

DOC # 0128024

12/04/2006

10:26 AM

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Book- 227 Page- 0069



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**SECOND NOVATION OF FRANCHISE AGREEMENT
FOR EXCLUSIVE COLLECTION OF SOLID WASTE**

by and between

The County of Lincoln,
a political subdivision of the State of Nevada

and

Norcal Waste Systems Crestline Landfill, Inc.
(d/b/a Lincoln County Disposal and Recycling),
a Nevada corporation

October 16, 2006



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**SECOND NOVATION OF FRANCHISE AGREEMENT
FOR EXCLUSIVE COLLECTION OF SOLID WASTE**

This Second Novation of Franchise Agreement for Exclusive Collection of Solid Waste (as amended from time to time, this "Agreement") is made and entered into as of October 16, 2006, by and between the County of Lincoln, a political subdivision of the State of Nevada ("County"), and Norcal Waste Systems Crestline Landfill, Inc. (d/b/a Lincoln County Disposal and Recycling), a Nevada corporation ("Contractor") and wholly-owned subsidiary of Norcal Waste Systems Of Nevada, Inc.

RECITALS

WHEREAS, Subtitle D of the Resource Conservation and Recovery Act of 1976 and the Clean Water Act have been enacted by the Congress of the United States of America, and regulations having been adopted by the Environmental Protection Agency as CFR 40, part 258;

WHEREAS, the State of Nevada has enacted Nevada Revised Statutes ("NRS") §§ 444.440 to 444.620 and County has enacted Lincoln County Code ("LCC") §§ 10-4-1 to 10-4-15 regulating the collection and disposal of solid waste;

WHEREAS, the Lincoln County Board of County Commissioners (the "Board") has determined that a franchised solid waste collection, source-separated recyclable collection, transfer, transport and disposal service is the best choice to provide affordable, environmentally sound solid waste services to County residents;

WHEREAS, pursuant to NRS §§ 244.187(3) and 244.188, County and Contractor entered into that certain Franchise Agreement For Collection Of Solid Waste dated October 6, 1997 (the "1997 Agreement") for the collection and disposal of garbage and other solid waste;

WHEREAS, County and Contractor are parties to that certain Novation of Franchise Agreement for Collection of Solid Waste dated December 21, 1998 (the "1998 Agreement"), which was a full and complete novation of the 1997 Agreement;

WHEREAS, by letter dated March 23, 2005, Contractor gave written notice of renewal to County in accordance with Section 4 of the 1998 Agreement;

WHEREAS, County desires that Contractor continue, and Contractor desires to continue, to collect solid waste from designated County drop box facilities and adjacent pads, to transport such waste to Crestline Landfill, and to operate and maintain such facilities and pads and associated equipment in a clean, healthy and safe condition, all in accordance with the terms of this Agreement;

WHEREAS, such designated County drop box facilities and adjacent pads presently serve the solid waste disposal needs of all County residents, who currently number approximately 4,165 persons;

WHEREAS, County and Contractor anticipate that substantial residential and commercial development in County will significantly increase the population of County and will create



significant additional needs for solid waste services for County residents for which existing County drop box facilities and adjacent pads will be inadequate;

WHEREAS, County wishes to provide for curbside collection of solid waste from newly developed residential and commercial properties in County not serviced by drop box facilities, and for the eventual transition of existing solid waste services in County from drop box collection to curbside collection, and Contractor wishes to provide such services;

WHEREAS, County and Contractor wish to novate the 1998 Agreement by entering into two new agreements: this Agreement, and that certain Novation of Landfill Agreement executed concurrently with this Agreement (as amended, supplemented or modified from time to time, the "Landfill Agreement");

WHEREAS, County continues to grant Contractor the sole and exclusive right and authority, during the term of this Agreement and in accordance with the terms hereof, to collect, transfer, transport and dispose of all Solid Waste and Recyclables (including without limitation from all Curbside Customers) generated within the Service Area.

NOW, THEREFORE, County and Contractor agree as follows:

Article I
EXCLUSIVE FRANCHISE

1.1 Limitations. The exclusive rights arising from this Agreement shall not limit the rights:

- (a) Of any natural person to haul or transport Solid Waste or Recyclables generated by such person to an Authorized Disposal Site, as defined in Article II herein, for the purpose of disposing of same.
- (b) Of any natural person to sell any Recyclables generated and separated by such person or to donate such Recyclables to any bona fide charity.
- (c) Of a gardening, landscaping or tree trimming contractor to haul or transport Yard Debris from any Property to an Authorized Disposal Site, except a DBF or Designated DBF as defined in Article II herein, for the purpose of disposing of same, as an incidental part of a total service offered by such contractor on such Property;
- (d) Of a licensed construction contractor to haul or transport construction or demolition waste or debris from any Property to an Authorized Disposal Site, except a DBF or Designated DBF as defined in Article II herein, for the purpose of disposing of same, as an incidental part of a total service offered by such contractor on such Property.

1.2 Enforcement. County shall enforce, and shall cooperate with Contractor's reasonable efforts to protect, the exclusive rights and privileges granted to Contractor under this Agreement, including without limitation by preventing any Person other than Contractor from



collecting, transferring, transporting or disposing of Solid Waste and Recyclables generated within the Service Area (other than as set forth in Section 1.1). Contractor's reasonable costs to protect such rights and privileges shall constitute an Allowable Cost.

Article II DEFINITIONS

2.1 Definitions. Whenever used in this Agreement, the following terms shall have the meanings ascribed below:

(a) "Allowable Costs". "Allowable Costs" shall mean those annual direct and indirect costs to Contractor of providing services under this Agreement which are designated as "Allowable Costs" on Exhibit D hereto.

(b) "Allowable Markup". "Allowable Markup" shall mean an amount equal to nineteen percent (19%) of Allowable Costs.

(c) "Annual Rate Adjustment". "Annual Rate Adjustment" shall have the meaning ascribed to it in Section 4.9(a).

(d) "Authorized Disposal Site". "Authorized Disposal Site" shall mean any place at which solid waste generated in County is dumped, abandoned, accepted or disposed of by incineration, land filling, composting or any other method. The term includes, but is not limited to, the Crestline Landfill located in Lincoln County, Nevada and more specifically described in paragraph 2.1(m) herein, and any material recovery facilities, transfer stations, or other facilities at which conversion technology is used that Contractor may build and operate pursuant to the Landfill Agreement.

(e) "Billings". "Billings" shall mean any and all statements of charges for services rendered, howsoever made, described or designated by Contractor, or made by others (including without limitation County) on behalf of Contractor, to Residential Customers and Commercial Customers with respect to Curbside Service.

(f) "Capital Costs". "Capital Costs" shall mean the actual and committed capital costs of heavy equipment (including without limitation collection trucks) and containers acquired by Contractor for the purpose of providing Solid Waste collection services pursuant to this Agreement (including without limitation Curbside Service, DBF collection, and collection of Recyclables).

(g) "Commercial Property". "Commercial Property" shall mean Property upon which business activity is conducted, including but not limited to retail sales, services, wholesale operations, manufacturing and industrial operations, but excluding Residential Property on which business is conducted which is permitted under applicable zoning regulations and is not the primary use of the property.



- (h) “Commercial Customer”. “Commercial Customer” shall mean any Curbside Customer from a Commercial Property.
- (i) “Contract Year”. “Contract Year” shall mean the twelve (12) month period commencing on October 1 of a calendar year and concluding on September 30 of the subsequent year.
- (j) “Contractor Compensation”. “Contractor Compensation” shall mean all revenue received by Contractor from Billings, sale of Recyclables and the Flat Fee.
- (k) “Contractor Revenue Requirement”. “Contractor Revenue Requirement” shall mean the cost to Contractor of performing all services pursuant to Article III plus the Allowable Markup, as calculated in accordance with Article IV.
- (l) “Cost and Compensation Schedule”. “Cost and Compensation Schedule” shall mean a schedule in substantially the form attached hereto as Exhibit D setting forth and itemizing Contractor Compensation, Allowable Costs and Pass-Through Costs for the Prior Year and Current Year (as adjusted), and projecting such compensation and costs and the Contractor Revenue Requirement for the Rate Year.
- (m) “Crestline Landfill”. “Crestline Landfill” shall mean that certain County-designated Sanitary Landfill owned by Contractor located at Range 70 East, Township 3 South, Sections 25, 26, 35 and 36.
- (n) “Curbside”. “Curbside” shall mean on or near the side of a Street.
- (o) “Curbside Customer”. “Curbside Customer” shall mean any Person who has contracted or subscribed directly with Contractor for Curbside Service or who may be required by local ordinance to accept and pay for Curbside Service.
- (p) “Curbside Service”. “Curbside Service” shall mean collection of Solid Waste (and/or Source-Separated Recyclables, subject to Section 3.8) by Contractor at the Curbside or at such other location as is reasonably acceptable to Contractor.
- (q) “Current Year”. “Current Year” shall mean the Contract Year during which the Cost and Compensation Schedule is submitted for review.
- (r) “DBF”. “DBF” shall mean a County drop box facility, including the adjacent pads and surrounding areas, intended for collection and disposal of Solid Waste from Single Family Dwellings and Multi-Family Dwellings.
- (s) “Designated DBFs”. “Designated DBFs” shall mean those DBFs which County has established and placed into service as of the date hereof at the following locations: Alamo, Beaver Dam, Caselton, Dry Valley, Hiko, Mount Wilson, Panaca, Pioche, Rachel and Ursine, each of which locations is as specified in Exhibit B, as modified from time to time as provided in Section 3.1(b).



(t) “Extraordinary Rate Adjustment”. “Extraordinary Rate Adjustment” shall have the meaning ascribed to it in Section 4.11(a).

(u) “Flat Fee”. “Flat Fee” shall have the meaning ascribed to it in Section 4.1.

(v) “Hazardous Material”. “Hazardous Material” shall mean any material or combination of materials which, because of its quantity, concentration or physical, chemical or infectious characteristics may either (i) cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible illness, or (ii) pose a substantial present or potential hazard to human health or environment when improperly treated, stored, transported or disposed of or otherwise managed. Hazardous Material also includes hazardous wastes as defined under NRS § 459.430 or federal law or regulations promulgated pursuant to any such law, as such law or regulations may from time to time be amended.

(w) “Multi-Family Dwelling”. “Multi-Family Dwelling” shall mean any Residential Property other than a Single-Family Dwelling.

(x) “Organic Material”. “Organic Material” shall mean those discarded materials that will decompose and/or putrefy and that County ordinance permits, directs and/or requires generators to separate from Solid Waste for collection in specifically designated containers for organic materials collection. Organic materials include yard trimmings less than six inches (6”) in diameter and five feet (5’) in length, and food scraps, such as, but not limited to, green trimmings, grass, weeds, leaves, prunings, branches, dead plants, brush, tree trimmings, dead trees, small wood pieces, other types of organic yard waste, vegetable waste, fruit waste, grain waste, dairy waste, meat waste, fish waste, paper contaminated with food scrap, pieces of unpainted or untreated wood, and pieces of unpainted and untreated wall board.

(y) “Pass-Through Costs”. “Pass-Through Costs” shall mean those annual direct and indirect costs to Contractor of providing services under this Agreement which are designated as “Pass-Through Costs” on Exhibit D hereto.

(z) “Person”. “Person” shall mean a natural person, joint venture, joint stock company, partnership, association, club, company, corporation, business, trust, organization, or the manager, lessee, agent, servant, officer, or employee of any of them. It also includes any state or federal agency, any state, including the State of Nevada, a political subdivision of any state, a fraternity, a sorority, a religious order or any group, whether a legal entity or not.

(aa) “Prior Year”. “Prior Year” shall mean the Contract Year prior to the Current Year.

(bb) “Property”. “Property” shall mean any land, building, facility and/or structure or portion thereof within the Service Area where Solid Waste is produced, generated or accumulated.

(cc) “Rate Year”. “Rate Year” shall mean the Contract Year following the Current Year.



(dd) "Recyclables". "Recyclables" shall mean any Solid Waste, whether source-separated or commingled, (i) which can be processed and returned to the economic mainstream in the form of raw material or products, as determined by the Nevada State Environmental Commission, or (ii) which in Contractor's judgment can be reused, recycled, salvaged or sold. Without limiting the generality of the foregoing, "Recyclables" includes newspaper, corrugated cardboard, aluminum, Yard Debris, office paper, glass, tin and steel cans, metal, motor oil, plastic, antifreeze and Organic Material.

(ee) "Residential Customer". "Residential Customer" shall mean any Curbside Customer from a Residential Property.

(ff) "Residential Property". "Residential Property" shall mean Property used for residential purposes, whether rented or owner-occupied.

(gg) "Sanitary Landfill". "Sanitary Landfill" shall mean a disposal site at which an engineered method is used to dispose of Solid Waste on land in accordance with local, state and federal law and regulations.

(hh) "Service Area". "Service Area" shall mean the physical area encompassed within County limits at the time of execution of this Agreement and any areas that may be annexed by County during the term of this Agreement.

(ii) "Service Rates". "Service Rates" shall have the meaning ascribed to it in Section 4.6.

(jj) "Service Rates Schedule". "Service Rates Schedule" shall have the meaning ascribed to it in Section 4.6.

(kk) "Single Family Dwelling". "Single Family Dwelling" shall mean any Residential Property used for or designated as a single family residential dwelling, including each unit of a duplex, triplex, condominium project or mobile home park, and in which there is separate or individual Solid Waste and/or Source-Separated Recyclable collection service.

(ll) "Solid Waste". "Solid Waste" shall mean all putrescible and nonputrescible materials in solid or semisolid form that have been discarded or abandoned by their owner, including without limitation garbage, Recyclables, household waste, rubbish, junk vehicles and parts, junk appliances, ashes or incinerator residue, street refuse, dead animals, construction and demolition waste and debris, commercial waste, industrial waste and refuse, but excluding agricultural waste, mining waste, Hazardous Material and source-separated soil, rock, stone, gravel, unused brick and block and concrete to be used as clean fill.

(mm) "Source-Separated Recyclables". "Source-Separated Recyclables" shall mean Recyclables that have been separated from the Solid Waste stream by the generator.

(nn) "Street". "Street" shall mean any street, highway, avenue, lane, alley, court, square, curb or other public way located within County which has been or hereafter is dedicated and open to public use, or other public property so designated under any law of the State of Nevada.



(oo) “Yard Debris”. “Yard Debris” shall mean tree trimmings; grass cuttings; leaves; branches; dead plants, trees and bushes; and similar materials generated from plants, trees and bushes, whether generated on Residential Property or Commercial Property.

Article III
SOLID WASTE COLLECTION

3.1 DBF Collection.

(a) DBF Collection. Subject to the terms hereof, Contractor shall collect Solid Waste from each Designated DBF in accordance with the scope of work set forth on Exhibit A and shall operate and maintain each Designated DBF and associated equipment. The number of Designated DBFs, the location of each Designated DBF, the pickup schedule for each Designated DBF, the number of bins at each Designated DBF, and the type of bins at each Designated DBF are as set forth on Exhibit A and Exhibit B, and, except as provided in Section 3.1(b), may not be changed except by the written consent of County and Contractor.

(b) Substitution of Bins. Contractor shall have the right in its sole discretion to replace any eight (8) yard bins at any Designated DBF with one or more bins of a different size, *provided, however*, that any expenses associated with such replacement shall be paid exclusively by Contractor, including the cost of any necessary modifications to DBFs.

(c) Hazardous Material. County warrants that the Designated DBFs were free from Hazardous Material when such DBFs were initially made available to Contractor. Contractor warrants that such DBFs shall be returned to County in reasonably similar condition.

3.2 Residential Collection.

(a) Initiation of Curbside Service. Subject to Section 3.8 and to the limitations set forth in Section 3.2(b), County shall have the right to initiate Curbside Service for (i) Residential Properties serviced by Designated DBFs, and (ii) Residential Properties constructed and occupied after the date hereof in existing service areas, new townships, special improvement districts, and other similar residential property developments within the Service Area, in each case by requiring by local ordinance or code that Persons in each such Residential Property shall contract with Contractor for Curbside Service. Subject to the limitations set forth in Section 3.2(b), Contractor shall provide Curbside Service to such Residential Customers upon the effective date of, and only to the extent of, such requirement to contract, *provided* that County has given Contractor not less than one hundred twenty days (120) days prior notice of such effective date and has cooperated fully with Contractor in preparing for the initiation of such Curbside Service and the issuance and collection of Billings to such Residential Customers.

(b) Service Offerings. Contractor shall provide Curbside Service consisting of weekly pickups to those Residential Customers as to which Contractor has reasonably determined that sufficient density of Residential Customers exists to make one full route-day per week of Curbside Service commercially reasonable. Contractor in consultation with County shall establish appropriate alternative service offerings for all other Residential Customers.



3.3 Commercial Collection. Contractor shall provide Curbside Service to Commercial Customers within the Service Area on such terms (including without limitation container size and frequency of pickup) as may be agreed between Contractor and each such Commercial Customer, subject to Section 4.3. All services to Commercial Customers shall be deemed "Curbside Service" for the purposes of this Agreement, regardless of the actual method of collection.

3.4 Disposal. All Solid Waste collected by Contractor in County shall be disposed of at Crestline Landfill or at another Disposal Site agreed upon by Contractor and Landfill Operator (as defined in the Landfill Agreement). So long as Contractor and Landfill Operator are the same entity, the tipping fee charged to County and to Curbside Customers for disposal of Solid Waste collected by Contractor in County and disposed at the Crestline Landfill shall be the County Tipping Fee as defined in Section 4.2 of the Landfill Agreement. If another disposal site is to be used, the County and Contractor shall establish a tipping fee for said disposal site. The County Tipping Fee shall not apply to transfer stations or material recovery facilities operated by Contractor.

3.5 Routes and Schedules. On or before the first day of each quarter of the Contract Year, County shall furnish to Contractor a list of all permits issued for new residential construction during the prior quarter and the expected dates of occupancy thereof to assist planning for such routes and schedules.

3.6 Equipment. Contractor shall own, purchase, contract for the purchase of, or lease, and shall at all times during the term hereof maintain and utilize for the performance of the services required herein, equipment in good operating condition sufficient in quality and quantity to perform Contractor's obligations under this Agreement.

3.7 Workforce. Contractor shall maintain a workforce sufficient in size to perform Contractor's obligations under this Agreement, including reserve personnel to fill vacancies during absences due to illness, vacation, or holidays. Contractor shall maintain written personnel policies governing behavior, alcohol and substance abuse, and hiring policies as an equal employment opportunity employer. Contractor shall make a good-faith effort to hire from among the residents of the County all employees employed by the Contractor in the County in connection with Contractor's performance of this Agreement.

3.8 Recycling. The exclusive franchise granted to Contractor hereunder includes Recyclables. Contractor shall have the right to sell any Recyclables collected by it pursuant to this Agreement. County and Contractor acknowledge and agree that a program for the collection and recycling of Recyclables, including Source-Separated Recyclables, generated within County is not currently economically feasible. If in the future County and Contractor agree that such a program is economically feasible, Contractor and County may by mutual agreement establish procedures therefor, at which time collection and recycling of Source-Separated Recyclables may be included as part of the Curbside Services provided by Contractor under Section 3.2(a).

3.9 Legal Compliance. Contractor's activities pursuant to this Article III shall be conducted in conformity with LCC §§ 10-4-1 to 10-4-15 and applicable state and federal laws.



**Article IV
CONTRACTOR'S COMPENSATION & SERVICE RATES**

4.1 DBF Collection; Flat Fee. As compensation for the services provided by Contractor pursuant to Section 3.1, County shall pay Contractor a flat fee each calendar month. From the Effective Date through October 1, 2007, the Flat Fee shall be fixed at fifteen thousand dollars (\$15,000) per month. Thereafter, the Flat Fee shall be adjusted pursuant to Section 4.6 except as provided in Section 4.1(a). The Flat Fee shall be due and payable not later than the tenth (10th) day of each calendar month for services provided in the previous calendar month, and late payments shall accrue interest at the rate of prime plus 2 percent (2%) per annum.

(a) In the event that the number of tons of Acceptable Waste (as defined in the Landfill Agreement) generated outside County and accepted and disposed of at Crestline Landfill exceeds an average of 500 tons per day or 130,000 tons total over a period of twelve (12) consecutive months based on a 260-day basis, and so long as Contractor and Landfill Operator are the same entity, the Flat Fee for Designated DBFs set forth in Exhibits A and B and existing as of October 1, 2007 shall be zero dollars (\$0.00).

(b) **Additional Work.** If Contractor at the request of County, whether written or oral, performs additional services beyond the scope of work set forth in Exhibit A, County shall pay Contractor additional fees in accordance with the Service Rate Schedule attached hereto as Exhibit C. The payment terms for such fees shall be identical to the payment terms for the Flat Fee set forth in Section 4.1.

(c) **New DBFs.** If Contractor, at the request of County, establishes new DBF locations, County and Contractor shall, by mutual agreement, determine the rates and scope of service for those new DBF locations.

4.2 Residential Curbside Customers. As compensation for the services provided by Contractor pursuant to Section 3.2, Contractor shall have the right to charge and collect from each Residential Customer the Service Rates therefor established by County in accordance with Section 4.6.

4.3 Commercial Customers. As compensation for the services provided by Contractor pursuant to Section 3.3, Contractor shall have the right to charge and collect from each Commercial Customer the Service Rates therefor established by County in accordance with Section 4.6.

4.4 Source-Separated Recyclables. Once County and Contractor have agreed that the collection and recycling of Source-Separated Recyclables is economically feasible and have by mutual agreement established procedures therefor, as compensation for Contractor's collection and recycling of Source-Separated Recyclables, Contractor shall have the right to charge and collect from each Curbside Customer the Service Rates therefor established by County in accordance with Section 4.6.

4.5 Billing. Contractor shall be responsible for the issuance of Billings and the collection of billed charges under Sections 4.2, 4.3 and 4.4 hereof. County shall cooperate with Contractor to establish (i) a lien procedure for the collection of unpaid bills from Residential



Customers, (ii) procedures for the stopping of Curbside Service and the collection of unpaid bills from Commercial Customers.

4.6 Rate-Setting by County. Annually, effective as of the first day of each Contract Year and commencing as of October 1, 2007, County shall by resolution of the Board set the service rates and fees that shall be charged to Residential Customers for Curbside Service, Commercial Customers, and County for DBF Services for such Contract Year (such rates and fees, the "Service Rates") and shall adopt a schedule setting forth such Service Rates (the "Service Rates Schedule"). The increase in the flat fee for DBF service described in Section 4.1 herein shall not exceed 30% in any given year. Throughout the term of this Agreement, County shall by ordinance require Residential and Commercial Customers to pay applicable Service Rates. County shall set the Service Rates at such levels as are reasonably likely, based upon the Cost and Compensation Schedule provided by Contractor in accordance with Section 4.8, to generate Contractor Compensation for such Contract Year that is not less than the Contractor Revenue Requirement for such Contract Year. County and Contractor shall cooperate in the setting of Service Rates in accordance with the terms hereof. County reserves the right to adjust Service Rates in any manner so long as such rates are reasonably likely to generate Contractor Compensation that is not less than the Contractor Revenue Requirement for a given Contract Year.

4.7 Service Rates Schedule. The Service Rates Schedule shall include:

- (i) The Flat Fee payable to Contractor pursuant to Section 4.1;
- (ii) Single-Family Dwelling curbside collection service fee(s) per household per month;
- (iii) Multi-Family Dwelling curbside collection service fee(s) per lift or per month, depending on the service;
- (iv) Commercial collection service fee(s);
- (v) Rental rates for containers provided by Contractor for curbside collection;
- (vi) Fees and charges for miscellaneous services.

4.8 Cost and Compensation Schedule. Contractor shall provide to County a Cost and Compensation Schedule (i) ninety (90) calendar days prior to the commencement of Curbside Service pursuant to Article III, and (ii) in connection with each Annual Rate Adjustment or Extraordinary Rate Adjustment, in accordance with the procedures set forth below. The Cost and Compensation Schedule shall be used by County to set the initial Service Rates and to adjust such rates for curbside and DBF services pursuant to Annual Rate Adjustments or Extraordinary Rate Adjustments.



4.9 Annual Rate Adjustments.

(a) Procedure. In each Current Year, beginning with the Contract Year commencing on October 1, 2007, County and Contractor shall adjust the Service Rates for the Rate Year in accordance with the following procedure (such adjustment, the "Annual Rate Adjustment"). On or before June 1 of the Current Year, Contractor shall complete and submit to County an updated Cost and Compensation Schedule. County shall have until August 1 of the Current Year to complete its review of such Cost and Compensation Schedule and to propose any adjustments thereto to Contractor. In the event of disagreement regarding any aspect of the Cost and Compensation Schedule, County and Contractor shall seek to resolve such disagreement on or before August 15 of the Current Year. As soon as possible after September 1 of the Current Year, County shall hold a Board meeting to approve Service Rates for the Rate Year incorporating the Annual Rate Adjustment, which rates shall be effective as of October 1 (the first day of the Rate Year).

(b) Methodology. Contractor shall prepare the Cost and Compensation Schedule according to the following methodology:

(i) Step 1 – Determining Prior Year Costs and Revenues. Actual Contractor Compensation, Allowable Costs and Pass-Through Costs for the Prior Year shall be based on Contractor's audited financial statements (including footnotes) for the most recently completed Contract Year.

(ii) Step 2 – Adjusting Prior Year Costs and Revenues. Actual Contractor Compensation, Allowable Costs and Pass-Through Costs for the Prior Year shall be adjusted for non-recurring costs or revenues not associated with Contractor Compensation. Allowable Costs shall be adjusted to exclude any Capital Costs actually reimbursed directly by County pursuant to Section 4.12.

(iii) Step 3 - Forecasting Costs. Projected Allowable Costs and Pass-Through Costs for the Current Year shall be based on Prior Year Allowable Costs and Pass-Through Costs as adjusted pursuant to Step 2, as well as the reasonable and necessary cost of operations for the first six (6) months of the Current Year.

(iv) Step 4 – Adjusting Costs. Projected Allowable Costs and Pass-Through Costs shall be reconciled for any deviations between actual Allowable Costs and Pass-Through Costs for the Prior Year and the Allowable Costs and Pass-Through Costs set forth in the Cost and Compensation Schedule for such Prior Year.

(v) Step 5 - Forecasting Contractor Compensation. Projected Contractor Compensation for the Rate Year shall be based on Prior Year Contractor Compensation as adjusted pursuant to Step 2, as well as actual Contractor Compensation received for the first six (6) months of the Current Year, pursuant to Step 3.

(vi) Step 6 – Calculating Contractor Revenue Requirement. The projected Contractor Revenue Requirement for the Rate Year shall be the sum of (A) projected Allowable Costs for the Rate Year, as adjusted pursuant to Step 2 and Step 4; (B) the Allowable



Markup with respect to such adjusted Allowable Costs; and (C) projected Pass-Through Costs for the Rate Year, as adjusted pursuant to Step 4.

(vii) Step 7 – Adjusting Service Rates. The “Rate Year Revenue Shortfall/(Surplus)” shall equal the projected Contractor Revenue Requirement for the Rate Year less the projected Contractor Compensation for the Rate Year. The percentage adjustment to Service Rates shall equal the Rate Year Revenue Shortfall/(Surplus) divided by projected Billings revenues for the Rate Year, on a percentage basis.

(c) Delays. If County fails to set Service Rates for a Contract Year before the first day of the Contract Year due to no fault of Contractor, County shall make a retroactive adjustment to Service Rates such that Contractor Compensation for such Contract Year shall equal the Contractor Compensation that would have resulted had Service Rates been adjusted as of the first day of such Contract Year, plus interest at the prime rate on October 1 of such Contract Year over the period of recovery in respect of any delayed payments. County shall not make any retroactive adjustment to compensate Contractor for any delays resulting from Contractor’s failure to submit timely the Cost and Compensation Schedule or to cooperate with County’s requests for information reasonably related to calculation of the Annual Rate Adjustment. If Contractor is at fault for any delay in setting Service Rates for a Contract Year in which the Annual Rate Adjustment is negative, and if such delay results in overpayment by County or Customers to Contractor, then Contractor shall either repay or offset such overpayments in its sole discretion, in each case with interest at the prime rate on October 1 of such Contract Year for the period of reimbursement.

4.10 Protest Procedure.

(a) Submission of Protest. If County and Contractor fail to resolve any disagreement regarding the Cost and Compensation Schedule by August 14 of the Current Year as provided in Section 4.9(a), or if County adopts a Service Rates Schedule which Contractor believes is inadequate to cover Contractor’s estimated costs or to generate the Contractor Revenue Requirement, Contractor may submit a written protest to County at any time not later than five (5) business days after the adoption of the Service Rates Schedule for the applicable Contract Year, and such year shall be deemed the “Protest Year.” Such written protest shall identify the basis for the protest, including an estimate of the projected annual shortfall in Billings revenue related to such protest, and shall propose a reasonable amendment to the Service Rate Schedule to eliminate such shortfall (the “Contractor Proposal”). Upon receipt of such written protest, County shall have thirty (30) calendar days to repeal the protested action and amend the Service Rate Schedule in the manner proposed by Contractor. If County fails to do so, such protest shall be deemed an “Unresolved Protest” and shall remain outstanding until Contractor elects to withdraw it or the Service Rate Schedule is adjusted pursuant to Section 4.10(b). Contractor may submit protests in accordance with this Section 4.10 for any and all Contract Years in which County adopts or maintains a Service Rate Schedule that Contractor believes is inadequate to generate the Contractor Revenue Requirement. If County amends the Service Rate Schedule within the allowed time period, that action shall be subject to further protest in accordance with the above procedures.



(b) Unresolved Protests. If an Unresolved Protest remains outstanding as of May 1 of the Contract Year following the Protest Year, then, as part of the Annual Rate Adjustment procedure undertaken during such Contract Year, County shall be obligated to adjust Service Rates for the forthcoming Rate Year (such adjustment, the "Protest Adjustment") to compensate Contractor for the difference between actual Contractor Compensation during the Protest Year and projected Contractor Compensation under the Contractor Proposal, plus interest at prime rate as of October 1 of such Rate Year in respect of such shortfall. Contractor shall be entitled to adjust the Cost and Compensation Schedule to reflect the Protest Adjustment prior to its submission to County. The Protest Adjustment shall be over and above any Annual Rate Adjustments or other adjustments applicable to such Rate Year pursuant to this Agreement. An Unresolved Protest shall be deemed satisfied upon adoption by the Board of a Service Rates Schedule incorporating the Protest Adjustment with respect to such protest and such Service Rates remaining in effect for the aforementioned Rate Year, after which any Cost and Compensation Schedules shall be readjusted to remove the effect of such Protest Adjustment.

4.11 Extraordinary Rate Adjustment.

(a) General. Contractor may request an extraordinary adjustment of Service Rates (an "Extraordinary Rate Adjustment") pursuant to this Section 4.11 to adjust the Contractor Compensation to account for increased or decreased costs resulting from the occurrence or cessation of any Extraordinary Event. Notwithstanding the foregoing, Contractor shall exercise commercially reasonable efforts to avoid the occurrence of and to mitigate the costs associated with Extraordinary Events.

(b) Procedure. Contractor shall promptly notify County upon learning of the occurrence or cessation of any Extraordinary Event. Within a reasonable time thereafter, and following consultation with County, Contractor shall submit to County either (i) a new Cost and Compensation Schedule prepared in accordance with Section 4.9(b) showing the increased or decreased costs resulting from the Extraordinary Event, or (ii) an application presenting only the net impact of the Extraordinary Event on Contractor Compensation, in each case together with Contractor's proposed amendment to the Service Rates Schedule to adjust for the Extraordinary Event, and a proposed timetable for County's consideration of the Extraordinary Rate Adjustment. If County does not adopt Contractor's proposed amendments to the Service Rates Schedule, Contractor shall have the right to protest such action in accordance with Section 4.10. Any Extraordinary Rate Adjustment shall be made to compensate Contractor as if the Service Rates had been adjusted as of the effective date of the Extraordinary Event.

(c) Definition of Extraordinary Events. The following shall be considered "Extraordinary Events":

- (i) Changes in local, state or federal laws, rules or regulations not within the control of Contractor which cause unanticipated increased or decreased costs to Contractor in connection with the performance of this Agreement;
- (ii) Changes in service or operations required by County; or
- (iii) Changes in operations requested by Contractor.



Article V
TERM & TERMINATION

5.1 Term; Termination. This Agreement shall become effective on October 16, 2006 (the "Effective Date") and shall terminate after the expiration of five (5) years on October 15, 2011 (the "Termination Date"). The parties may, upon mutual agreement, and under the same terms and conditions contained herein, renew this Agreement for up to two (2) additional terms of five (5) years each (collectively, the "Extension Terms" and individually, the "First Extension" and "Second Extension"). In order to exercise the First Extension, each party shall provide written notice of its intent to the other party not less than one hundred (100) days prior to the Termination Date. In order to exercise the Second Extension, each party shall provide written notice to the other party of its intent not less than one hundred eighty (180) days prior to the expiration of the First Extension. Prior to the Termination Date, or the expiration of the First Extension or Second Extension, if either has been exercised, this Agreement may be terminated only:

- (a) by the written consent of County and Contractor; or
- (b) by and at the option of Contractor, if:

(i) The Landfill Agreement has been terminated for any reason whatsoever; or

(ii) An event of Force Majeure or the effect thereof continues for thirty (30) consecutive days; or

- (c) by and at the option of either party, if:

(i) The other party materially breaches its obligations under this Agreement and fails to cure such breach pursuant to Section 6.1, or

(ii) Any of the other party's representations and warranties were not materially true and accurate when made.

5.2 Use of Equipment Following Termination. At the expiration or earlier termination of this Agreement, Contractor agrees to sell or lease to County at County's request any and all usable equipment belonging to and used exclusively by Contractor for Solid Waste collection services under this Agreement, provided that mutually satisfactory terms for such sale or lease can be agreed between the parties. If the parties cannot agree on such terms, County shall be entitled to take possession of such equipment and to compensate Contractor for the fair market value thereof as determined by an independent appraiser mutually acceptable to the parties.



Article VI
BREACH & FORCE MAJEURE

6.1 **Breach.** Upon a material breach by a party of its obligations under this Agreement (including without limitation the material breaches enumerated in Sections 6.5, 6.6 and 6.7), such party shall (i) cure the breach within thirty (30) days of receipt of written notice from the non-breaching party; or (ii) continuously demonstrate within such cure period that it is actively and continuously pursuing a course of action which can reasonably be expected to lead to a curing of the breach (in which case the thirty (30) day period shall be extended for so long as the breaching party is actively and continuously pursuing such a course); *provided, however*, that in the event of the failure of any party to this Agreement to pay the other party or parties any sum or due amount required to be paid when due hereunder, cure shall consist of payment which shall be made within fifteen (15) business days of written demand from the non-breaching party.

6.2 **Force Majeure.**

(a) **Procedure.** If Contractor is rendered unable to perform any of its obligations under this Agreement, in whole or in part, by reason of an event of Force Majeure or the effect thereof, then the obligations of Contractor shall be suspended for the duration of such event of Force Majeure and the effect thereof (but for no longer a period), and such failure to perform shall not be deemed a breach hereunder, and this Agreement shall not terminate and shall remain in effect for such duration (unless Contractor exercises the option available to it under Section 5.1(b)(ii)). At any time that Contractor intends to rely upon an event of Force Majeure to suspend obligations as provided in this Section 6.2, Contractor shall notify County as soon as reasonably practical, describing in reasonable detail the circumstances of the event of Force Majeure. Notice shall again be given when the effect of the event of Force Majeure has ceased.

(b) **Definition.** "Force Majeure" shall mean: (i) an act of God, epidemic, landslide, lightning, earthquake, fire, explosion, storm, flood or similar occurrence; (ii) an act of public enemy, war, insurrection, terrorism, riot, anarchy, civil disturbance or disobedience, sabotage or similar occurrence, or other interference by third parties; (iii) a strike, labor dispute, work slowdown, or similar industrial or labor action; (iv) an order or judgment (including, without limitation, a temporary restraining order, temporary injunction, permanent injunction, cease and desist order or condemnation) or other act of any federal, state, county or local court, administrative agency or governmental office or body; (v) the denial, loss, suspension, expiration, termination or failure of renewal of any permit, license or other governmental approval; (vi) the adoption or change (including a change in interpretation or enforcement) of any federal, state, county or local law, rule, regulation or ordinance after the Effective Date; (vii) the institution of a legal or administrative action or similar proceeding by any person, entity or governmental agency or instrumentality which is reasonably likely to prevent or delay any aspect of Contractor's performance as contemplated by this Agreement; (viii) if Contractor is delayed or barred by governmental or judicial action from collecting all or any part of the fees to be paid under this Agreement, as may be from time to time adjusted, and any other payments that may become due and owing; or (ix) any other act, event or condition affecting Contractor or Crestline Landfill which is beyond the reasonable control of Contractor or its agents and is not the result of the willful or negligent action or omission of Contractor.

6.3 **Interruption in Service.** "Interruption in Service" shall mean any interruption in agreed pickup service by Contractor lasting more than seven (7) consecutive days. Unless caused by an event of Force Majeure or the effect thereof under Section 6.2, an Interruption in Service shall constitute a material breach of this Agreement. In the event of an Interruption in Service, whether or not caused by an event of Force Majeure or the effect thereof, County may take the following steps to temporarily cure such interruption:

(a) **County's Use of Equipment.** If the Board reasonably determines after a hearing that there is a preponderance of evidence that as a result of an Interruption in Service, Solid Waste has accumulated to such an extent, in such a manner, or for such a time that it endangers or menaces public health or safety in County, then County shall have the right to immediately assume responsibility for Solid Waste collection services covered by this Agreement, and to take possession or control of and to operate equipment owned or leased by Contractor and used by it in the performance of this Agreement, but only to the minimum extent necessary for County to cure such Interruption of Service, and only for so long as such Interruption of Service continues, and in any event no longer than ninety (90) days, unless extended with the consent of Contractor. The parties shall each have the right to appeal the foregoing determination by the Board to an arbitrator.

(b) **Reimbursement of Costs.** During such time that County is providing Solid Waste collection services pursuant to Section 6.3(a), Contractor shall continue to perform Billing and collect payment from all Curbside Customers, and shall reimburse County for County's reasonable and necessary actual direct costs and expenses incurred in providing such Solid Waste collection services, *provided, however*, that such reimbursement shall be offset by the reasonable rental value of the equipment of which County takes possession or control pursuant to Section 6.2(a). County shall invoice Contractor periodically for such costs and expenses and Contractor shall pay such invoices within five (5) days after receipt thereof.

6.4 **Performance Bond.** Contractor shall at all times keep on file with the Lincoln County Clerk a surety bond or cash or its equivalent in a form acceptable to the Lincoln County Clerk in the amount of two hundred fifty thousand dollars (\$250,000.00) to ensure the collection and disposal of Solid Waste in accordance with this Agreement and Contractor's compliance with all applicable local, state and federal regulations hereunder. At the same time that County performs the Annual Rate Adjustment described in Section 4.9 herein and annual review of the insurance limit described in Section 7.1 herein, County may review annually the adequacy of said performance bond and make reasonable adjustments accordingly, but Contractor may account for such adjustments in the Cost and Compensation Schedule set forth in Section 4.8 . At all times, the performance bond amount shall be consistent with industry standards. Subject to Section 6.2, if Contractor materially breaches its obligations under this Agreement and fails to cure such breach pursuant to Section 6.1, the performance bond required by this Section 6.4 shall be forfeited to County.

6.5 **Safety Violations.** If Contractor receives any notice of violation of safety standards from OSHA, NHP, state or local fire marshal or other official agency, Contractor shall take such action as may be necessary to cure such safety violation within thirty (30) days, and shall discontinue the operation of any equipment cited for a safety violation until such equipment has been repaired. It shall be a material breach of this Agreement for Contractor to fail to timely



cure a safety violation after receipt of such notice, or to allow the use of any equipment that has been cited for a safety violation before such equipment has been repaired.

6.6 Driver Qualifications. Contractor shall ensure that all its truck drivers engaged in the provision of Solid Waste collection services under this Agreement maintain a current valid Nevada Commercial Driver's License, meet all state and federal requirements for such license, and while on duty have in their possession all required permits, endorsements or other documents as may be required by law. Contractor shall at all times comply with the provisions of 383 CFR § 383.51 and NAC 483.802. It shall be a material breach of this Agreement for Contractor to knowingly allow a driver to drive trucks for Contractor in violation of the foregoing provisions of this Section 6.6.

6.7 Failure to Adjust Rates. It shall be a material breach of this Agreement for County to fail to timely adopt a Service Rate Schedule incorporating (i) the Annual Rate Adjustment pursuant to Section 4.9, (ii) a Protest Adjustment pursuant to Section 4.10, or (iii) a proposed Extraordinary Rate Adjustment pursuant to Section 4.11.

Article VII
INSURANCE

7.1 Liability Insurance. Contractor shall maintain comprehensive general liability insurance with a minimum limit of one million dollars (\$1,000,000.00) for bodily injury and property damage, including automobile and any other liability including accidental death, bodily injury or property damage. At the same time that County performs the annual review of the rate schedule described in Section 4.9 herein and the annual review of the performance bond described in Section 6.4 herein, County may review the adequacy of said minimum limit and make reasonable adjustments accordingly. At all times, the minimum liability insurance limit established by County shall be consistent with industry standards. County shall be named as an additional insured under the policy. Contractor shall also maintain a policy of insurance to insure County in the event of a Hazardous Material contamination at any of the Designated DBFs.

7.2 Industrial Insurance. Contractor shall furnish and maintain in full force and effect during the term of this Agreement full compensation insurance in accordance with the Nevada Industrial Insurance Act, NRS § 161A to 161D, and/or any other state and federal laws now in force, or as the same may from time to time be amended.

Article VIII
REPRESENTATIONS & WARRANTIES

8.1 Representations and Warranties of County. County represents and warrants to Contractor as follows:



(a) County is a county in the State of Nevada with full legal right, power and authority to enter into and to fully and timely perform its obligations under this Agreement.

(b) Board, on behalf of County, is duly authorized to execute and deliver this Agreement and this Agreement constitutes a legal, valid and binding obligation of County which is enforceable against County in accordance with its terms.

(c) Neither the execution or the delivery by County of this Agreement nor the performance by County of its obligations in connection with the transactions contemplated hereby or the fulfillment by it of the terms and conditions hereof conflicts with, violates or results in a breach of any constitution, law or governmental regulation applicable to it or materially conflicts with, violates or results in a breach of any term or condition of any order, judgment or decree or any agreement or instrument to which County is a party or by which it is bound, or constitutes a default thereunder.

(d) No action of County or referendum of voters which has not been obtained is required for the valid execution and delivery by County of this Agreement or the performance by County of its obligations hereunder, and no action of County or referendum of voters is pending or, to County's knowledge, threatened that would materially conflict with the performance of County and Contractor as contemplated by this Agreement.

(e) There is no action, suit or proceeding at law or in equity before or by any court or governmental authority pending or threatened against County in which an unfavorable decision, ruling or finding would materially adversely affect the performance by County of its obligations hereunder or other transactions contemplated hereby or that in any way would materially adversely affect the validity and enforceability of this Agreement or the rights of Contractor set forth herein.

8.2 Representations and Warranties of Contractor. Contractor represents and warrants to County as follows:

(a) Contractor is a corporation duly incorporated, validly existing and authorized to do business under the laws of the State of Nevada with full legal right, power and authority to enter into and fully and timely perform its obligations under this Agreement.

(b) Contractor is duly authorized to execute and deliver this Agreement and this Agreement constitutes a legal, valid and binding obligation of Contractor which is enforceable against Contractor in accordance with its terms.

(c) Neither the execution or delivery by Contractor of this Agreement nor the performance by Contractor of its obligations in connection with the transactions contemplated hereby or the fulfillment by it of the terms and conditions hereof conflicts with, violates or results in a breach of any law or governmental regulation applicable to it or materially conflicts with, violates or results in a breach of any term or condition of any order, judgment or decree or any agreement or instrument to which Contractor is a party or by which it is bound, or constitutes a default thereunder.



(d) All corporate action has been taken which is required for the valid execution and delivery by Contractor of this Agreement or the performance by Contractor of its obligations hereunder.

(e) There is no action, suit or proceeding at law or in equity before or by any court or governmental authority pending or threatened against Contractor in which an unfavorable decision, ruling or finding would materially and adversely affect the performance by Contractor of its obligations hereunder or any other transaction contemplated hereby or that in any way would materially adversely affect the validity or enforceability of this Agreement.

8.3 Survival of Representations and Warranties. The representations and warranties of the parties contained in this Agreement shall survive the date hereof and shall expire upon termination of this Agreement. Neither County nor Contractor shall have any liability whatsoever with respect to any such representations or warranties after the survival period for such representation and warranty expires.

Article IX MISCELLANEOUS

9.1 Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed under the laws of the State of Nevada, without regard to choice of law provisions.

9.2 Indemnification. Contractor shall defend, indemnify and hold harmless County and its agents, servants and employees from and against any and all claims, damages or losses claimed by any third party arising out of or resulting from (i) the negligence or willful misconduct of Contractor or its agents, servants or employees in performing services under this Agreement, or (ii) the failure of Contractor and its agents, servants or employees to comply with the provisions of this Agreement, unless such claims, damages or losses are attributable to the negligence, misconduct or omission of County or its agents, servants or employees.

9.3 Arbitration. Any controversy, claim, counterclaim or dispute arising out of or relating to this Agreement, or the breach thereof, unless otherwise settled, shall be decided by binding arbitration pursuant to NRS 38.206 et seq., and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

9.4 Attorneys' Fees. In any legal proceeding arising out of or related to this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and out-of-pocket costs, in addition to any other relief to which such party may be entitled.

9.5 Entire Agreement. This Agreement, including all exhibits hereto and documents delivered herewith, constitutes the full and complete understanding and agreement of the parties with respect to the subject matter hereof, constitutes (together with the Landfill Agreement) a full and complete novation of the 1998 Agreement, and supersedes any other prior agreements between the parties with respect to such subject matter. The exhibits hereto are integral parts of this Agreement.



9.6 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, (i) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby and (ii) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.7 No Implied Waiver. No failure to exercise, delay in exercising or partial exercise of any right or remedy hereunder shall operate as a waiver of any provision of this Agreement. No waiver of any provision of this Agreement shall operate as a waiver of any other provision (whether or not similar), nor shall it operate as a continuing waiver, unless so provided in writing by the waiving party.

9.8 Amendment; Waiver. Except as otherwise provided herein, this Agreement may be modified or amended, and any provision hereof waived, either generally or in a particular instance and either retroactively or prospectively, only by the written consent of the parties hereto.

9.9 Assignment. This Agreement may not be assigned by either party either voluntarily or by operation of law without the written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed.

9.10 Successors and Assigns. Upon the written consent set forth in Section 9.8 hereto, the terms and conditions of this Agreement, and any consents or stipulations hereunder, shall inure to the benefit of and be binding upon the respective permitted successors and assigns of each party.

9.11 Audited Financial Statement. Contractor shall, each year on the anniversary date of this Agreement, submit an audited financial statement to County regarding the operations described in this Agreement.

9.12 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic facsimile if sent during the normal business hours of the recipient, or if not, then on the next business day, (iii) five (5) business days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All such notices shall be sent to the party to be notified at the address set forth below or at such other address as such party may designate by ten (10) business days advance written notice given in accordance with this Section 9.11.

If to County:

**c/o District Attorney
P.O. Box 60
Pioche, NV 89043
fax: 775-962-5582**



If to Contractor:

**Norcal Waste Systems Crestline Landfill, Inc.
c/o Norcal Waste Systems, Inc.
160 Pacific Avenue, Suite 200
San Francisco, CA 94111
fax: 415-875-1154**

9.13 Further Assurances. Each party shall execute and deliver such additional instruments, documents and filings and shall take such other actions as shall be necessary, or shall otherwise be reasonably requested by the other party, to confirm and assure the rights and obligations of the parties provided for in this Agreement or otherwise to carry out the intent and purposes of this Agreement.

9.14 Data and Reports. Contractor agrees to provide all necessary data and reports to the appropriate official agencies necessary to fulfill requirements for conformity with all applicable federal, state and County solid waste management programs. To the extent allowed by applicable law, County will protect proprietary business information of Contractor.

9.15 Local Employees. Contractor shall make a good faith effort to hire from among the residents of County all employees employed by Contractor in County in connection with Contractor's performance of this Agreement. Contractor shall designate an operational coordinator who shall reside in County and who shall be available to respond to operational problems arising in connection with this Agreement.

9.16 Subcontractors. Contractor shall not engage any subcontractor for collection, transfer, transport, or disposal of Solid Waste without the prior written consent of County, which consent shall not be unreasonably withheld, conditioned or delayed. If County consents to such subcontracting, Contractor shall be fully responsible to County for all acts or omissions of any subcontractor. Nothing in this Agreement shall create any contractual relationship between County and any subcontractor nor shall it create any obligation on the part of County to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise is required by law.

9.17 Inspection. Contractor shall allow County to inspect all areas covered by this Agreement at any time during normal business hours without prior notice. With reasonable prior notice, Contractor shall allow County to inspect all books, papers, records and other materials related to this Agreement and this Agreement only, whether written or in electronic form. Contractor shall not be obligated pursuant to this Section 9.16 to provide access to any information which it reasonably considers to be a trade secret or similar confidential information or which would adversely affect the attorney-client privilege between the Company and its counsel.

9.18 Special Programs. County and Contractor shall by mutual agreement establish such commercially reasonable programs as may be required by law from time to time for the



collection and disposal of bulky wastes, special waste (such as asbestos, dead animals, contaminated soils, appliances, septic tank pumpings, tires, or used oil) or yard debris generated within County, *provided, however*, that such programs shall not limit the exclusive franchise granted to Contractor hereunder.

9.19 Public Information/Education. Contractor shall establish a continuous program of public information and education aimed at County residents as to municipal solid waste management.

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IN WITNESS WHEREOF, the parties have executed this Second Novation of Franchise Agreement for Collection of Solid Waste as of the date first written above.


COUNTY

CONTRACTOR

Lincoln County Board of County Commissioners

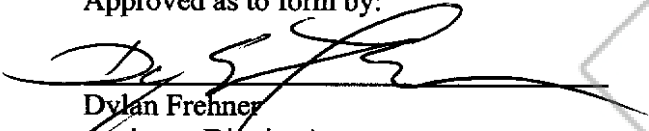
Norcal Waste Systems Crestline Landfill, Inc.


George T. Rowe
Chairman

By: 

Approved as to form by:

Name: George P. McGrath


Dylan Frehner
Assistant District Attorney

Its: Senior Vice President



EXHIBITS

Exhibit A — Location and Scope of Work for Designated DBFs

Exhibit B — Map of Designated DBF Locations

Exhibit C — Service Rate Schedule

Exhibit D — Cost and Compensation Schedule

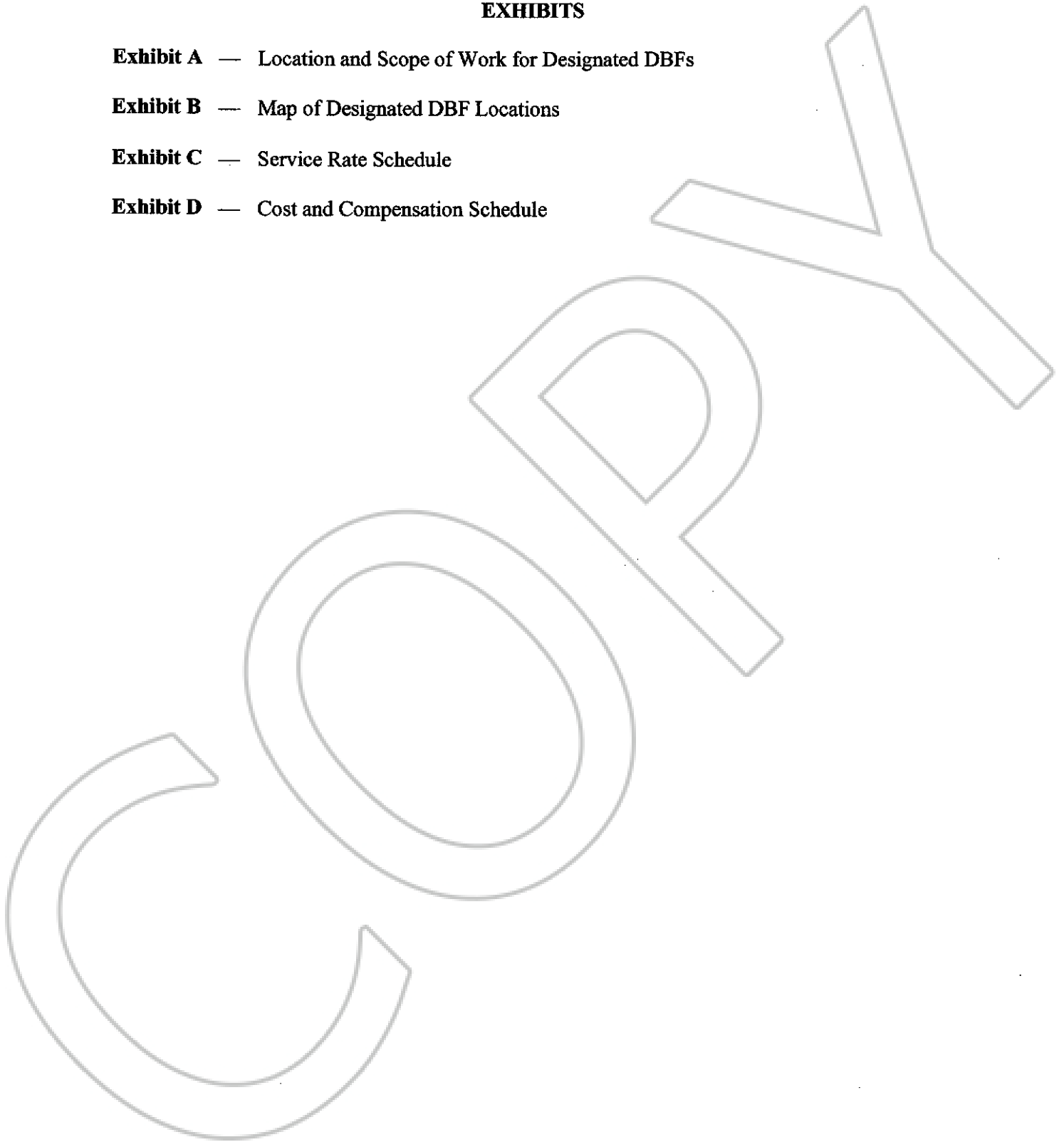




EXHIBIT A

Location and Scope of Work for Designated DBFs

LOCATION	EQUIPMENT TYPE	PICKUP FREQUENCY
Alamo Bulky Items	10 – 8 cubic yard front loader 1 – 30 cubic yard roll-off	3 days per week
Beaver Dam	3 – 8 cubic yard front loader	2 days per week
Caselton	1 – 8 cubic yard front loader	1 day per week
Dry Valley	2 – 8 cubic yard front loader	1 day per week
Hiko	3 – 8 cubic yard front loader	1 day per week
Mount Wilson	2 – 8 cubic yard front loader	1 day per week
Panaca Bulky Items	9 – 8 cubic yard front loader 1 – 30 cubic yard roll-off	4 days per week
Pioche Bulky Items	9 – 8 cubic yard front loader 1 – 30 cubic yard roll-off	3 days per week
Rachel	3 – 8 cubic yard front loader	1 day per week
Ursine	4 – 8 cubic yard front loader	1 day per week



EXHIBIT B

Map of Designated DBF Locations

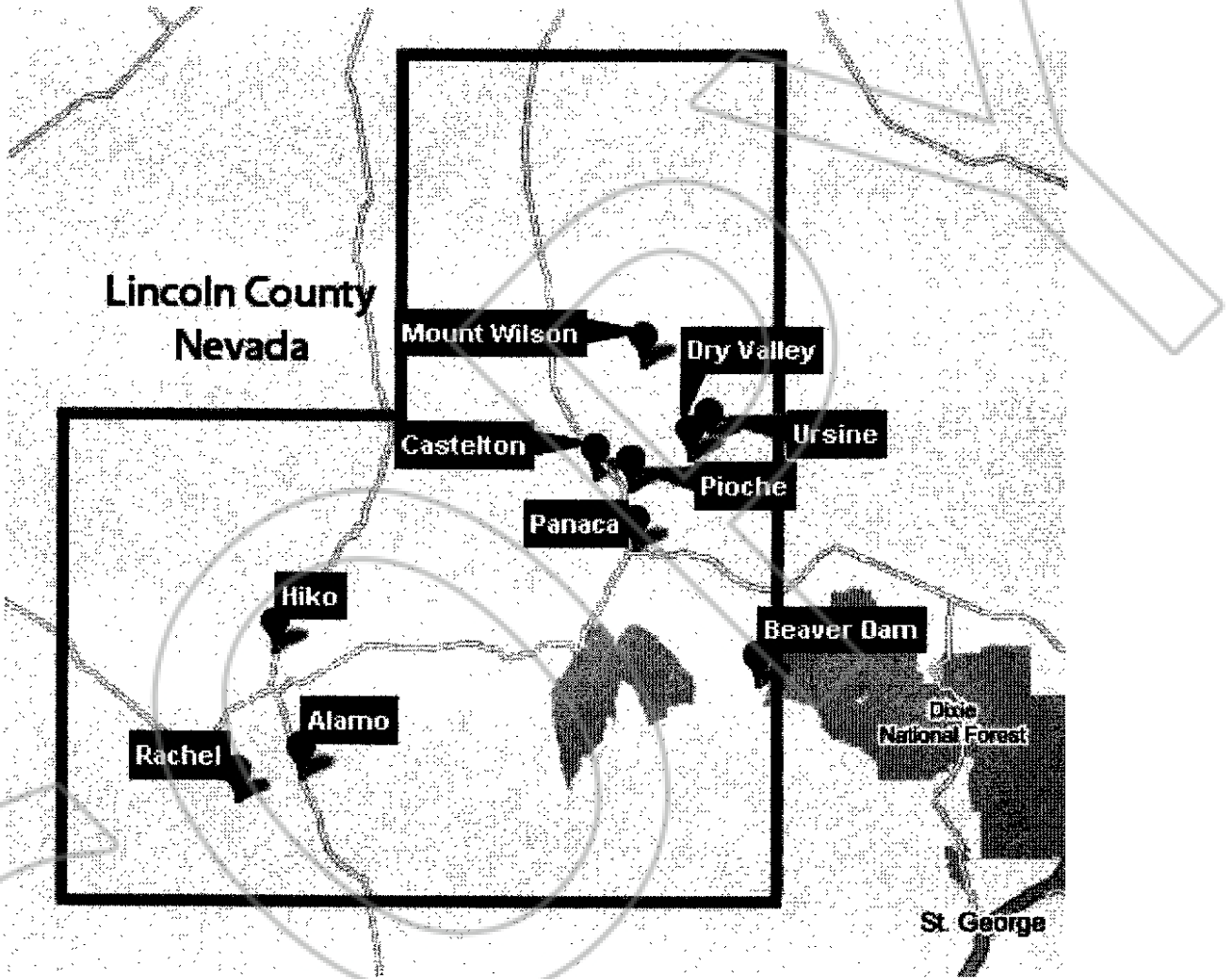




EXHIBIT C

Service Rate Schedule

SERVICE	EQUIPMENT	COST
North County (The City of Caliente, Nevada and North)	30 Cubic Yard Container	\$396.00 each
South County (South of the City of Caliente, Nevada)	30 Cubic Yard Container	\$468.00 each
Non-Business Hours	Truck Rate	\$125.00 per hour

COPY

Norcal Waste Systems of Nevada, Inc.
Cost and Compensation Schedule
For the Annual Rate Adjustment for Rate Year XXXX (October 1, XXXX - September 30, XXXX)
Exhibit D



0128024

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	Prior Year	Adjustments	Adjusted Prior Year	Adjustments	Escalation	Current Year Projection	Adjustments	Escalation	Rate Year Projection
Compensation									
Billings Revenue	\$1,021,000		\$1,021,000		\$20,420	\$1,041,420	\$500,000		\$1,541,420
Flat Fee Revenue	17,830		17,830		357	18,187		364	18,551
Sale of Recyclables Revenue	163,000		163,000	(20,000)		143,000			143,000
Other Revenue	0		0			0			0
Total Compensation	\$1,201,830	\$0	\$1,201,830	(\$20,000)	\$20,777	\$1,202,607	\$500,000	\$364	\$1,702,971
Allowable Costs									
Labor and Related Expense	\$265,000		\$265,000		\$10,600	\$275,600	\$135,200	\$8,268	\$419,068
Truck and Container Maintenance	70,000		70,000		2,100	72,100	37,000	2,163	111,263
Equipment Lease	40,000		40,000			40,000	20,000	1,200	61,200
Depreciation/Amortization	22,000		22,000			22,000		660	22,660
Recycling Material Purchases	120,000		120,000			120,000			120,000
Transfer Station Operations	0		0			0			0
Other Operating Expense	24,000		24,000		720	24,720	15,000	742	40,462
General & Administrative	160,000		160,000		4,800	164,800		4,944	169,744
Total Allowable Costs	\$701,000	\$0	\$701,000	\$0	\$18,220	\$719,220	\$207,200	\$17,977	\$944,397
Allowed Markup 19%									179,435
Pass-through Costs									
Disposal	\$317,750		\$317,750			\$317,750	\$170,000		\$487,750
Pass-through Adjustment							\$7,944		7,750
Insurance (non labor related)	\$20,510		20,510		410	20,920	\$523	418	21,338
Pass-through Adjustment									510
Fuel and Oil	\$38,850		38,850		5,828	44,678	\$1,117	8,936	53,614
Pass-through Adjustment									(1,150)
Licenses	\$2,051		2,051		41	2,092	\$52	42	2,134
Pass-through Adjustment									51
Property Taxes	\$12,306		12,306		246	12,552	\$314	251	12,803
Pass-through Adjustment									306
Permits and Regulatory Fees	7,179		7,179		144	7,323	\$183	146	7,469
Pass-through Adjustment									179
Total Pass-through Costs	\$398,646	\$0	\$398,646	\$0	\$6,669	\$405,315	\$180,133	\$9,793	\$592,754
Total Revenue Requirement									\$1,716,586
Rate Year Shortfall/(Surplus)									\$13,615
Service Rate Adjustment Percentage Increase/(Decrease)									0.88%

Illustration only - not intended to represent actual results of an Annual Rate Adjustment.