

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

correspondingly by the Board of Supervisors. Notwithstanding the foregoing, for tipping fee increases under the Rate Setting Agreement effective on or after January 1, 2015, the Board of Supervisors shall have the discretion to deny any portion of any one time annual corresponding collection rate increase that would be greater than 1.5% and that is attributable to the tipping fees approved in accordance with the Rate Setting Agreement. The 1.5% threshold shall be measured against the quotient obtained by dividing the product of (a) (i) the tipping fee increase per ton under the Rate Setting Agreement and (ii) the number of tons collected by the Franchisee during the immediately preceding calendar year, by (b) the Franchisee's total annual gross revenues for the immediately preceding calendar year, and then dividing that quotient by one minus the franchise fee percentage. The Board of Supervisors intends to make a reasonable effort to adjust Franchisee's collection rates at the same time as the facility rate. In the event that there is a delay greater than 90 days between the tipping fee increase and the corresponding collection rate adjustment such that Franchisee cannot contemporaneously pass along to the ratepayer the costs of the tipping fee increase, Franchisee may, if Franchisee so requests and the request is submitted within a reasonable time of the tipping fee increase, subsequently bill the ratepayers pro rata for the amount of the uncollected tipping fee caused solely by the delay.

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

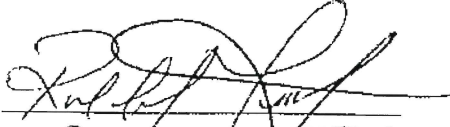
4. This Amendment shall be effective as of the day it is fully executed by both Parties.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

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

FRANCHISEE

South County Sanitary Service, Inc.

By: 
Name: RONALD MYSTERSTAEDT
Title: CEO

Date: 4/30/2014

SAN LUIS OBISPO COUNTY

By: BRUCE S. GIBSON
Chairperson of the Board
San Luis Obispo County
State of California

Date: MAY 13 2014

ATTEST:

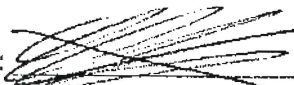
By: JULIE L. RODEWALD
County Clerk of the Board of Supervisors
San Luis Obispo County
State of California

Date: MAY 13 2014

By: SANDY CURRENS
Deputy Clerk

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By: 
Deputy County Counsel

Date: 5-1-2014