revenue Amount); and

6.3.3.2.1.5 All prior year to date monthly figures for the calendar year for items (ii) through (iv) above.

6.3.3.2.2 The net cumulative Balancing Account amount for 2008 through 2011 shall be accounted for in full in setting the rates for Calendar Year 2013 by dividing that amount by five (to account for rates in 2013, 2014, 2015, 2016 and 2017) and adjusting the 2013 revenue requirement by that amount. The net cumulative Balancing Account amount for 2012 through 2016 shall be accounted for in full in setting the rates for Calendar Year 2018 by dividing that amount by five (to account for rates in 2018, 2019,2020, 2021 and 2022) and adjusting the 2018 revenue requirement by that amount.

The net cumulative Balancing Account amount for 2017 through 2021 shall be accounted for in full in setting the rates for Calendar Year 2023 by dividing that amount by three (to account for rates in 2023, 2024 and 2025) and adjusting the 2023 revenue requirement by that amount.

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The cumulative balancing account amount for Calendar Years 2022 through 2025 shall be paid by the applicable party to the other party in no less than equal annual payments over a period of no more than four years starting January 1st 2026, without interest.

6.3.3.2.3 Exit Clause – The parties agree that the proposed methodology is intended to provide a reasonable projection of the fair market value of revenues paid by third parties to the Company. Recyclable material commodity prices can, however, be extremely volatile and factors other than those accounted for in the proposed methodology may impact the fair market value of revenues. To provide a contingency for such potential events, each party shall have the right to terminate the use of the methodology for establishing the monthly Per Ton Revenue Amount described in this Section at any time during the term of this Agreement at either party's sole discretion. The notification shall be in writing and shall be effective thirty calendar days after receipt. The exercising of said option shall not remove either party's obligation to the other party for any Balancing Account balance at the time said option is exercised and becomes effective.

6.3.3.2.4 In the event that either party exercises its option to terminate the methodology for establishing the Per Ton Revenue Amount, the parties agree to negotiate a new methodology that is acceptable to both parties. In the event that the parties cannot agree on acceptable changes to the methodology, the fair market value will be based on a review of actual related recyclable material sales revenues and related processing expenses.

6.3.4 Pass-Through Expenses. The forecasted pass-through expenses consist of forecasted governmental fees and charges, the franchise fee, and all disposal costs incurred at a transfer station or disposal site. These pass-through expenses will be included as an element of costs for setting the rates; however, these expenses shall not be included in any costs used as a basis for calculation of or determination of profit.

6.4 Rates Applicable During Calendar Years 2011 Through 2012, and Years 2014 Through 2017, and Years 2019 Through 2022, and Years 2024 and 2025

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In response to Company's request for adjustment, received on or before October 1st prior to the applicable year, rates for calendar year 2012, and years 2014through 2017, and years 2019 through 2022 and years 2024 and 2025 shall be based the application of the Refuse Rate Index Methodology as set forth in Exhibit 3, coupled with an adjustment for forecasted pass-through costs.

6.5 Rates Applicable During Calendar Years 2018 and 2023

Rates applicable during the calendar years 2018 and 2023 shall be determined by reference to the rate-setting methodologies for calendar year 2013. Company shall make application by July 1, 2017 and 2022. Application shall be based on the audited financial statements for the preceding complete fiscal year.

6.6 Rates Applicable During Any Extension Periods

Rates during calendar years of an extension of this Agreement, if any, shall be determined by reference to the rate-setting methodologies set forth above, with the intent that the methods used for calendar year 2008 shall be used for calendar year 2028 and the methods used for calendar years 2009 through 2012 shall be used for calendar years 2026, 2027, 2029, and 2030.

6.7 Variances From Projections

In general, Company shall retain any income for actual costs being less than projected but shall not be compensated for actual costs being more than projected. In addition, calculations for rates ordinarily shall not be adjusted for past variances of actual cost from those projected. Variances in the actual level of profit or return to Company shall ordinarily be the benefit or risk of the Company, with the exception of the Balancing Account methodology set forth in this Article.

6.8 Schedule for Rate Adjustments

Company shall submit its request for adjustment of rates as set forth in Section 6.3 through 6.6. District shall use its best efforts to make any rate adjustments effective by January 1st of the applicable year. However, District shall not make any retroactive adjustments to compensate for any delay that results in whole or in part from the failure of Company to submit its request in a timely manner, and/or respond promptly and completely to requests of District for information related to any of the required calculations or from appeals of the determination to District that extends the process of rate adjustment.

6.9 Special Interim Rate Adjustments

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In the event District directs Company to change its operations in accordance with Section 2.9 of this Agreement, and such change materially affects Company's annual cost of operations or pass-through expenses, then Company or District may submit a request for an interim rate adjustment. In the event District comes to understand that a change in operations by Company would materially decrease Company's annual cost of operations (e.g., a significant decrease in disposal costs or governmental fees), District may initiate an interim rate adjustment. In such case, Company shall prepare a complete application in accordance with the methodology set forth in Section 6.4, unless otherwise agreed to by the District.

Company may apply for consideration of a special interim rate adjustment should an event or circumstance arise that substantially affects the financial operations of Company. For example, a special request for rate adjustment will be considered if:

6.9.1 An event or circumstance occurs that was not reasonably foreseen, and is extraordinary and not a usual business risk of Company, or

6.9.2 An event or circumstance occurs that is beyond the control of Company, or

6.9.3 Changes in disposal methods or sites are mandated by any governmental authority having legal jurisdiction, or,

6.9.4 It is necessary for Company to make a substantial change in operation or substantial capital investment in order to perform its obligations under this Agreement.

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ARTICLE 7

RECORDS, REPORTS, AND INFORMATION REQUIREMENTS

7.1 General

Company shall maintain such accounting, statistical, and other records related to its performance under this Agreement, as shall be necessary to develop the financial statements and other reports required by this Agreement. Also, Company agrees to conduct data collection, information and record keeping, and reporting activities needed to comply with applicable laws and regulations and to meet the reporting and solid waste program management needs of District. To this extent, such requirements set out in this and other articles of this Agreement shall not be considered limiting or necessarily complete. In particular, this Article is intended to only highlight the general nature of records and reports and is not meant to define exactly what the records and reports are to be and their content.

7.2 Records

7.2.1 General. Company shall maintain records required to conduct its operations, to support requests it may make to District, and to respond to requests from District in the conduct of District business. Adequate record security shall be maintained to preserve records from events that can be reasonably anticipated such as a fire, theft, and earthquake. Electronically maintained data/records shall be protected and backed up.

Company agrees that upon the request of the District for records of any and all companies conducting operations addressed in this Agreement, including related party entities, reasonably related to the determination of compliance with this Agreement or determination of the Company's compensation or rates, Company shall provide such records or make them available to District and its official representatives during normal business hours. However, for those years when the compensation methodology set forth in Section 6.3.3 (Compensation for Recyclable Materials) remains in use, the Company shall have no obligation to provide records for affiliated recycling companies.

7.2.2 Financial Records. Financial records shall be maintained and cost and revenue information for the service area segregated from other areas served by Company.

7.2.3 Solid Waste Records. Records shall be maintained for the service area relating to:

7.2.3.1 Customer services and billing;

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7.2.3.2 Character, weight, and volume of waste, especially as related to reducing and diverting waste. Information will be separated by kind of account;

7.2.3.3 Routes in a format suitable for preparing reports and coordinating with other agencies;

7.2.3.4 Facilities, equipment, and personnel used;

7.2.3.5 Facilities and equipment operations, maintenance, and repair;

7.2.3.6 Processing and disposal of solid waste;

7.2.3.7 Complaints as detailed in Section 5.2.2.

Company shall maintain records of waste site and transfer station disposal of all solid waste collected in service area for the period of this Agreement and all extensions to this Agreement or successor agreements. In the event Company discontinues providing solid waste services to District, Company shall provide all records of waste site and transfer station disposal of all waste collected in service area to District within thirty (30) days of discontinuing service. Records shall be in chronological and organized form and readily and easily interpreted.

7.2.4 Recycling Service Records. At direction of District, Company shall maintain records for the service area that relate to:

7.2.4.1 Records described in 7.2.3 above;

7.2.4.2 Recycling participation -- especially as related to determining participation rates and implementing programs to increase existing participation and to expand diversion;

7.2.4.3 Weight of each material by type;

7.2.4.4 Sales -- kind of material, name of buyer/user, date of sales/transactions, processing costs, quantity purchased (in tons) and value per ton, and net sales; and

7.2.4.5 Inventories.

7.2.5 Other Programs Records. Records for other programs shall be tailored to specific needs. In general, District may require records which include:

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7.2.5.1 Plans, tasks, and milestones; and

7.2.5.2 Accomplishments in terms such as dates, activities conducted, quantities of products used, produced or distributed, numbers of participants and responses, as well as tonnages diverted, recycled or composted, etc.

7.3 Reports

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

7.3.1.1 Determine and set rates and evaluate the financial efficacy of operations;

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

7.3.1.3 Determine needs for adjustment to programs; and

7.3.1.4 Evaluate customer service and complaints.

Company may propose report formats that are responsive to the objectives and audiences for each report. The format of each report shall be approved by the District Manager-Engineer. All reports shall be submitted to:

District Manager-Engineer
Novato Sanitary District
500 Davidson Street
Novato, CA 94945

7.3.2 Quarterly Reports. Quarterly reports shall be submitted within 40 calendar days after the end of the applicable quarter.

7.3.2.1 Regular Services. Solid waste, sorted by kind of generator, collected by Company, in tons, generated by month.

7.3.2.2 Recycling Services. Tonnage of material collected for recycling by month, by material type. Tons will be separately reported for curbside collections. Commercial, and buy-back centers.

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7.3.2.3 Organic Waste Services. Tonnage of all organic waste collected and final disposition of materials.

7.3.2.4 Number of accounts by service category (i.e. residential, commercial and multifamily) and receptacle size at the end of each quarter.

7.3.2.5 Bulky Waste. Report by class and weight the solid waste, used appliances, etc., collected as bulky waste and the kinds and weights of waste diverted during these cleanups from the landfill through recycling, reuse, composting, transformation, or other means of diversion.

7.3.4 Other Reports. Company shall furnish District with other reports as may be reasonably required by District in order that District may fulfill its obligations under applicable laws or regulations. Such reports may include, but are not limited to, recyclable materials sales at or relating to the quantities and sales price of recyclables including monthly tonnages and sales information and inventories on hand.

7.3.5 Annual Financial Report. When requested by District, Company's and (to the extent necessary to determine compliance with this Agreement or to determine the Company's compensation or rates) related party entities' financial reports/statements shall be included with the annual report. The annual report shall also include a complete inventory of equipment used to provide all services.

Company shall submit, annually, a financial statement to the District. Financial statements shall include a supplemental schedule showing Company's results of operations, including the specific revenues and expenses in connection with the operations provided for in this Agreement, as well as other operations included in such financial statements. The financial statements, supplemental schedule and footnotes shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited, in accordance with Generally Accepted Auditing Standards (GAAS) by a certified public accountant (CPA) licensed (in good standing) to practice public accounting in the State of California as determined by the State of California Department of Consumer Affairs Board of Accountancy. The CPA opinion on Company's annual financial statements and supplemental schedule shall be unqualified, except as to uncertainties for which the ultimate outcome cannot be determined by the date of the CPA's opinion. The cost for the annual audit shall be borne by Company as a direct cost of

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service. The annual report shall also include an inventory of equipment used to provide all services.

Company shall, in its Agreement with the CPA performing its annual audit referred to above, when requested by District, have its CPA make available to District (or District's designated representative) such CPA's working papers related to the audit. The cost, if any, incurred by Company's CPA shall be included in the cost of the audit.

Company agrees that all financial transactions with all related party entities shall be subject to approval by the District. Company agrees to provide records of said financial transactions in such form and detail as requested by the District. The District may request that there be an annual independent review of related party transactions, by a third party selected by the District, at Company's expense. In addition, related party transactions shall be disclosed annually (coinciding with Company's annual audited financial statements referred to in this Section) to District in a separate disclosure letter to the District Manager-Engineer. This letter shall include, but not be limited to, the following information:

A general description of the nature of each transaction, or each type of transaction (for similar transactions). Such description shall include for each transaction (or each similar type of transaction), the specific related party entity, the amount, basis of amount (how charge or amount was determined), and description of the allocation methodology used to allocate any costs common to this and other operations. Amounts shall be reconciled to the related party entity disclosures made in Company's annual audited financial statements referred to in this section.

At District's request, Company shall provide District with copies of working papers or other documentation deemed relevant by District relating to information shown in the annual disclosure letter. The annual disclosure letter shall be provided to District within ninety (90) days of Company's fiscal year end.

7.4 Right to Inspect Records

District shall have the right to inspect or review the payroll tax reports, specific documents, or records required, expressly or by inference, pursuant to this Agreement, or any other similar records or reports of Company that District shall deem, in its sole discretion, necessary to evaluate annual reports, compensation applications provided for in this Agreement and Company's performance provided for in this Agreement. The District, or the person selected by the District to conduct the above annual independent

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review, as described in Section 7.3.4, shall have access to the records described herein annually and similar such records of the related party entities as part of the independent review of related party transactions.

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ARTICLE 8

INDEMNIFICATION, INSURANCE, AND BOND

8.1 Indemnification

Company shall indemnify and hold harmless District, ("City"), its officers, directors, employees, and agents from and against any and all loss, liability, penalty, forfeiture, claim, demand, action, proceeding, or suit of any and every kind and description (including, but not limited to, injury to and death of any person and damage to property, or for contribution or indemnity claimed by third parties) arising or resulting from or in any way connected with performance of this Agreement, including allegations of: (1) negligence or willful misconduct of Company, its officers, employees, agents and/or subcontractors in performing services under this Agreement (whether or not third parties may also be contributorily negligent); (2) failure of Company, its officers, employees, agents, and/or subcontractors to comply in all respects with the provisions of this Agreement, applicable laws (including, without limitation, the environmental laws) and regulations, and/or applicable permits and licenses; (3) acts of Company, its officers, employees, agents, and/or subcontractors in performing services under this Agreement for which strict liability is imposed by law (including, without limitation, the environmental laws). The foregoing indemnity shall apply regardless of whether such loss, liability, penalty, forfeiture, claim, demand, action, proceeding, suit, injury, death, or damage is also caused in part by any of the District's or City's negligence, except that which was caused by the sole negligence or willful misconduct of District, City, its officers, directors, employees, of agents. Company further agrees to and shall, upon demand of District or City, at Company's sole cost and expense, defend (with attorneys acceptable to District and City) District, City, its officers, directors, employees, and agents against any claims, actions, suits, or other proceedings, whether judicial, quasi-judicial or administrative in nature, arising or resulting from any events described in this paragraph. The Company agrees that its duty to indemnify set forth here in this Article 8, including the hazardous substances indemnification, shall apply to the lease and operation of the recycling facility at 7576 Redwood Boulevard, in Novato, California, by the Company or a Company affiliate, and its provision of a portion of the Company's existing facility there to the District for a HHW Facility.

Company's duty to indemnify and defend shall survive the expiration or early termination of this Agreement as to matters occurring during the term of the Agreement, including any extension thereof.

8.2 Hazardous Substances Indemnification

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Company shall indemnify, defend (with attorneys acceptable to District), protect, and hold harmless District, its officers, Directors, employees, and agents (collectively) indemnitees from and against all claims, damages (including but not limited to special, consequential, natural resources, and punitive damages), injuries, costs, (including without limit any and all response, remediation, and removal costs), losses, demands, debts, liens, liabilities, causes of action, suits, legal or administrative proceedings, interest, fines, charges, penalties, and expenses (including without limit attorneys' and expert witness fees and costs incurred in connection with defending against any of the foregoing or in enforcing this indemnity), (collectively, "damages") of any kind whatsoever paid, incurred, or suffered by, or asserted against indemnitees, arising from or attributable to the acts or omissions of Company, its officers, directors, employees, companies, or agents, whether or not negligent or otherwise culpable, in connection with or related to the performance of this Agreement, including, without limit, damages arising from or attributable to any repair, cleanup, or detoxification, or preparation and implementation of any removal, remedial, response, closure, or other plan (regardless of whether undertaken due to governmental action) concerning any hazardous substance, hazardous waste, and/or household hazardous waste (collectively, "waste") in the service area at any places where Company transports, processes, stores, or disposes of solid waste, and/or construction and street debris, or other waste. The foregoing indemnity is intended to operate as an agreement pursuant to Sections 107(e) of the Comprehensive Environmental Response, Compensation and Liability Act, CERCLA, 42 USC Sections 9607(e) and California Health and Safety Code Sections 25364, to defend, protect, hold harmless, and indemnify District from liability. This provision is in addition to all other provisions in this Agreement and is intended to survive the end of the term of this Agreement.

The above indemnity does not apply to any solid waste and hazardous substances that Company may have disposed of at Redwood Landfill prior to the effective date of this Agreement. If Company elects to continue use of Redwood Landfill as a disposal site after the effective date of this Agreement, Company agrees to seek an indemnification agreement with Redwood Landfill, naming the District as an indemnitee. Said indemnification agreement shall be substantially similar to the above provisions set forth herein.

If Company selects a disposal site at any time during the term of this agreement other than Redwood Landfill, Company agrees to obtain an indemnity agreement from said landfill indemnifying the District on terms substantially in the form as set forth hereinabove. If the District, however,

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directs the wastestream to a different disposal site, Company will not be required to indemnify the District as set forth herein, unless the District requires that the disposal site so selected provide a substantially similar indemnity.

8.3 CIWMA Indemnification

Under CIWMA, the California Integrated Waste Management Act, the City and the County have the direct responsibility to meet percentage diversion goals and other requirements of the Act. However, many of the programs developed to comply with the requirements of the CIWMA will be implemented by Company as the provider of refuse collection and recycling services in the community under this Agreement with District.

As of January 1, 2001, Section 41821.2 is added to the Public Resources Code which applies to a sanitary district providing for solid waste handling services. Pursuant to this section, the District must comply with the source reduction and recycling element, and the household hazardous waste element, of the City and County in which Company provides solid waste handling services pursuant to this Agreement. The District may be subject to a portion of a penalty imposed under Public Resources Section 41850 upon the City or County in proportion to the District's responsibility for failure to implement within its jurisdiction a source reduction recycling element or a household hazardous waste element.

Company agrees to indemnify District for any sums of money District is required to pay City or County in accordance with Section 41821.2, in the event that the District's failure to implement City or County approved elements is due to the failure of Company to meet its obligations under this Agreement. Company shall, in addition, indemnify the District for any fines and penalties assessed the City or County for delays by Company in providing information that prevents District, the City or the County from submitting reports required by the CIWMA in a timely manner.

8.4 Insurance

8.4.1 General. Company shall take out and maintain during the life of the contract such public liability and property damage insurance as shall protect Company and any subcontractor performing work covered by this Agreement from claims for property damages, which may arise because of the nature of the work or from operation under the contract, whether such operations be by Company or by any subcontractor or person directly or indirectly employed by either, even though such damages may not be caused by the negligence of

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the Company or any subcontractor, or person employed by either. The public liability and property damage insurance shall directly protect the District, its officers, agents, employees and volunteers, as well as the Company and any subcontractors, and all insurance policies issues hereunder shall so state.

8.4.2 Minimum Scope of Insurance. Coverage shall be at least as broad as:

8.4.2.1 Insurance Services Office form number GL 0002 covering Comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability; or Insurance Services Office Commercial General Liability coverage ("occurrence" form CG 0001).

8.4.2.2 Insurance Services Office form number CA 0001 covering Automobile Liability, code 1 "any auto" and endorsement CA 0025.

8.4.2.3 Workers' Compensation insurance as required by the Labor Code of the State of California and Employers Liability insurance.

8.4.3 Minimum Limits of Insurance. Company shall maintain limits no less than:

8.4.3.1 Comprehensive General Liability: Five Million Dollars ($5,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

8.4.3.2 Automobile Liability: Five Million Dollars ($5,000,000) combined single limit per accident for bodily injury and property damage.

8.4.3.3 Workers' Compensation and Employers Liability: Workers' compensation limits as required by the Labor Code of the State of California and Employers Liability limits of $1,000,000 per accident.

8.4.4 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by District. At the option of District, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects District, its member agencies, its officials and employees; or Company shall provide a financial

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guarantee satisfactory to District guaranteeing payment of losses and related investigations, claim administration and defense expenses.

8.4.5 Other Insurance Provisions. The policies are to contain, or be endorsed to contain, the following provisions:

8.4.5.1 General Liability and Automobile Liability Coverages -

8.4.5.1.1 District, its officials, employees and volunteers are to be covered as additional insureds as respects: liability arising out of activities performed by or on behalf of Company; products and completed operations of Company; premises owned, leased or used by Company; or automobiles owned, leased, hired or borrowed by Company. The coverage shall contain no special limitations on the scope of protection afforded to District, its officials, employees or volunteers, unless otherwise approved by the District.

8.4.5.1.2 Company's insurance coverage shall be an occurrence policy and primary insurance as respects District, its officials, employees and volunteers. Any insurance or self-insurance maintained by District, its officials, employees or volunteers shall be excess of Company's insurance and shall not contribute with it.

8.4.5.1.3 Any failure to comply with reporting provisions of the policies shall not affect coverage provided to District, its officials, employees or volunteers.

8.4.5.1.4 Coverage shall state that Company's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability and no right of subrogation by Company's insurer against District shall be available.

8.4.5.2 Workers' Compensation and Employers Liability Coverage - The insurer shall agree to waive all rights of subrogation against District, its officials, employees and volunteers for losses arising from work performed by Company for District.

8.4.5.3 All Coverages - Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits

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except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to District.

8.4.6 Acceptability of Insurers. The insurance policies required by this section shall be issued by an insurance company or companies approved by District, which approval shall not be unreasonably withheld.

8.4.7 Verification of Coverage. Company shall furnish District with certificates of insurance and with original endorsements affecting coverage required by this clause. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be on forms provided by or acceptable to District and are to be received and approved by District before work commences under this Agreement. District reserves the right to require complete, certified copies of all required insurance policies, at any time.

8.4.8 Subcontractor. Company shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein. In addition, all such policies shall meet the requirements as set forth in 8.4F above.

8.4.9 Required Endorsements

8.4.9.1 The Workers' Compensation policy shall contain an endorsement in substantially the following form:

"Thirty (30) days prior written notice shall be given to District in the event of cancellation, reduction in coverage, or non-renewal of this policy. Such notice shall be sent to:

District Manager-Engineer
Novato Sanitary District
500 Davidson Street
Novato, California 94945"

8.4.9.2 The Comprehensive General Liability and Automobile Liability policies shall contain endorsements in substantially the following form:

8.4.9.2.1 "Thirty (30) days prior written notice shall be given to District in the event of cancellation, reduction in

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coverage, or non-renewal of this policy. Such notice shall be sent to:

District Manager-Engineer
500 Davidson Street
Novato, California 94945"

8.4.9.2.2 "District, its officers, employees, volunteers and agents are additional insureds on this policy."

8.4.9.2.3 "This policy shall be considered primary insurance as respects any other valid and collectible insurance maintained by District, including any self-insured retention or program of self-insurance, and any other such insurance shall be considered excess insurance only."

8.4.9.2.4 "Inclusion of District as an insured shall not affect District's rights as respects any claim, demand, suit or judgment brought or recovered against Company. This policy shall protect Company and District in the same manner as though a separate policy had been issued to each, but this shall not operate to increase Company's liability as set forth in the policy beyond the amount shown or to which Company would have been liable if only one party had been named as an insured."

8.4.10 Delivery of Proof of Coverage. Simultaneously with the execution of this Agreement, Company shall furnish District certificates of each policy of insurance required hereunder, in form and substance satisfactory to District. Such certificates shall show the type and amount of coverage, effective dates and dates of expiration of policies and shall have all required endorsements. If District requests, copies of each policy, together with all endorsements, shall also be promptly delivered to District.

Renewal certificates will be furnished periodically to District to demonstrate maintenance of the required coverages throughout the term of the Agreement.

8.4.11 Other Insurance Requirements.

8.4.11.1 In the event any services are delegated to a subcontractor, Company shall require such subcontractor to provide statutory workers' compensation insurance and employer's liability insurance for all of the subcontractor's employees engaged in the work

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in accordance with Section 8.4. The liability insurance required by Section 9.4 shall cover all subcontractors or the subcontractor must furnish evidence of insurance provided by it meeting all of the requirements of this Section 8.4.

8.4.11.2 Company shall comply with all requirements of the insurers issuing policies. The carrying of insurance shall not relieve Company from any obligation under this Agreement. If any claim exceeding the amount of any deductibles or self-insured reserves is made by any third person against Company or any subcontractor on account of any occurrence related to this Agreement, Company shall promptly report the facts in writing to the insurance carrier and to District.

If Company fails to procure and maintain any insurance required by this Agreement, District may take out and maintain, at Company's expense, such insurance as it may deem proper and deduct the cost thereof from any monies due Company.

8.5 Faithful Performance Bond

Simultaneously with the execution of this Agreement, Company shall file with District a bond, payable to District, securing Company's faithful performance of its obligations under this Agreement. The principal sum of the bond shall be One Hundred Thousand Dollars ($100,000). The bond shall be executed as surety by a corporation authorized to issue surety bonds in the State of California, with a financial condition and record of service satisfactory to District. The bond shall be in the form attached as Exhibit 2.

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ARTICLE 9

DISTRICT'S RIGHT TO PERFORM SERVICE

9.1 General

In the event that Company, for any reason whatsoever, fails, refuses, or is unable to collect, transport, or dispose of any or all solid waste that it is required by this Agreement to collect and transport, at the time and in the manner provided in this Agreement, for a period of more than forty-eight (48) hours (on working days), and if, as a result thereof, solid waste should accumulate in the service area to such an extent, in such a manner, or for such a time that the District Manager-Engineer should find that such accumulation endangers or menaces the public health, safety, or welfare, then District shall have the right, but not the obligation, upon twenty-four (24) hour prior written notice to Company during the period of such event as determined by the District Manager-Engineer, (1) to perform, or cause to be performed, such services itself with its own or other personnel or to contract for performance of said services with a third party selected by the District, without liability to Company; and/or (2) to take possession of any or all of Company's land, equipment, and other property to collect and transport any solid waste generated within the service area which Company would otherwise be obligated to collect and transport pursuant to this Agreement.

Notice of Company's failure, refusal, or neglect to collect and transport solid waste may be given orally or by telephone to a responsible Company official, at Company's principal office, and shall be effective immediately. Written confirmation of such oral notification shall be sent to Company within twenty-four (24) hours of the oral notification.

Company further agrees that in such event:

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

9.1.2 It will, if District 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.

9.1.3 District may immediately engage all or any personnel necessary or useful for the collection and transportation of solid waste, including, if District so desires, employees previously or then employed by Company. Company further agrees, if District so

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requests, to furnish District the services of any or all management or office personnel employed by Company whose services are necessary or useful for solid waste collection and transportation operations and for the billing and collection of fees for these services.

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

If the interruption or discontinuance in service is caused by any reasons other than those listed in Section 10.1, District shall pay to Company the reasonable rental value of the equipment and facilities, possession of which is taken by District, for the period of District's possession. Additionally, District shall pay to Company the reasonable value of any goods or services provided by Company (e.g. gas, oil, use of mechanic, etc.). Under circumstances not set forth in Section 10.1, District shall also provide some reasonable return to Company, provided there are revenues available through collection of the established rates to reimburse District for its costs and pay Company for rental and services.

9.2 Temporary Possession for Service Interruption Caused by Other Events
If the interruption or discontinuance of services is caused by any event listed in Section 10.1 (including interruptions and discontinuance due to strikes, lockout, and other labor disturbances), District may take possession of and use all of Company's property described above without paying Company or any other person any rental or any other charges or compensation whatsoever for said possession and use. However, District may, in its discretion, pay to Company the reasonable rental value of equipment and facilities, possession of which is taken by District, along with the reasonable value of goods and services provided by Company during temporary possession; provided however, no payment to Company may occur unless the revenues provided through the collection of rates are sufficient to make such payments once all reasonable costs incurred by District due to the temporary takeover are paid.

9.3 Billing and Compensation to District During District's Possession
During such time that District is providing solid waste services, as above provided, Company shall bill and collect payment from all users of the above-mentioned services. Company further agrees that, in such event, it shall reimburse District for any and all costs and expenses incurred by District 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 Company under the terms of this Agreement. Such reimbursement shall

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be made from time to time after submission by District to Company of each statement listing such costs and expenses, but in no event later than five (5) working days from and after each such submission.

9.4 District's Right to Relinquish Possession

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

9.5 District's Possession Not A Taking

District's exercise of its rights under this Article (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 District to Company, and (3) does not exempt Company from any of the indemnity provisions of this Agreement, which are meant to extend to circumstances arising under this Article, provided that Company is not required to indemnify District against claims and damages arising from the active negligence of District officers, employees, and agents in the operation of such equipment and facilities during the period of District's possession.

9.6 Duration of District's Possession

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

9.7 Possession in Event of Termination

In the event of termination as provided in Article 10, the District shall have the right to take possession of any and all of Company's land, equipment, and other property used or useful in the collection, composting, and/or transportation of solid waste and to use such property to collect, recycle, compost, and transport any solid waste generated within District. District shall have the right to retain the possession of such property until other suitable arrangements can be made for the provision of solid waste collection services, which may include the grant of a franchise to another waste hauling company. In the event of termination, Company shall only be entitled to the payments, if at all, as set forth in Section 9.2 above, which payments shall be

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offset against any damages due District for Company's default. Company shall furnish District with immediate access to all of its business records related to billing of accounts for service and other records necessary for maintaining ongoing service during the period of possession.

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ARTICLE 10

DEFAULT, REMEDIES, AND LIQUIDATED DAMAGES

10.1 Events of Default

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

10.1.1 Fraud or Deceit. If Company practices, or attempts to practice, any fraud or deceit upon District.

10.1.2 Insolvency or Bankruptcy. If Company becomes insolvent, unable, or unwilling to pay its debts, or upon listing of an order for relief in favor of Company in a bankruptcy proceeding.

10.1.3 Failure to Maintain Coverage/Indemnification. If Company fails to provide or maintain in full force and effect the Workers' Compensation and liability coverage, or fails to provide indemnification as required by this Agreement.

10.1.4 Violations of Regulation. If Company violates any orders or filings of any regulatory body having jurisdiction over Company relative to this Agreement, which violation adversely affects Company's ability to provide service, provided that Company may contest any such orders or filings by appropriate proceedings conducted in good faith, in which case no breach of the franchise shall be deemed to have occurred.

10.1.5 Failure to Perform. If Company ceases to provide collection, composting, or recycling services as required under this Agreement for a period of forty-eight (48) hours (on working days) or more, for any reason within the control of Company.

10.1.6 Failure to Pay. If Company fails to make any payments required under this Agreement and/or refuses to provide District with required information, reports, and/or records in a timely manner as provided for in the Agreement.

10.1.7 Acts or Omissions. Any other act or omission by Company that violates the terms, conditions, or requirements of this Agreement, the California Integrated Waste Management Act of 1989, as it may be amended from time to time, or any order, directive, rule, or regulation issued thereunder and that is not corrected or remedied within the time set in the

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written notice of the violation, or, if Company cannot reasonably correct or remedy the breach within the time set forth in such notice, or if Company should fail to commence to correct or remedy such violation within the time set forth in such notice and diligently effect such correction or remedy thereafter.

10.1.8 Attachment. There is a seizure of attachment of, or levy on, the operating equipment of Company, including without limits its equipment, maintenance, or office facilities, or any part thereof, to the extent the partial attachment or levy materially affects the operations of Company with regard to its obligations under this Agreement.

10.1.9 Suspension or Termination of Service. There is any unexcused termination of service or suspension of the transaction of business by Company.

10.1.10 Failure to Provide Assurance of Performance. If Company fails to provide reasonable assurances of performance as required under Section 10.6.

10.2 Right to Terminate Upon Default

Upon a default by Company, District shall have the right to terminate this franchise and this Agreement upon ten (10) days' notice, but without the need for any hearing, suit, or legal action. This right of termination is in addition to any other rights of District upon a failure of Company to perform its obligations under this Agreement. If Company is in default as set forth above, the District, in using its discretion as to whether to exercise its right to declare default and terminate the Agreement, shall consider issues such as Company's ability to perform the Agreement and cure the default, and whether a cure of said default is possible within a reasonable time. District's right to terminate this Agreement and to take possession of Company's properties are not exclusive, and District's termination of this Agreement shall not constitute an election of remedies. Instead, they shall be in addition to any and all other legal and equitable rights and remedies that District may have.

By virtue of the nature of this Agreement, the urgency of timely continuous and high-quality service, the lead time required to effect alternative service, and the rights granted by District to Company, the remedy of damages for a breach hereof by Company is inadequate and District shall be entitled to injunctive relief.

10.3 Liquidated Damages

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10.3.1 General. District finds, and Company agrees, that as of the time of the execution of this Agreement, it is impractical, if not impossible, to reasonably ascertain the extent of damages that shall be incurred by District as a result of a breach by Company of its obligations under this Agreement. The factors relating to the impracticability of ascertaining damages include, but are not limited to, the fact that: (i) substantial damage results to members of the public who are denied services or denied quality or reliable service; (ii) such breaches cause inconvenience, anxiety, frustration, and deprivation of the benefits of the Agreement to individual members of the general public for whose benefit this Agreement exists, in subjective ways and in varying degrees of intensity that are incapable of measurement in precise monetary terms; (iii) that services might be available at substantially lower costs than alternative services and the monetary loss resulting from denial of services or denial of quality or reliable services is impossible to calculate in precise monetary terms; and (iv) the termination of this Agreement for such breaches, and other remedies are, at best, a means of future correction and not remedies that make the public whole for past breaches.

10.3.2 Service Performance Standards; Liquidated Damages for Failure to Meet Standards. The parties acknowledge that consistent, reliable solid waste collection service is of utmost importance to District and that District has considered and relied on Company's representations as to its quality of service commitment in awarding the franchise to it. The parties further recognize that if Company fails to achieve the performance standards, or fails to submit required documents in a timely manner, District 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 District will suffer. Therefore, without prejudice to District's right to treat such non-performance as an event of default under this Article 10, 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 sum to the range of harm to District that reasonably could be anticipated and the anticipation that proof of actual damages would be costly or inconvenient. In placing their initials at the places provided, each party specifically confirms the accuracy of the statements made above and the fact that each party has had ample opportunity to consult with legal counsel and obtain an explanation of the liquidated damage provisions at the time that the Agreement was made.

Company	District
Initial here: _____	Initial here: _____

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Accordingly, District may, in its discretion, but after complying with notice and hearing procedures set forth below, assess liquidated damages not to exceed Five Hundred Dollars ($500.00) per day, for each calendar day that the collection service is not provided by Company in accordance with this Agreement. Failure by Company to provide collection service that may give rise to the imposition of liquidated damages include, but are not limited to, failures to comply fully with the terms of this Agreement with regard to collection reliability, collection quality, customer responsiveness, timeliness of submission of reports, and/or violations of federal, state and local law.

Company agrees to pay (as liquidated damages and not as a penalty) the amount of Five Hundred Dollars ($500.00) per day as set forth above. The amount of the liquidated damages shall be subject to an annual CPI adjustment based on the "San Francisco /Oakland/San Jose All Urban Consumer Price Index."

District may determine the occurrence of events giving rise to liquidated damages through the observance of its own employees or representatives or through investigation of customer complaints.

Prior to assessing liquidated damages, District shall give Company notice of its intention to do so. The notice will include a brief description of the incident(s)/non-performance. Company may review (and make copies at its own expense) all information in the possession of District relating to incident(s)/non-performance. Company may, within ten (10) days after receiving the notice, request a meeting with District. If a meeting is requested, it shall be held by the District Manager-Engineer or his/her designee. Company may present evidence in writing and through testimony of its employees and others relevant to the incident(s)/non-performance. The District Manager-Engineer or designee will provide Company with a written explanation of his or her determination assessing liquidated damages. Company may appeal a determination to assess liquidated damages to the District Board within 10 days of receipt of the determination.

10.3.3 Timing of Payment. Company shall pay any liquidated damages assessed by District within ten (10) days after they are assessed. If they are not paid within the ten (10) day period, District may proceed against the performance bond required by the Agreement or order the termination of the franchise granted by this Agreement, or both.

10.4 Excuse from Performance

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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, labor unrest, acts of any government (including judicial action), and other similar catastrophic events that 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 Company's employees is not an excuse from performance and Company shall be obligated to continue to provide service notwithstanding the occurrence of any or all of such events.

The party claiming excuse from performance shall, within 48 hours (two (2) business days) after such party has notice of such cause, give the other party notice of the facts constituting such cause and asserting its claim to excuse under this Section.

The interruption or discontinuance of Company's services caused by one or more of the events excused shall not constitute a default by Company under Section 10.1 of this Agreement. In the event the Company is prevented from providing service, either due to attachment or any other factor set forth above, including judicial action, for a period of thirty (30) days or more, it is understood and agreed that the District will have the right to provide service pursuant to Article 9, either directly or by subcontracting with a third party. Under circumstances where the Company has failed to provide service and the default is excused, as set forth above, the District has the right to perform such services or to subcontract for the same, for up to one (1) year. In the case of excused labor unrest set forth above, however, the District has the right to perform said services or to subcontract for the same, for a period of up to six (6) months. Company agrees to pay the District's cost of providing the service. If, after the time specified herein, Company cannot thereafter provide service as agreed, the District can declare default and terminate the Agreement.

10.5 Notice, Hearing and Appeal of District Breach

Should Company contend that District is in breach of this Agreement, it shall file a written request with the District Manager-Engineer for an administrative hearing on the allegation. The District Manager-Engineer shall notify Company of the time and date said hearing shall be held within thirty (30) days of receipt of Company's request. Company shall present its position and all relevant facts after District staff has made its presentation. Company shall be notified of the District Manager-Engineer's ruling in writing within fourteen (14) days of the administrative hearing.

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If Company is not in agreement with the ruling issued by the District Manager-Engineer at the administrative hearing, it shall have the right to appeal this ruling to District Board members. This appeal shall be made in writing to the District Manager-Engineer no later than fourteen (14) days after receipt of the administrative hearing ruling. The District Manager-Engineer shall notify Company of the time and date of the hearing before the District Board, which hearing will be within forty-five (45) days of receipt of the request for appeal. Company shall present its position and all relevant facts after staff has made its presentation. Company shall be notified in writing within thirty (30) days of District Board members' ruling, District Board members' ruling shall be final, and Company shall have no further rights of appeal.

10.6 Assurance of Performance

District may, at its option and in addition to all other remedies, in the event of Company default, demand from Company reasonable assurances of future timely and proper performance of this Agreement, in such form and substance as District may deem required. If Company fails or refuses to provide satisfactory assurances of timely and proper performance in the form and by the date required by District, such failure or refusal shall itself constitute an event of default.

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ARTICLE 11

OTHER AGREEMENTS OF THE PARTIES

11.1 Relationship of Parties

The parties intend that Company shall perform the services required by this Agreement as an independent Company engaged by District and not as an officer or employee of District nor as a partner of or joint venture with District. No employee or agent of Company shall be or shall be deemed to be an employee or agent of District. Except as expressly provided herein, Company shall have the exclusive control over the manner and means of conducting the solid waste collection and disposal services performed under this Agreement, and all persons performing such services. Company shall be solely responsible for the acts and omissions of its officers, employees, subcontractors, and agents. Neither Company nor its officers, employees, subcontractors, and agents shall obtain any rights to retirement benefits, workers' compensation benefits, or any other benefits that accrue to District employees.

11.2 Compliance with Law

In providing the services required under this Agreement, Company shall at all times, at its sole cost, comply with all applicable statutes, ordinances and laws of the United States, the State of California, applicable local public agencies (including District); and with all applicable regulations promulgated by federal, state, regional, or local administrative and regulatory agencies, now in force and as they may be enacted, issued, or amended during the term.

11.3 Governing Law

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

11.4 Jurisdiction

Any lawsuits between the parties arising out of this Agreement shall be brought and concluded in the courts of the State of California, County of Marin, or within the U.S. District Court, Northern District of California.

With respect to venue, the parties agree that this Agreement is made in and will be performed in Marin County.

11.5 Mediation

The parties agree to consider mediation prior to filing suit, provided, however, that there is no concern as to a statute of limitations issue. If either part files suit with respect to performance of this Agreement, the parties

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agree to seek mediation services during the first ninety (90) days of the lawsuit.

11.6 Assignment

Except as may be provided for in Article 9 (District's Right to Perform Service), neither party shall assign its rights nor delegate, subcontract, or otherwise transfer its obligations under this Agreement to any other person without the prior written consent of the other party, except as provided for a joint powers authority described below. 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.

For purposes of this section, when used in reference to Company, "assignment" shall include, but not be limited to (i) a sale, exchange, or other transfer of substantially all of Company's assets dedicated to service under this Agreement to a third party; (ii) a sale, exchange, or other transfer of the outstanding common stock of Company to a third party, provided said sale, exchange, or transfer may result in a change of control of Company; (iii) any dissolution, reorganization, consolidation, merger, re-capitalization, stock issuance or re-issuance, voting trust, pooling agreement, escrow arrangement, liquidation, or other transaction to that Company, any of its shareholders, subsidiary, or parent company is a party which results in a change of ownership or control of Company; (iv) any assignment by operation of law, including insolvency or bankruptcy, assignment for the benefit of creditors, writ of attachment for an execution being levied against this Agreement, appointment of a receiver taking possession of Company's property, or transfer occurring in the event of a probate proceeding; (v) transfer of responsible management control of Company from the current Chairman of the Board (James Ratto); and (vi) any combination of the foregoing (whether or not in related or contemporaneous transactions) that has the effect of any such transfer or change of ownership, or change in control of Company. Nothing herein shall be deemed to prevent the current Chairman of the Board of the Company (James Ratto) from buying out other shareholders of Company.

Company acknowledges that this Agreement involves rendering a vital service to District's residents and businesses, and that District has selected Company to perform the services specified herein based on (1) Company's experience, skill, and reputation (and that of James Ratto as the responsible managing officer of the Company) for conducting its solid waste management operations in a safe, effective, and responsible fashion, at all times in keeping with applicable waste management laws, regulations and good waste management practices, and (2) Company's financial resources to

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maintain the required equipment and to support its indemnity obligations to District under this Agreement. District has relied on each of these factors, among others, in choosing Company to perform the services to be rendered by Company under this Agreement.

If Company requests District's consideration of, and consent to, an assignment, District may deny or approve such request in its complete discretion. Approval by the District, however, of such requested assignment, shall not be unreasonably withheld. It shall be the responsibility of Company, in requesting an assignment, to comply with the following requirements:

11.6.1 Company shall undertake to pay District its reasonable expenses for attorney's fees and investigation costs necessary to investigate the suitability of any proposed assignee, and to review and finalize any documentation required as a condition for approving any such assignment;

11.6.2 Company shall furnish District with audited financial statements of the proposed assignee's operations for the immediately preceding three (3) operating years;

11.6.3 Company shall furnish District with satisfactory proof: (i) that the proposed assignee has at least ten (10) years of solid waste management experience on a scale equal or to exceeding the sale of operations conducted by Company under this agreement; (ii) that in the last five (5) years, the proposed assignee has not suffered any significant citations or other censure from any federal, state, or local agency having jurisdiction over its waste management operations due to any significant failure to comply with state, federal, or local waste management laws and that the assignee has provided District with a complete list of such citations and censures; (iii) that the proposed assignee has at all times conducted its operations in an environmentally safe and conscientious fashion; (iv) that the proposed assignee conducts its solid waste management practices in accordance with sound waste management practices in full compliance with all federal, state, and local laws regulating the collection and disposal of waste, including hazardous substances; (v) that the proposed assignee has a net worth, liquidity, and debt structure at least as favorable as Company's; (vi) that the proposed managing official of assignee is qualified to supervise assignee's operations in performing the Agreement; (vii) of any other information required by District to ensure the proposed assignee can fulfill the terms of this Agreement in a timely, safe, and effective manner.

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Company shall have a reasonable period of time in which to seek approval of any assignment occasioned by operation of law.

Under no circumstances shall District be obliged to consider any proposed assignment by District if Company is in default at any time during the period of consideration.

11.6.4 Acquisition costs incurred by assignee in purchasing Company, or otherwise securing assignment of the Agreement, shall be excluded from allowable costs in the rate base.

Nothing in this Agreement is intended to prevent District from assigning its rights and obligations under this Agreement to a joint powers authority organized for the purpose of dealing with solid waste management matters on a countywide or regional basis. Such an assignment to a joint powers authority, where District is a member agency, may occur without prior written consent of Company.

If District requests consideration of and consent to an assignment (other than to a joint powers authority which District is a member), Company may deny or approve such request in its complete discretion. Company may request that the proposed assignee of District provide such documents, resolutions, and ordinances that may be necessary for Company to properly evaluate assignment to proposed assignee.

For purposes of this section, the term "proposed assignee" shall refer to the proposed transferee(s) or other successor(s) in interest pursuant to the assignment.

11.7 Other Agreements

Company shall not enter into any agreements subsequent to the within Agreement that materially interferes with Company's ability to perform its obligations contained herein.

Any agreements that Company proposes to enter into with entities other than the District, providing for disposal of solid waste, or for long-term (i.e., over three (3) years) commitment of wastestream, including recyclables and organic waste, shall be submitted by Company to the District for review prior to said agreements becoming effective. The District may, at its sole discretion, approve or disapprove said agreements, or approve of said agreements subject to conditions or limitations set by the District.

11.8 Related Party Entities

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Company's accounting records shall be maintained on a basis showing the results of Company's operations under this Agreement separately from operations in other locations, as if Company were an independent entity providing service only to District. The costs and revenues associated with providing service to District shall not be combined, consolidated or in any other way incorporated with those of other operations conducted by Company in other locations, or with those of related party entities.

If Company is owned or controlled by another corporation, then the financial reports and auditor's opinions required of Company shall also be required of such "parent company."

11.9 Subcontracting

Company shall not engage any subcontractors for collection or disposal of solid waste without the prior written consent of District. In the event of an emergency or other urgent circumstances (e.g. labor unrest), the District's consent to subcontracting shall not be unreasonably withheld.

11.10 Binding on Assigns

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

11.11 Transition to Next Company

If transition of services to another company occurs through expiration of term, default, termination, or otherwise, Company will cooperate with District and subsequent company(s) to assist in an orderly transition, which will include Company providing route lists and billing information. Company will not be obliged to sell collection vehicles, bins, and containers to the next company or District. Depending on Company's circumstances at the point of transition, Company at its option may enter into negotiations with District or the next company to sell (in part or all) collection vehicles, bins, and containers.

11.12 Parties in Interest

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

11.13 Waiver

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

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pre-existing or concurrent breach or violation by the other party of any provision of this Agreement.

11.14 Company's Investigation

Company has made an independent investigation (satisfactory to it) of the conditions and circumstances surrounding the Agreement and the work to be performed by it.

11.15 Notice

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

If to District: District Manager-Engineer
Novato Sanitary District
500 Davidson Street
Novato, CA 94945
Fax: 415-898-2279

If to Company: James Ratto, President
Novato Disposal Service, Inc.
P.O. Box 3849
Santa Rosa, CA 95402-3849
Fax: 707-586-2285

The address to which communications may be delivered may be changed from time to time by a notice given in accordance with this Section.

Notice shall be deemed given on the day it is personally delivered or sent by facsimile. If mailed, notice shall be deemed given three (3) days from the date it is deposited in the mail. Sender shall retain proof of service by facsimile and proof of service by courier, if courier service is utilized.

11.16 Representatives of the Parties

References in this Agreement to the "District" shall mean the Board of Directors and all actions to be taken by District shall be taken by the Board of Directors except as provided below. The Board of Directors may delegate, in writing, authority to District Manager-Engineer, and/or to other District officials or employees and may permit such officials or employees, in turn, to

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delegate in writing some or all of such authority to subordinate officers. Company may rely upon actions taken by such delegates if they are within the scope of the authority properly delegated to them.

Company shall, by the effective date, designate in writing a responsible officer who shall serve as the representative of Company in all matters related to the Agreement and shall inform District in writing of such designation and of any limitations upon his or her authority to bind Company. District may rely upon action taken by such designated representatives as actions of Company unless they are outside the scope of the authority delegated to him/her by Company as communicated to District.

11.17 District Free to Negotiate with Third Parties

District may investigate all options for the collection and disposal of solid waste after the expiration of the term. Without limiting the generality of the foregoing, District may solicit proposals from Company and from third parties for the provision of collection services, disposal services, recycling services, organic waste collection and composting, and any combination thereof, and may negotiate and execute agreements for such services that will take effect upon the expiration or earlier termination under Section 10.1 of this Agreement. Nothing in this Agreement is intended to give rise to demobilization costs or damages, or other costs or damages associated with winding up the business operations of Company upon expiration or termination.

11.18 Lease of Equipment and Facilities

Company agrees not to enter into leases or the purchase of equipment and facilities without the advance, written approval of District. Prior approval of the District shall be required only for transactions exceeding $300,000 in value.

11.19 Loans

Company agrees to eliminate use of all related party entity loans and only enter into such future loans upon approval by District.

11.20 Fair Market Value

Company acknowledges the obligation to receive fair market value for all recyclables sold to any related party.

11.21 Privacy

Company shall strictly observe and protect the rights of privacy of customers. Information identifying individual customers or the composition or contents of a customer's wastestream shall not be revealed to any person, governmental unit, private agency, or Company, unless upon the authority of

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a court of law, by statue, or upon valid authorization of the customer. This provision shall not be construed to preclude Company from preparing, participating in, or assisting in the preparation of waste characterization studies or waste stream analyses that may be required by CIWMA. The District agrees to protect any information supplied by Company, which Company designates as "Proprietary" and "Confidential," from disclosure to the extent allowed by law. If any person files suit or seeks or other legal recourse challenging the District's refusal to disclose proprietary and confidential information, Company agrees to pay all costs incurred with respect to such suit or other legal challenge.

11.22 Savings Clause

If this Agreement is terminated prior to the termination date of the existing franchise Agreement as a result of a challenge of the District's authority to enter into this Agreement or as a result of a challenge based on failure to comply with the relevant provisions of the California Environmental Quality Act (CEQA), or other relevant procedural requirements under California law, then the franchise agreement between District and Company currently in existence at the date of this Agreement shall be reinstated and shall remain in full force and effect during the remaining term expiring on June 30, 1999.

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ARTICLE 12

MISCELLANEOUS AGREEMENTS

12.1 Entire Agreement
This Agreement, including the exhibits, represents the full and entire agreement between the parties with respect to the matters covered herein.

12.2 Section Headings
The article headings and section headings in this Agreement are for convenience of reference only and are not intended to be used in the construction of this Agreement nor to alter or affect any of its provisions.

12.3 References to Laws
All references in this Agreement to laws shall be understood to include such laws as they may be subsequently amended or recodified, unless otherwise specifically provided.

12.4 Interpretation
This Agreement shall be interpreted and construed reasonably and neither for nor against either party, regardless of the degree to which either party participated in its drafting.

12.5 Agreement
This Agreement may not be modified or amended in any respect except by a writing signed by the parties.

12.6 Severability
If any non-material provision of this Agreement is for any reason deemed to be invalid and unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Agreement, which shall be enforced as if such invalid or unenforceable provision had not been contained herein.

12.7 Agreement Supersedes Prior Agreements
This Agreement shall supersede any and all agreements heretofore entered into by the parties.

12.8 Exhibits
Each of Exhibits identified as Exhibit "1", "2", and “3” is attached hereto and incorporated herein and made a part hereof by this reference.

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

NOVATO DISPOSAL SERVICE, INC. NOVATO SANITARY DISTRICT

By: _____ By: _____
Deana Ratto, Secretary
Beverly James,
District Manager-Engineer

By: _____ By: _____
James Ratto, President
Arthur T. Knutson, President
Board of Directors

By: _____ By: _____
(SEAL) (SEAL)

APPROVED AS TO FORM:

By: _____
Kenton L. Alm
Attorney for District

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EXHIBIT 1
Refuse Collection Rates Effective January 1, 2006

RATE CLASSIFICATION	Monthly Rates Effective 1/1/06
Single Family residential:	
1 20 Gal. can collected weekly	8.96
1 32 Gal. can collected weekly	14.33
1 68 Gal. can " "	28.66
1 95 Gal. can " "	43.00
2 68 Gal. cans " "	57.33
1 95 & 1 68 Gal. can collected weekly	71.66
2 95 Gal. cans collected weekly	85.99
Special Trips - Can not set out	8.94
Special Rate - Containers more than 50 feet from street (each 50 feet)	4.14
Multi-family, mobile home parks, commercial/industrial:	
32 Gallon	
1 x week	15.54
2 x week	33.12
3 x week	50.65
6 x week	103.35
68 Gallon	
1 x week	29.80
2 x week	63.54
3 x week	97.17
6 x week	198.24
95 Gallon	
1 x week	44.70
2 x week	95.30
3 x week	145.75
6 x week	297.37

RATE CLASSIFICATION	Monthly Rates Effective 1/1/06
Debris Box Service:	
2 Cu. Yd. Containers	
1 x week	148.12
2 x week	259.95
3 x week	371.78
4 x week	483.56
5 x week	595.35
6 x week	707.13
The above rates include an allowance for container rental of	36.33
3 Cu. Yd. Containers	
1 x week	186.82
2 x week	325.11
3 x week	463.56
4 x week	601.83
5 x week	740.26
6 x week	878.58
The above rates include an allowance for container rental of	48.50
20 - yd debris box up to 3 T	532.51
additional/ton charge	43.70
Occasional or irregular collections per 5 cubic feet	4.39
Special collections other than debris box - plus regular rate	18.62
Special collections for debris boxes - plus regular rate	40.47
Monthly charge for special collection conditions	8.78

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EXHIBIT 2
FAITHFUL PERFORMANCE BOND

KNOW ALL MEN BY THESE PRESENTS:

That _____, a California _____ as PRINCIPAL, and _____, a Corporation organized and doing business by virtue of the laws of the State of California, and duly licensed for the purpose of making, guaranteeing, or becoming sole surety upon bonds or undertakings required or authorized by the laws of the State of California, as SURETY, are held and firmly bound to District, hereinafter called OBLIGEE, in the penal sum of One Hundred Thousand Dollars ($100,000) lawful money of the United States, for the payment of which, well and truly to be made, we and each of us hereby bind ourselves, and our and each of our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH THAT:

WHEREAS, the above bounden PRINCIPAL has entered into a contract, entitled "COLLECTION AND DISPOSAL OF SOLID WASTE" with District, to do and perform the following work, to wit: collect solid waste generated within the service area, in accordance with the contract.

NOW, THEREFORE, if the above bounden PRINCIPAL shall well and truly perform, or cause to be performed each and all of the requirements and obligations of said contract to be performed by said PRINCIPAL, as in said contract set forth, then this BOND shall be null and void; otherwise it will remain in full force and effect.

And the said Surety, for value received hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the contract or to the work to be performed thereunder or the specifications accompanying the same shall in any wise affect its obligations on this BOND, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the contract or to the work or to the specifications.

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IN WITNESS WHEREOF, said PRINCIPAL and said SURETY have caused these presents to be duly signed and sealed this _____ day of _____, 2006.

_____	_____
a California Corporation	SURETY
By: _____	By: _____
(PRINCIPAL)	(ATTORNEY IN FACT)
(SEAL)	(SEAL)

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Exhibit 3
Refuse Rate Index

The "Refuse Rate Index" adjustment shall be calculated in the following manner:

1. The expenses of providing Collection Services in the Service Area for the designated fiscal period (July to June) shall be prepared in the format set forth in the Operating Cost Statement - Description on the following page of this Exhibit.

2. The expenses of providing Collection Services in the Service Area shall be broken down into one of the following five cost categories: Labor; Fuel; Vehicle Replacement; Maintenance and All Other. The initial cost breakdown by category as of June 30, 2004 ("Base Breakdown") is on the following pages of this Exhibit.

3. The following indices are used to calculate the adjustment for each cost category. The change in each index is calculated on a twelve-month fiscal period (July to June). The twelve-month average index from July 2003 to June 2004 serves as the "Base Index" value. The twelve-month average index from July 2004 to June 2005 will serve as the "First Year Index".

Cost Category	**Index**
Labor	Series ID: ECS 12102i Service Producing Sanitary Services
Fuel	Series ID: WPU057303; Commodity Code 0573-03 #2 Diesel Fuel
Vehicle Replacement	Series ID: PCU3362113362113 Complete Vehicles produced on purchased chassis.
Vehicle Maintenance	Series ID: PCU3339243339243 Parts and attachments for industrial work trucks.
All Other	Consumer Price Index, Series ID: CUURA422SA0 CPI-All Urban Consumers, All Items, San Francisco, Oakland, San Jose Not Seasonally Adjusted

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4. The value of each category as shown in the initial "Base Breakdown" is multiplied by the change in each appropriate index to calculate the change in cost for each cost category. The changes for each cost category are added together to calculate the changes to "Allowed Operating Costs" The total changes to "Allowed Operating Costs" are divided by the "Operating Ratio" of ninety percent (90%) to calculate the change in "Allowed Operating Costs and Profit". The effect of any changes in gate fees for disposal costs in addition to any other changes in "Pass-through Costs" are added to the changes in "Allowed Operating Costs and Profit" to calculate the allowed changes to the "Revenue Requirement". The allowed changes to the "Revenue Requirement" are divided by the revenue subject to rate increase "Rate Revenue" from the previous calendar year audited financial statements. (See example). The initial "Base Breakdown" plus any changes allowed above becomes the new "Base Breakdown" for the next year's calculation.

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Exhibit 3
Refuse Rate Index
Operating Cost Statement - Description

Operating Costs

Labor: List all administrative, officer, operation and maintenance salary accounts.
List payroll tax accounts directly related to the above salary accounts.

Fuel: List all fuel and oil accounts.

Vehicle Replacement:

List all Collection and Collection related vehicle depreciation accounts.
List all vehicle lease or rental accounts related to Collection or Collection related vehicles.

Vehicle Maintenance:

List all Collection or Collection related vehicle parts accounts.

All Other: List all other expense accounts related to the services provided under this Contract. This category includes all insurance including general liability, fire, truck damage, extended coverage and employee group medical and life; rent on property, truck licenses and permits; real and personal property taxes; telephone and other utilities; employee uniforms; safety equipment; general yard repairs and maintenance; office supplies; postage; trade association dues and subscription; advertising; employee retirement or profit sharing contributions; and miscellaneous other expenses.

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NOVATO DISPOSAL SERVICE, INC.
BASE FOR RRI CALCULATIONS
EXAMPLE FOR EXHIBIT

	7-1-04 RRI "Base Breakdown"	7-1-04 to 6-30-05 BLS Change (Example)	Example RRI Rate Increase	Example RRI New "Base Breakdown"
Labor related costs	$3,012,378	3.21%	$96,697	$3,109,075
Fuel	599,758	48.28%	289,563	889,321
Vehicle Replacement Costs	316,018	6.05%	19,119	335,137
Vehicle Repair Costs	219,761	5.00%	10,988	230,749
Other costs	1,693,400	1.11%	18,797	1,712,197
	-		-	-
Total Operating Costs	$5,841,315		435,140	$6,276,455
	=			=
Operating Ratio			90%	
			-	
Total Operating Costs and profit increase			298,050	
Change in total pass-through costs			12,896	
			-	
Total Revenue Requirement			$310,946	
			=	
Rate Revenue			$7,297,207	
			=	
Estimated increase from RRI Effective 1-1-2006			4.26%	
			=	

Exhibit 4
Zero Waste Community Outreach Outline

- Two newsletters annually
- Newsletter will contain a minimum of one Zero Waste feature (i.e. reuse/repair, EPR, backyard composting, environmentally preferable purchasing, etc.)
- Promote waste reduction and recycling
- Promote small (20 gal) garbage carts
- Offer backyard composting bins at cost
- Two additional outreach campaigns promoting waste reduction, Zero Waste, and/or diversion concepts
- Promote commercial audits to all businesses of 4 cubic yards of garbage service or larger
- New customer packets will include Zero Waste concept promotions
- Visit all commercial businesses of 4 cubic yards of garbage service or more annually
- Visit all Multi-family complexes of 5 units or more annually
- Participate in 10 events annually (Chamber of Commerce, Earth Day, etc.) promoting Zero Waste, recycling, diversion, and resource conservation
- Conduct annual retraining at NSD schools on recycling and Zero Waste
- Participate in developing Zero Waste curriculum for NSD schools
- Offer Zero Waste and recycling for school assemblies
- Work closely with the City of Novato developing and implementing the City's Zero Waste goals
- Annual waste audits of all City facilities
- Bilingual Zero Waste recycling and diversion guides (Spanish/English)
- Paperless billing
- Interactive website with links to Zero Waste reuse opportunities
- Billing inserts and blurbs on program updates as needed
- Annual selective route audits of residential routes to gauge programs success
- Corrective action cart hangers informing customers of concerns and how to properly participate in recycling and organics programs
- Work with regional Reuse E-network Plan

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Exhibit 5
School Recycling And Food Waste Program Outline

1. **Stakeholders Meeting**

   Invite stakeholders (administrators, school board, staff, teachers, and custodians) to a joint meeting to assess waste, recycling, and compost options and develop overall strategy. Determine where the plan should be centralized (i.e. purchasing, kitchens) and decentralized (individual campus recycling and composting efforts).

   a. **Review purchasing policies** to promote Zero Waste goals by minimizing waste at the front end. Shift purchasing to environmentally preferable products: reusable or recyclable items instead of disposables. http://www.epa.gov/msw/buyrec.htm
   b. **Policy Decision** promoting Zero Waste goals by address recycling, composting, and waste reduction at a policy level i.e. School Board resolution or mandate from administration. http://www.greenschools.net/sampleresolution.html

2. **Identify current service levels.** Assess current solid waste, recycling, and composting service levels and identify locations where service levels can be immediately reduced. This evaluation will provide the basis for selecting and prioritizing specific target areas for waste reduction and recycling efforts. Evaluate if "locking bins" are needed to address illegal dumping of solid waste.

3. **Organize a Green Team on each Campus:**

   Conduct on-campus meetings at each school with campus stakeholders (principal, secretary, staff, teachers, custodians, parent volunteers and students) to promote Zero Waste goals by developing waste reduction, recycling, and composting strategy for each campus. Explore ways of tying curriculum goals into the program.

   a. **Recycling Advocate(s)**: Preferably an employee with a commitment to recycling who can carry the Zero Waste torch from year to year. This person will be the point of contact for communication with Zero Waste Coordinators and other team members.
      i. Report problems with participation, contamination, missed pickups, need for additional education or recycling infrastructure
      ii. Coordinate with Zero Waste Coordinators to conduct student assemblies or classroom presentations
      iii. Work with Zero Waste Coordinators to conduct trainings, waste audits
      iv. Coordinate the promotion of the recycling and composting programs
   b. **Recycling Team**: Identify system and individuals responsible for transporting recyclable materials to collections bins. This may be custodians and/or older students. Depending on the level of participation at each school, there may be collection of recycling in classrooms, administrative offices and lunch areas.
   c. **Promotion Team:** Students and others interested in promoting the school recycling program. Design and produce posters for campus, fliers to take home to parents, painting projects on campus to identify recycling areas, organizing

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recycling pep rallies, events or other activities to keep kids energized about waste reduction and recycling.

d. **Recycling Monitors:** Older students and teachers/ parents, helping out during lunchtime to educate younger students about proper recycling including which materials are placed where and helping student's empty containers before recycling. This group can be rewarded in some way for working during their lunchtime.

e. **Zero Waste Coordinators:** Zero Waste Coordinators from the solid waste, recycling, and composting company are available to attend meetings, conducts presentations or staff trainings, to assist with waste audits and for general support and questions. Zero Waste Coordinators can facilitate identifying programmatic resources.

4. **Conduct School Waste Audit:**

Work with hauler to Identify what materials are generated and disposed on campus. This information is useful in deciding where to start and what systems to implement. See http://www.recycleworks.org/schools/s_audits.html\ for waste audit options.

Annually in the Spring, Novato Disposal will conduct waste audits to determine the success of the diversion programs for each site. A report will be supplied by Novato Disposal for each site on the success of each programs and recommendations to increase diversion.

5. **Getting Started -** Areas identified to target may include**:**

a. **Classroom Recycling**

Zero Waste Coordinators can provide internal recycling crates for the collection of paper. These crates will need to be emptied into central collection bin for collection by NDS

b. **Lunch Area Recycling**

Zero Waste Coordinators have a resource sheet with recommended lunch area collection containers. Food waste composting will be provided as an option at each site as the program is expanded.

c. **Administration & Office Recycling**

Zero Waste Coordinators can provide internal recycling crates for the collection of paper. These crates will need to be emptied into central collection bin for pickup.

d. **Compost Program**

Zero Waste Coordinators can provide resource information and training for the food waste collection and composting program.

6. **Ongoing**

a. **Education**

Zero Waste Coordinators will work with Green Team to develop a training program for students and staff about the recycle program.

In addition, Zero Waste Coordinators can provide educational presentations or assemblies about the importance of waste reduction, recycling, and composting in relation to resource conservation.

Newsletters will be supplied to the schools for additional Zero Waste outreach.

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Novato Disposal will coordinate with a local community-based organization (i.e. North Bay Conservation Corp) to provide additional resources for promoting Zero Waste goals.

b. Promotion:

Work with Green Team to promote recycling program. Zero Waste Coordinators can provide many resources, help locate additional on-line resources or students can develop their own materials. Send home a letter with students letting parents know about the expanded program for additional reinforcement.

Identify locations for recycle stations with painted recycling symbols, logos or messages.

Conduct a kick-off campaign. Get the whole school involved. Contact the local media. Identify local businesses who will contribute recognition awards to student team leaders. Have campaign promotion contest and award students, classrooms or schools for efforts.

c. Monitor:

Train Monitors regarding recyclable, compostable and disposable materials. Train monitors to effectively communicate with students in a friendly manner.

d. Evaluation & Expansion

Conduct Green Team meetings each quarter to Identify barriers and obstacles and develop strategies to address them. Maintain close contact with custodial staff and collection drivers to evaluate successes and difficulties. Use this information to identify additional target areas for further waste reduction and recycling efforts and to improve and expand your program.

TO PROVIDE THE PROPER INCENTIVES FOR BOTH THE SCHOOL DISTRICT AND THE COMPANY, NOVATO DISPOSAL SERVICE WILL COMMIT, AS PART OF THE AGREEMENT, SHARE EQULLY IN THE COST OF PROVIDING THE SOLID WASTE, RECYCLING, AND COMPOSTING SERVICE WITH THE SCHOOL DISTRICT

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Exhibit 6
Zero Waste Program Implementation Schedule

Activity	Implementation Deadline
1. <u>Food/Green Waste Composting</u> • Single family residential food/green waste diversion • Place food waste diversion stickers on all green carts • Supermarket food waste diversion • Restaurant food waste diversion • Multi-family food waste diversion	 February 28, 2011 January 2012 February 2012 March 2012 July 2012
2. <u>C&D recycling, reports & enforcement</u> • Monitor C&D recycling reports & conduct outreach to contractors • Enforce C&D recycling thru solid waste ordinance	 Ongoing Ongoing
3. <u>Public Outreach/Education campaign</u> • Revise Novato Disposal website to include zero waste messages • Include zero waste messages & programs in newsletter, ads, promotional items	 September 2011 Ongoing
4. <u>AB32 Multi-family and Commercial mandated recycling</u> • Identify all multifamily & commercial sites • Make site visits • Develop materials for commercial & multifamily residents • Participate in workshops for multifamily & commercial property managers • Provide recycling containers • Implement mandated multifamily & commercial recycling	 May 2011 September 2011 January 2012 March 2012 May 2012 July 2012
5. <u>Schools campaign</u> • Institute food waste recycling program • Monitor food waste & recycling programs; meet with teachers, students	 2010 Ongoing
6. Backyard Composting • Promote backyard composting through compost bin promotion	 Ongoing

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7. Recycling Center • Assist in siting and permitting of new and expanded Recycling Center	2015
8. Wet/Dry Route Collections • Discuss feasibility of instituting wet/dry collection system • If feasible, institute system	2018 2020
9. Discuss feasibility and diversion potential of conversion technology systems	2025
Zero Waste Goals	
60% Diversion	December 31, 2015
70% Diverson	December 31, 2020
80% Diversion	December 31, 2025

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