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**EXCLUSIVE FRANCHISE AGREEMENT
RESIDENTIAL SOLID WASTE AND
RECYCLABLE MATERIALS**

THIS AGREEMENT is made and entered into in Reno, Nevada, on this 7th day of November, 2012 ("Effective Date"), between the City of Reno, a political subdivision of the State of Nevada, (hereinafter called "City"), and Reno Disposal Company, Inc., a Nevada corporation (hereinafter called "Contractor"), with reference to the following facts.

WITNESSETH:

WHEREAS, NRS 268.081 authorizes a City to displace or limit competition in the area of collection and disposal of garbage and other waste; and

WHEREAS, NRS 268.083 authorizes a City to grant an exclusive franchise to any person to provide garbage and waste collection and disposal services within the boundaries of a City; and

WHEREAS, Chapter 5.90 of the Reno Municipal Code authorizes the City Council to award an exclusive franchise for collection, hauling and disposal of all Solid Waste and Recyclable Material, as defined herein, within the City; and

WHEREAS, the City of Reno City Council has determined that the public health, safety and welfare of its residents require that certain residential Solid Waste and Recyclable Material Collection Services (as defined herein) be provided under this Agreement, which Agreement establishes the exclusive right and obligation of Contractor to provide Collection Services in Exclusive Service Area (as defined herein) in the City.

WHEREAS, Contractor has represented and warranted to City that it has the experience and qualifications to provide the Collection Services;

WHEREAS, City declares its intention of maintaining reasonable rates for reliable, proven collection and transportation of Solid Waste and Recyclable Material in an environmentally sound manner within the City;

WHEREAS, City and Contractor have agreed to enter into this Exclusive Franchise Agreement to set forth the terms, covenants and conditions relating to the provision of the Collection Services by Contractor.

NOW, THEREFORE, for and in consideration of the covenants and agreements herein contained and for other valuable consideration, the receipt of which is hereby specifically acknowledged, the parties hereto do hereby agree as follows:

**ARTICLE 1
DEFINITIONS**

For purposes of this Agreement the following words or phrases shall have the following meanings. To the extent of any inconsistency between the definitions of the following terms provided in this Article and the use or definition of those terms that may appear in related City, County, State or Federal laws, ordinances or regulations, the following definitions shall be used in the interpretation of this Agreement.

“Affiliate(s)” means an entity controlled by, controlling or under common control with Contractor.

“Control” and derivations thereof means the ability to control, through ownership of equity interests or contract, the management and affairs of the entity.

“Agreement” means this Agreement between the City and Contractor, including all exhibits and future amendments.

“Applicable Law” means all Federal, State and local laws, ordinances, regulations, rules, orders, judgments, decrees, resolutions, permits, approvals, or other type of requirement imposed by any governmental agency having jurisdiction over the collection and disposition of Solid Waste or Recyclable Materials, including those that are in force and effective as of the Effective Date, as well as such additions and changes thereto as become effective by means of their enactment, amendment, issuance or promulgation at any time after the Effective Date and during the Term of this Agreement.

“Approved Recyclable Materials” means the Recyclable Materials approved for recycling under this Agreement, which are listed on Exhibit A attached hereto and which may be changed from time to time by agreement of Contractor and City.

“Balancing Adjustment” means the amount paid by the City to Contractor to compensate Contractor for the Shortfall as provided in Section 6.3(A) of this Agreement.

“Bin” means an industry standard receptacle for Solid Waste or other materials provided by the Contractor, having a capacity less than seven (7) cubic yards and that generally has a tight-fitting, attached lid, and is designed to be dumped mechanically into a front-loading or rear-loading Collection vehicle.

“Bulky Items” means all discarded waste matter that is too large to be placed in a Cart, including appliances not containing chlorofluorocarbons, furniture, carpets, mattresses, and similar large items that require special handling due generally to their size, excluding Excluded Materials.

“Cart” means an industry standard, wheeled Container of approximate thirty-five(35), sixty-four (64), and ninety-six (96) gallon capacity provided by Contractor to Customers for Collection of Solid Waste or Recyclables.

“City Council” means the governing legislative body of the City of Reno.

“Change in Law” means the following events or conditions:

- i) Enactment, adoption, promulgation, issuance, modification, or written change or initial public announcement or enforcement in administrative or judicial interpretation of any Applicable Law occurring on or after the Effective Date; or
- ii) Order or judgment of any governmental body, issued on or after the Effective Date, to the extent such order or judgment is not the result of willful or negligent action, error or omission or lack of reasonable diligence of Contractor; provided, however, that the contesting in good faith or the failure in good faith to contest any such order or judgment shall not constitute or be construed as such a willful or negligent action, error, or omission or lack of reasonable diligence.

“Change in Scope” is a material change in the type, extent, or level of Collection Services or the Exclusive Service Area.

“Collection” (and “Collect,” “Collected and “Collecting”) means the pickup and removal by Contractor from Residential Customers in the Exclusive Service Area of Solid Waste and Approved Recyclable Materials and transportation and delivery of such material to an appropriate Designated Facility for such materials.

“Collection Materials” means all Solid Waste and Approved Recyclable Materials generated, produced or accumulated by Residential Customers, including Sticker Materials, but excluding Excluded Materials and Exempted Drop Box Materials.

“Collection Services” means the Collection of Collection Materials from Residential Customers to be provided by Contractor hereunder and more fully described in the Scope of Services, including the Standard Services and the Menu Services, and excluding Excluded Materials and Exempted Drop Box Services.

“Construction and Demolition Debris” means debris resulting from construction, remodeling, repair, renovation, demolition, excavation, dredging, grubbing and related cleanup of residential, commercial or governmental buildings or other structures and pavement, including without limitation construction materials, rubble, bricks, concrete, other masonry materials, soil, rock, lumber, rebar, paving materials and vegetation, including tree stumps. Materials resulting from landscape maintenance are not Construction and Demolition Debris.

“Consumer Price Index” or “CPI” means the Consumer Price Index, All Urban Consumers, U.S. City Average-Item: Garbage and Trash Collection (1982=100) as published by the United States Department of Labor, Bureau of Labor Statistics (“CPI”), or any successor index.

“Containers” means Carts, Bins, and Drop Boxes or other containers provided by Contractor and identified on the Scope of Services for use to provide Collection Services.

“Contractor” means the Party identified as Contractor on page 1 of this Agreement.

“City” means the legal entity known as the City of Reno, Nevada, a political subdivision of the State of Nevada.

“City Representative” means the City Manager, or his/her designee, who may be a City official, employee or an agent of City specifically designated to serve as the City Representative and authorized to act on behalf of the City hereunder.

“Curb” or “Curbside” means on or immediately adjacent to the Residential property, within five (5) feet of a street, alley or road, without blocking sidewalks, driveways or on-street parking, and readily accessible by Contractor’s equipment and personnel. If extraordinary circumstances preclude such a location, Curbside shall be considered a placement approved by Contractor and readily accessible to the Contractor’s equipment and personnel.

“Customer” means the persons or entities receiving Collection Services.

“Designated Facility” means the transfer station, disposal facility, material recovery facility, eco-center recycling facility or any similar facility designated by the City in accordance with that certain long-term Solid Waste Transfer and Disposal Agreement entered into by the City, pursuant to which the City has provided for the environmentally safe and sound handling, processing, transfer, transport, recycling and Disposal of all Solid Waste and Approved Recyclable Materials generated within the City, and where Contractor shall be required to deliver all Collection Materials.

“Disposal,” “Disposing,” “Dispose,” or “Disposed” means the final disposition of Solid Waste Collected by Contractor, but does not include other beneficial uses such as alternative daily cover.

“Disposal Agreement” is the agreement defined in Section 4.4 and all amendments, extensions, renewals and replacements thereof.

“Disposal Facility Access” has the meaning provide in Section 4.1(B)(4) of this Agreement.

“Diverted” means the tonnage or percentage of Collected Collection Materials that are not Disposed.

“Drop Box” means an industry standard receptacle for Solid Waste or other materials provided by the Contractor, generally having a capacity equal to or greater than ten (10) cubic yards.

“Effective Date” means the date on which this Agreement is fully executed by the Parties, as reflected on page 1 of this Agreement.

“Excluded Materials” means: (i) Hazardous Waste; (ii) Medical and Infectious Waste; (iii) volatile, corrosive, biomedical, infectious, biohazardous, and toxic substances or material, including without limitation batteries; (iv) waste that Contractor reasonably believes would, as a result of or upon disposal, be a violation of Federal, State, or local law, regulation or ordinance, including land use restrictions or conditions; (v) waste that in Contractor's reasonable opinion would present a significant risk to human health or the environment, cause a nuisance or otherwise create or expose Contractor or City to potential liability; (vi) electronic waste determined by Contractor to be Excluded Materials (including without limitation television sets, computers and computer components); (vii) materials collected and processed at rendering facilities; (viii) Special Waste, (ix) incidental amounts of Self-Haul materials which are delivered by an individual directly to a transfer station, recycling facility or Disposal

facility in a manner consistent with City ordinances and codes and other applicable laws; (x) Construction and Demolition Debris; (xi) materials which otherwise would constitute Collection Materials that are removed from premises by landscaping, gardening, cleaning service, appliance sale and service company or construction contractors as an incidental part of a gardening, landscaping, tree trimming, cleaning, maintenance, appliance sale or service or construction or similar service offered by that service provider, using its own personnel and equipment, rather than as a hauling service; (xii) Scrap Metals; (xiii) Paper Shredder Materials; (xiv) Bulky Items and items Contractor determines to be excessively bulky or heavy; and (xv) Source Separated Recyclable Materials donated by the generator to any United States Internal Revenue Code Section 501(c) 3 or other federally recognized non-profit organization, including charities, youth groups and civic organizations, which materials may be transported from the non-profit organization by Self-Haul or by a third party hauler.

“Exclusive Service Area” means the geographic limits of the City of Reno in which the Contractor shall have the exclusive right and obligation to conduct Collection Services. The Exclusive Service Area includes all land in the City of Reno. If after the Effective Date land is annexed or otherwise added to the City of which is not then in the Exclusive Service Area (“Annexed Land”), the Annexed Land shall be added to the Exclusive Services Area.

“Exempted Drop Box” means an industry standard, open top metal roll-off container (also sometimes referred to as a “lugger” or “dino”), equipped for being mechanically rolled onto a vehicle, for collection and transportation of Solid Waste or Recyclable Materials:

- (i) With a capacity of not less than ten (10) cubic yards;
- (ii) Which is delivered to and left at a Customer’s site for deposit therein of Exempted Drop Box Materials, then picked up and transported to a materials processing or disposal facility for emptying; and,
- (iii) Excluding a) Compactors, b) Bins, c) containers or receptacles emptied or serviced by front loader vehicles, d) any vehicle into which the materials are deposited at the time of collection at the collection site and e) any other container, receptacle or vehicle not described in subsections (i) and (ii) in this definition above.

“Exempted Drop Box Materials” means Solid Waste and Approved Recyclable Material collected and transported in an Exempted Drop Box using Exempted Drop Box Services, but excludes;

- (i) Garbage; and,
- (ii) Compacted Solid Waste and compacted Approved Recyclable Materials.

“Exempted Drop Box Services” means the collection and transportation by an Exempted Hauler of Exempted Drop Box Materials, using an Exempted Drop Box, performed as Temporary Service and excluding any collection or transportation that would replace, limit or reduce Permanent Service Collection by Contractor. The provision of Exempted Drop Box Services shall not limit or amend the obligation of Customers to subscribe to Collection Services under Section 3.5 of this Agreement.

Examples of Exempted Drop Box Services include (each of which are hereby excluded from the exclusive franchise of Contractor under this Agreement and which may be collected and hauled by Exempted Haulers using Exempted Drop Box Services), in each case by Exempted Haulers using an Exempted Drop Box, i) the collection and transportation of landscaping and related materials generated by landscaping, gardening, pruning, tree trimming and other landscape maintenance service providers ii) the collection and transportation of Exempted Drop Box Materials generated at special events (but excluding materials which are the subject of Permanent Services at the event location), iii) the collection and transportation of Exempted Drop Box Materials under single occurrence service contracts or arrangements for collection and transportation of Exempted Drop Box Materials iv) collection and transportation of Exempted Drop Box Materials generated in connection with occasional, irregularly scheduled cleanup and disposal by customers.

“Extension Term” means one or more extensions of the Term of this Agreement, as provided under Section 3.1(B).

“Food Waste” means all compostable pre-consumer and post-consumer food waste, such as whole or partial pieces of produce, meats, bones, cheese, bread, cereals, coffee grounds and egg shells, and food-soiled paper such as paper napkins, paper towels, paper plates, coffee filters, paper take-out boxes, pizza boxes, paper milk cartons or other paper products accepted by the Contractor’s selected composting facility or other processing facility and that has been Source Separated and placed in a Container for Recycling. Food Waste shall not include dead animals weighing over 15 pounds, plastics, diapers, cat litter, liquid wastes, pet wastes or other materials prohibited by the selected composting or other processing facility. The materials accepted by composting site selected by Contractor may change from time to time and the definition of Food Waste shall change accordingly.

“Franchise Fee” means a uniform fee payable to the City and equal to a percentage of the Gross Receipts collected by Contractor, as established and adjusted by the Reno City Council as provided in this Agreement. The Franchise Fee at the Effective Date is equal to eight percent (8%) of the Gross Receipts collected by Contractor under this Agreement.

“Franchise Hauler Terms” means as provided in the Disposal Agreement.

“Garbage” means putrescible animal and vegetable waste resulting from the handling, storage, preparation, cooking and sale and serving of food and beverage, excluding Excluded Materials and Source Separated Food Waste that is actually Recycled. The mixing, addition, or commingling of Garbage with rubbish, trash or other waste matter, exclusive of items i) through viii) inclusive under the definition of Excluded Materials, renders the entire resulting mixture as Garbage.

“Green Waste” means Source Separated biodegradable materials including branches (less than three [3] inches in diameter), brush, cut flowers, dead plants, grass clippings, house plants, leaves, pruning’s, shrubs, weeds, wood (uncoated and untreated), wood chips, yard trimmings, Christmas trees (placed in Carts/Bins, with no stands, flocking, and/or decorations, and cut into two [2]-foot sections) that has been placed in a Container or as a Sticker Item for Recycling, excluding Excluded Materials.

“Gross Receipts” means the Rate Revenues actually received, including all money, cash, receipts, property or other thing of value collected by Contractor from Customers for the Collection Services described on the Scope of Services, but excluding any revenues, receipts or proceeds from other sources. Gross Receipts does not include the Balancing Adjustment or proceeds from Special Services or from the sale of Recyclable Materials.

“Hazardous Waste” means hazardous waste as defined in Nevada Revised Statutes 459.430, hazardous substance as defined in Nevada Revised Statute 459.429 and other hazardous or toxic materials as defined under any other local, state or federal law.

“Medical and Infectious Waste” means biomedical waste generated at hospitals, public or private medical clinics, dental offices, research laboratories, pharmaceutical industries, blood banks, mortuaries, veterinary facilities, and other similar establishments.

“Menu Rates” means the rates listed and identified as Menu Rates on the Scope of Services, which are payable by Customers to Contractor for the Menu Services.

“Menu Services” means the services listed and identified as Menu Services on the Scope of Services.

“Multi-Family Complex” means a multiple-unit Residence with five (5) or more units, some of which are attached, which are billed collectively for Collection Services.

“Operating Standards” means the additional terms and conditions attached to this Agreement as Exhibit B which are made a part hereof and incorporated herein by reference.

“Operative Date” means the date from and after which Contractor shall be responsible to provide Collection Services to Customers in accordance with the terms of this Agreement, which shall be no later than twelve (12) months after the Effective Date. The Operative Date shall be provided in writing by Contractor to City not less than 30 days prior to the estimated Operative Date.

“Party” or “Parties” means City or Contractor individually, or City and Contractor, respectively.

“Permanent Services” means Collection Services that generally or usually occur on a regularly scheduled, recurring basis.

“Permitted Transferee” means an Affiliate of Contractor.

“Paper Shredder Materials” means paper and similar paper products and the products and residue resulting from shredding thereof collected and shredded by properly licensed service providers providing paper shredding services.

“Qualifications” means the Assignee Qualifications, as defined in Section 11.7 of this Agreement.

“Rate Revenues” means the revenues from the Rates billed to and collected from Customers by Contractor for provision of Collection Services.

“Rates” or “Rate” means the amount each and all Customers shall be charged by Contractor for Collection Services under this Agreement as provided on the Scope of Services, which Rates or Rate may be adjusted from time to time during the Term as provided under this Agreement, including the Standard Rates and the Menu Rates.

“Recyclable Materials” or “Recyclables” means materials that can be processed and returned to the economic mainstream in the form of raw materials or products, including without limitation materials that become capable of being recycled using new methods, processes or technology developed or implemented after the Effective Date, including Source Separated Green Waste and Source Separated Food Waste.

“Recycle”, “Recycled”, “Recycling” means the process of Collection, sorting, cleansing, treating and reconstituting of Recyclable Materials that would otherwise be disposed of, and returning them to the economy in the form of raw materials for new, reused, repaired, refabricated, remanufactured, or reconstituted products.

“Recycling Container(s)” means Containers shown on the Scope of Services, provided and designated by Contractor for use for Recycling of Recyclable Materials, and identified for Recycling use by labels or signs on the Recycling Container specifying Recycling use, by using Recycling Containers or portions thereof of a different color than Containers used for Collection of Solid Waste, or by other means.

“Recycling Facility” means a fully permitted, Designated Facility at which Recycling occurs of Recyclable Materials.

“Residence” or “Residential” means a living space with a kitchen that is individually rented, leased or owned, including without limitation single family homes, mobile homes, multiple unit facilities with 4 or fewer units and multiple unit facilities containing 5 or more units if the units are each served and billed separately under this Agreement, but excluding Multi-Family Complexes.

“Residential Customers” means a person or entity receiving Residential Collection Services.

“Residue” means materials which remain after processing Recyclable Materials which cannot be Recycled, marketed, or otherwise utilized, including, but not limited to, materials such as contaminated paper, putrescible waste, and other debris.

“Return on Revenue” means as provided in Section 6.4 hereof.

“Scope of Services” means the Scope of Services attached hereto as Exhibit C, which specifies each category or type of Collection Services, including the Standard Services and Menu Services, the Rates applicable to the Collection Services, including the Standard Rate and Menu Rates, certain other charges and fees which may be charged by Contractor, and certain other terms.

“Self-Haul” or “Self-Hauler” means that the owner or occupant of any Residence may himself or herself, but not by or through an agent, contractor or other third party, occasionally collect, transport and deliver to incidental amounts of Collection Materials generated from that Residence only; provided,

however, all Self-Haul owners and occupants shall be required to subscribe to Collection Services as provided under this Agreement, unless exempted under Section 3.5 of this Agreement.

“Senior Citizen Rate” means a reduced Rate for Standard Services provided on the Scope of Services and charged to Residential Customers 70 years of age or older, subject to verification of age by Contractor.

“Shortfall” means as provided in Section 6.3(A) of this Agreement.

“Single-Stream Recycling” means the use of a single Container to collect Source Separated Recyclables on a co-mingled basis.

“Snapshot Program” means a photo documentation program used by Contractor to notify Residential Customers who are producing Collection Materials in excess of their current service level, which subjects the Customer to additional fees and charges for the collection of the excess material.

“Solid Waste” means all putrescible and nonputrescible waste matter in solid or semi-solid form, including but not limited to rubbish, Garbage, ashes, refuse and Residue, but excluding Excluded Materials.

“Source Separated” means the separation of any material or category of materials from other materials by the generator at the point or place of generation.

“Source Separated Recyclables” means Approved Recyclable Materials that are separated by the generator thereof from all materials other than Approved Recyclable Materials and properly prepared and placed together in a Recycling Container for Collection.

“Special Services” means various collection and other services to which Contractor is not granted the exclusive right of Collection under this Agreement and of which Contractor is not required to provide Collection under this Agreement, but which services Contractor at its option may offer to its Customers and to others anywhere in the City at rates and charges determined by Contractor.

“Special Waste” includes any materials that under current or future statute, ordinance or regulation require the application of special treatment, handling, or disposal practices beyond those normally required for Solid Waste. As defined for purposes of this Agreement, “Special Waste” shall be deemed to include, without limitation, all of the following: flammable waste; liquid waste transported in a bulk tanker; sewage sludge; pollution control process waste; residue and debris from cleanup of a spill or release of chemical substances, contaminated soil, waste, residue, debris, and articles from the cleanup of a site or facility formerly used for the generation, storage, treatment, Recycling, reclamation, or Disposal of any other Special Wastes; dead animals; manure; waste water; explosive substances; radioactive substances; fluorescent tubes; and abandoned or discarded automobiles, trucks, motorcycles or parts thereof, including tires.

“Standard Rate(s)” means the rates listed and identified as Standard Rates on the Scope of Services, which are payable by Customers to Contractor for the Standard Services.

“Standard Service(s)” means the services listed and identified as Standard Services on the Scope of Services, which includes the Collection of i) Solid Waste, ii) Source Separated Recyclables and iii) Sticker Materials, as well as Disposal Facility Access.

“Sticker” means the sticky label affixed to Sticker Materials for placement outside a Container for Collection as provided in Section 4.1(B) (3) of this Agreement.

“Sticker Items” means the individual items of Sticker Materials as provided in Section 4.1(B) (3) of this Agreement.

“Sticker Materials” means Solid Waste upon which is affixed a Sticker and placed Curbside for Collection as provided in Section 4.1(B) (3) of this Agreement.

“Temporary Service” means Exempted Drop Box Service that is: (i) temporary and not recurring; (ii) provided for a period of 60 days or less; and, (iii) excludes Permanent Services.

“Term” means the period provided in Section 3.1(A), as extended by any Extension Terms under Section 3.1(B).

“Working Days” means, unless otherwise specified, Monday through Friday, excluding legal holidays.

ARTICLE 2

CONTRACTOR’S REPRESENTATIONS, WARRANTIES

2.1 REPRESENTATIONS AND WARRANTIES OF CONTRACTOR

Contractor represents and warrants to City as follows:

A. BUSINESS STATUS

Contractor is a corporation duly organized, validly existing, and in good standing under the laws of the State of Nevada. Contractor is qualified to transact business in the State of Nevada and has the corporate power to own its properties and to carry on its business as now owned and operated and as required by this Agreement.

B. CORPORATE AUTHORIZATION

Contractor has the authority to enter into and perform its obligations under this Agreement. The Board of Directors of Contractor has taken all actions required by law, its articles of incorporation, its bylaws or otherwise to authorize the execution of this Agreement. Each individual signing this Agreement represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of Contractor, such that this Agreement shall constitute a valid and binding obligation of Contractor enforceable in full accordance with its terms, except only to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors’ rights.

C. NO CONFLICT

Contractor warrants and represents that, to Contractor's knowledge, as of the Effective Date neither the execution nor the delivery by Contractor of this Agreement nor the performance by Contractor of its obligations hereunder: (i) conflicts with, violates, or results in a breach of any law or governmental regulation applicable to Contractor; or (ii) conflicts with, violates, or results in a breach of any term or condition of any judgment, decree, agreement (including, without limitation, the certificate of incorporation of Contractor), or instrument to which Contractor is a party or by which Contractor or any of its properties or assets are bound, or constitutes a default under any such judgment, decree, agreement or instrument.

D. INFORMATION SUPPLIED BY CONTRACTOR

To Contractor's knowledge the information supplied by Contractor in all written submittals made in connection with procurement of Contractor's services, including Contractor's financial information, is true, accurate, correct, and complete in all material respects on and as of the Effective Date of this Agreement.

E. CONTRACTOR QUALIFICATIONS

Contractor warrants and represents it has the experience, financial capability and operational capability to perform the Contractor's duties and obligations under this Agreement and meets or exceeds the Qualifications.

ARTICLE 3
COLLECTION SERVICES AGREEMENT

3.1 AGREEMENT TERM; EXTENSIONS; PERIODIC REVIEW

A. Term

This Agreement shall be effective during the Term, which shall commence on the Effective Date and shall expire on the date 17 years thereafter on November 7, 2029 ("Expiration Date"), unless extended as provided in Section 3.1 (B) below.

B Extension Terms; Termination

The initial Term of this Agreement and each Extension Term of this Agreement shall be automatically extended for an additional five (5) year Extension Term unless City or Contractor provides written notice of termination not less than five (5) years prior to the expiration of the initial Term and each Extension Term. Contractor shall be entitled to terminate this Agreement effective anytime during the last 3 years of the initial Term upon not less than twenty four (24) months prior written notice to City.

C Periodic Review by City and Contractor of Collection Services

1. During the 24 month period ("Review Period") commencing on the date five (5) years after the Effective Date ("First Review Period Commencement Date") and on the date of each successive five (5) year anniversary after the First Review Period Commencement Date during the initial Term and all Extension Terms, each of the City or Contractor may initiate, conduct and complete the review of the operation of the Collection Services under this Agreement, in order to i) assess the effectiveness of the Collection Services and ii) identify areas for possible improvement ("Review"). Either City or Contractor may provide written notice to the other ("Review Notice") stating, in reasonable detail, the nature, scope and specific areas for review, but the provision of the Review Notice shall not be a condition precedent to the Review and Review Notice contents shall not limit the nature, scope or specific areas of the Review.

2. City and Contractor shall during the Review Period cooperate in good faith to conduct the review of the Collection Services. If as a result of the Review either or both the City or Contractor determine improvements to the Collection Services would be beneficial, i) City and Contractor shall cooperatively prepare a written report reflecting the results of the Review, the aspects of the Collection Services suggested for improvement and any amendments to this Agreement necessary to make such improvements ("Report") and ii) Contractor and the City will conduct, in good faith, discussions and negotiations concerning any improvements to the Collection Services, including any related amendments to this Agreement; provided, however, neither City nor Contractor shall be obligated to agree to any changes to the Collection Services or amendments to this Agreement. The Report shall provide, in reasonable detail, the findings of the Review, together with any recommendations for improvements or changes to the Collection Services and related amendments to this Agreement. If the City and Contractor do not agree on all of the contents of the Report or the recommendations, the Report shall include the positions of both City and Contractor. The Review, preparation of the Report and all discussions and negotiations shall be completed on or before the expiration of the Review Period. If Contractor and City agree to changes to the Collection Services or agree to amend this Agreement, the amendment will be executed on or prior to the expiration of the Review Period and the changes to the Collection Services will be implemented as soon as reasonably possible thereafter.

3.2 COLLECTION SERVICES AGREEMENT

A. Services Provided; Standard Services; Menu Services

City hereby grants Contractor, and Contractor shall have throughout the Term of this Agreement, except as provided in Section 3.2 C, the exclusive right, privilege, franchise and obligation within the Exclusive Service Area to provide Collection Services to Residential Customers. The Collection Services include, and Contractor shall provide to Residential Customers under this Agreement, i) the Standard Services, which Standard Services must be provided by Contractor and subscribed to by Residential Customers under this Agreement, unless such subscription to and use is expressly exempted under Section 3.5 of this Agreement; and ii) the Menu Services, which Menu Services must be offered by Contractor to Residential Customers under this Agreement, but which may be used at the option of Residential Customers. No person or entity other than Contractor shall collect, transport, or deliver to any Disposal, processing, recycling or similar facility any Collection Materials or other materials which

Contractor has the exclusive right to collect hereunder except as expressly provided under this Agreement. The preceding sentence is intended to be broadly interpreted to preclude, without limitation and except as provided in Section 3.2 C hereof, any activity relating to the collection or transportation of Collection Materials that is solicited, arranged, brokered, or provided by any person or combination of persons in exchange for the payment, directly or indirectly, of a fee, charge, rebate, discount, commission, or other consideration, in any form or amount. Notwithstanding any other provision of this Agreement, the exclusive right of Contractor hereunder shall not apply to Excluded Materials or Exempted Drop Box Materials. Contractor and other service providers may collect and transport Excluded Materials and Exempted Drop Box Materials in the Exclusive Service Area and elsewhere in the City and may charge fees and charges for services as the service provider may elect.

B. Compensation to Contractor; Rates; Balancing Adjustment

Contractor shall be entitled to charge and collect the Rates from Customers for Collection Services, which Rates may be adjusted as provided in this Agreement. City shall pay to Contractor the Balancing Adjustment as described in Section 6.3 of this Agreement. The collection of Rate Revenues by Contractor from Customers for Collection Services and the collection of the Balancing Adjustment from the City shall be Contractor's sole compensation for provision of Collection Services. However, Contractor shall be entitled provide and collect fees and charges for Special Services and other services and to charge fees and charges for Customer noncompliance as provided in Section 3.9 and elsewhere in this Agreement.

C. Exempted Drop Box Services

1. Subject to the terms and conditions in this Section 3.2 C, the franchised exclusive right and obligation of Contractor hereunder to provide Collection Services shall not include or apply to Exempted Drop Box Materials collected and transported by Exempted Haulers using Exempted Drop Box Services.
2. Each Exempted Hauler shall be a third party beneficiary with the right to enforce, subject to the terms and conditions in this Section 3.2 C, the rights of such Exempted Hauler under this Section 3.2 C. This Section 3.2 C shall not be amended in a manner that would terminate, limit or restrict any Exempted Hauler from providing Exempted Drop Box Services under this Section without the prior written consent of such Exempted Hauler, which may not be unreasonably withheld, conditioned or delayed; provided, however, nothing in this Section 3.2 C shall restrict the ability or right of the City to adopt ordinances or otherwise exercise its regulatory authority relating to the collection, transportation, processing, recycling and disposal of Solid Waste or Recyclable Materials, including without limitation Exempted Drop Box Services and Exempted Hauler Account Services.
4. The rights of an Exempted Hauler under this Section 3.2 C may be sold, assigned or transferred to a third party in whole, but not in part, provided such third party obtains all licenses necessary to perform such hauling services and an Exempted Hauler owner shall be entitled to sell, transfer and/or convey an ownership interest, in whole or in part, in the Exempted Hauler. If the Exempted Hauler shall dissolve or otherwise cease business for a period greater than one (1) year, the rights of the Exempted Hauler under this Section 3.2 C shall terminate.

5. The provision of Exempted Drop Box Services by the Exempted Haulers is a privilege, not a right. Upon the violation by an Exempted Hauler of the exclusive rights of Contractor under this Agreement, upon 30 days written notice of default by City and the failure of the Exempted Hauler to cure such violation, City shall be entitled to exercise all rights and remedies available to the City, including without limitation the termination of the exemption of such Exempted Hauler under this Section to provide Exempted Drop Box Services.

6. Except as expressly provided herein or in the Disposal Agreement, neither this Agreement nor the Disposal Agreement shall limit or preclude Exempted Drop Box Materials collected and transported using Exempted Drop Box Services from being delivered by any Exempted Hauler, including Contractor, to any facility for acceptance, processing, recycling, transfer or disposal, including without limitation facilities other than the Designated Facilities.

3.3 FRANCHISE FEES PAYABLE TO CITY

A. Franchise Fees

Contractor shall pay to the City in monthly installments during the Term a Franchise Fee based on a percentage of the Gross Receipts collected by Contractor, as established and adjusted by the Reno City Council as provided in this Agreement. The Franchise Fee at the Effective Date is equal to eight percent (8%) of the Gross Receipts collected by Contractor under this Agreement. The City Council reserves the right to increase or decrease the Franchise Fee upon ninety (90) days prior written notice to Contractor. In the event City Council increases or decreases the Franchise Fee, the Standard Rates shall concurrently be increased or decreased, respectively, in the amount of such increase or decrease in the Franchise Fee, in which event the increase or decrease in Rates shall be cooperatively determined and agreed to in good faith by the City and Contractor during the 90 day notice period.

B. Payment of Franchise Fees by Contractor to City

The Franchise Fee for each calendar month ("Subject Month") during the Term and any extensions of the Term shall be paid by Contractor on or before the 25th day of the following calendar month and shall be calculated by Contractor on the basis of the Gross Receipts actually received and collected by Contractor during the Subject Month. Contractor shall provide to City along with the monthly payment a statement of the Gross Receipts and Franchise Fee for such payment, attested to by a representative of contractor as being true and correct. Any Franchise Fee not paid by the date due shall bear interest at Seven Percent (7%) per annum until paid. Contractor's Gross Receipts, the Franchise Fees and the calculation thereof and all related financial matters shall be subject to audit and inspection by the City under Sections 7.5 and 8.3 below and contractor shall cooperate fully in all such audits and inspections.

C. No Additional Fees or Charges

The Franchise Fee shall be the only fee or compensation paid by Contractor to City in connection with the Collection Services and this Agreement and no other license, permit, privilege or other fee, tax or

charge shall be imposed by City upon Contractor; provided; however, that nothing in this section shall modify the obligation of Contractor to pay building permit fees and other similar fees.

3.4 PROVISION OF COLLECTION SERVICES

A. General

The services to be provided by Contractor pursuant to this Agreement shall include the furnishing of all labor, supervision, vehicles, Containers, other equipment, materials, supplies, and all other items necessary to perform all Collection Services, and the payment of all related expenses including all transfer and Disposal fees, processing fees for Recyclable Materials, taxes, utility charges, etc. Contractor shall provide Collection Services using standard industry practice for comparable operations, in accordance with the Scope of Services and Operating Standards.

B. Hours of Collection; Collection Frequency

Collection Services under this Agreement may be performed seven days a week on any day of the calendar year between the hours of 6 AM to 6 PM. Contractor may elect to extend the hours of Collection Services operation a limited time if necessary to catch up as a result of service disruptions. Standard Services for Solid Waste shall be provided to each Residence once per week. Standard Services for Source Separated Recyclables shall be provided to each Residence once every two weeks and shall generally occur on the same day of the week as Solid Waste collection. Menu Services may be provided by Contractor to Customers on the schedule available on the Scope of Services as requested by each Customer.

3.5 OBLIGATION TO PROVIDE COLLECTION SERVICES; MANDATORY SERVICE; EXEMPTION

Contractor shall make available Collection Services as provided under this Agreement to all Residential Customers within the Exclusive Service Area during the Term and any extension of the Term and shall be compensated by the Rates and the Balancing Adjustment. Each and every owner of a Residence which generates, produces, or accumulates or causes the generation or accumulation of Solid Waste within the Exclusive Service Area shall subscribe to the Standard Services as required in this Agreement and/or in the Reno Municipal Code and as necessary to properly Collect and Dispose of all Solid Waste generated or accumulated on such premises. It is presumed that every Residence in the Exclusive Service Area generates, produces or accumulates Solid Waste and is required to subscribe to Standard Services under this Agreement. Any owner of a Residence seeking to be exempt from Standard Services hereunder must obtain an exemption from the City. To obtain the exemption, the owner must apply to the Washoe County Health District ("WCHD") and obtain written approval of the WCHD confirming a finding that i) no Solid Waste is being generated, produced or accumulated on or from the Residence and ii) the owner or occupant is not hauling, burying or otherwise disposing of Solid Waste in violation of this Agreement, the Reno Municipal Code or other Applicable Law, including without limitation hauling and disposing of Solid Waste at a commercial establishment or business. Residential Customers are encouraged, but are not obligated, to Recycle or to subscribe to Menu Services; provided, however, no Residential Customer in Exclusive Service Area may allow or retain any person or entity other than Contractor to collect,

pickup, transport or deliver Approved Recyclable Materials or other Collection Materials that would be a violation of Contractor's exclusive right under this Agreement. With the approval of the owner of a Residence, a tenant or occupant thereof may subscribe for Collection Services, but the owner of the Residence shall remain responsible for compliance with all requirements of this Agreement and the Reno Municipal Code.

3.6 OWNERSHIP OF COLLECTION MATERIALS

Ownership of all Collection Materials, upon placement in any Container, shall transfer to Contractor and shall become the property of Contractor. Title to and ownership of all Collection Materials shall transfer from Contractor to the Designated Facility upon delivery of the Collection Materials by Contractor to the Designated Facility and acceptance by the Designated Facility of such Collection Materials.

3.7 EMERGENCY SERVICES

In the event that Contractor, for any reason whatsoever, fails, refuses, or is unable to perform the Standard Services for Solid Waste for a period of more than five (5) consecutive business days, and if as a result thereof, Solid Waste accumulates in the Exclusive Service Area to such an extent, in such a manner, or for such a time that City reasonably finds that such accumulation endangers or menaces the public health, safety, or welfare, then City shall have the right, but not the obligation, upon twenty four (24) hours prior written notice to Contractor, during the period of such emergency to perform, or cause to be performed, such services itself with its own or other personnel and equipment without liability to Contractor. Contractor shall collect and shall pay to the City all Rate Revenues applicable to the emergency services provided by City under this Section.

3.8 INFORMATION MANAGEMENT SYSTEMS

Contractor shall maintain such information management systems as are needed to collect, store, and organize operational and financial data, and to produce the reports and plans as specified in this Agreement. All data shall be backed up so as to ensure no loss of data due to computer failure.

3.9 CUSTOMER NONCOMPLIANCE

Contractor may refuse to provide some or all Collection Services to Customers and may charge fees and charges as provided herein or the Scope of Services in the event a Customer prevents or impedes Collections or otherwise fails to follow the requirements and procedures under this Agreement or Applicable Law, rules and policies, including without limitation, i) damage caused by Customers to Containers, ii) failure to provide appropriate, unobstructed Curbside access to Containers or otherwise position Collection Materials or Containers properly or timely, iii) overloading of Containers or failure of Customer to place Collection Materials solely and completely within the appropriate Container, iv) improper preparation, separation or contamination by Customer of Recyclable Materials, v) mixing by Customer of Excluded Materials with Collection Materials or placing Excluded Materials in a Container for Collection Services; vi) excessive weight or improper Collection Materials placed by Customer in

Containers, vii) invalid claims by a Customer of damage caused by Contractor to Customer's property, viii) the need of Contractor to open gates or access long driveway or roadways to provide Collection Services, or ix) or other failure of a Customer to comply with the requirements under this Agreement or applicable law, rules and policies. Upon occurrence of such event(s), Contractor may refuse to collect such materials or Container and impose charges or fees, including without limitation charges and fees for special or additional services and otherwise to the extent necessary to pay the direct and indirect costs of such noncompliance and Contractor may take other reasonable actions, including without limitation applying the Snapshot Program and charging a "Snapshot Fee," as described on the Scope of Services. Upon notice by Contractor to Customer and the City and failure of Customer to remedy such failure, Contractor may discontinue service to the Customer, in which event Contractor may charge an account deactivation fee (for services including, without limitation, pick up of any containers), and Contractor may impose charges and fees for reactivation of any deactivated accounts. Nothing in this Section or in any other Section of this Agreement is intended to limit or restrict the rights and remedies of Contractor or the City under Applicable Law.

3.10 ADOPTION BY CITY OF ORDINANCES AND AMENDMENTS

On or before the Effective Date hereof and thereafter during the Term of this Agreement, City shall adopt and thereafter maintain new or amended ordinances reasonably necessary or appropriate to implement and make enforceable and binding the terms and conditions of this Agreement; provided, however, subject to Contractor's rights under this Agreement, City shall have the right and discretion to adopt and amend ordinances or otherwise exercise its regulatory authority relating to the subject matter of this Agreement.

3.11 TRANSITION AND IMPLEMENTATION OF COLLECTION SERVICES

Contractor currently provides certain Solid Waste and Recyclable Materials collection services to residential customers in the City and will continue to do so after the Effective Date and until implementation of the Collection Services under this Agreement. Contractor will commence the implementation of Collection Service as required by this Agreement within One Hundred Twenty days (120) days after the Effective Date and will exercise reasonable diligence to complete the implementation of Collection Services on or before the Operative Date, including without limitation i) the provision by Contractor to Customers of 96 gallon Recycling Carts (unless the Customer requests another available Recycling Cart size) for Standard Services Collection of Source Separated Approved Recyclable Materials as provided in Section 4.1(B) (2) of this Agreement, ii) the provision of educational materials to Customers as provided in Section 5.1 of this Agreement and iii) the commencement of collection of the new Rates to Customers as provided in Section 6.2 of this Agreement. The 96 gallon Carts used by Contractor's current customers for Solid Waste shall remain with each existing customer for Standard Service Collection of Solid Waste unless the Customer requests another available Cart size offered by Contractor. Current customers of Contractor using 32 gallon customer-provided cans for Solid Waste will be provided 35 gallon Carts for Standard Service Collection of Solid Waste by Contractor and such Customers will be required to use the Contractor-provided 35 gallon Carts.

ARTICLE 4
SCOPE OF SERVICES

4.1 COLLECTION SERVICES; STANDARD SERVICES; MENU SERVICES

A. Collection Services Generally

Collection Services shall include, and Contractor shall provide to Residential Customers in the Exclusive Service Area under this Agreement i) the Standard Services and ii) the Menu Services. Contractor will provide to Residential Customers the Containers for Standard Services and Menu Services described in this Agreement and determined appropriate by Contractor for such service.

B. Standard Services

Standard Services shall include Curbside Collection of i) Solid Waste, ii) Source Separated Recyclables and iii) Sticker Materials, as well as Disposal Facility Access. Unless expressly exempted under Section 3.5 of this Agreement, each Residential Customer must subscribe to and pay the Standard Rates for Standard Services, whether or not such Residential Customer uses all of the Standard Services offered.

1) Standard Services Collection of Solid Waste

As part of Standard Services, Contractor shall offer Curbside Collection of Solid Waste to Residential Customers in the Exclusive Service Area. Each Residential Customer will be provided by Contractor one (1) Cart for Solid Waste in the available capacities shown on the Scope of Services, as requested by Customer and determined appropriate by Contractor for such service. Standard Service for Collection of Solid Waste shall be weekly. Customers are responsible for separating Solid Waste from Excluded Materials, placing such separated Solid Waste in the Cart provided by Contractor for Solid Waste and placing such Cart Curbside. Contractor may refuse to collect Solid Waste not separated and placed for Collection by Customer as required herein and may charge fees or other charges for improperly separated, mixed or placed materials.

2) Standard Services Single Stream Recycling

As part of Standard Services, Contractor shall offer Single Stream Recycling, which consists of Curbside Collection of Source Separated Recyclables, to Residential Customers in the Exclusive Service Area. Each Residential Customer will be provided by Contractor one (1) Recycling Cart for Source Separated Recyclables in the available capacities shown on the Scope of Services, as requested by Customer and determined appropriate by Contractor for such service. Standard Service for Collection of Source Separated Recyclable Materials shall be once every two weeks. Residential Customers are required to subscribe to and pay for Single Stream Recycling Collection Services as part of Standard Services and are encouraged to utilize such services for recycling, but are not required to Recycle or to accept a Recycling Cart. Each Customer who recycles shall be responsible for separating its Approved Recyclable Material from all other materials, including without limitation Excluded Material and Solid Waste other than Approved Recyclable Material, placing only the Source Separated Recyclables in Recycling Containers

provided by Contractor and placing the Recycling Container Curbside. Recycling Containers shall be used only for Source Separated Recyclables and no other materials of any kind may be placed in Recycling Containers. City and Contractor may agree to change the Recyclable Materials constituting the Approved Recyclable Materials, in which event the Approved Recyclable materials shall change for this Agreement. Contractor may refuse to collect Recyclable Materials not separated and placed for Collection by Customer as required herein and may charge fees or other charges for improperly separated, mixed or placed materials, including without limitation charging the Rate applicable to Solid Waste for Collection of any Recyclable Materials placed for Collection which is mixed with more than a de minimis amount of material other than Approved Recyclable Materials.

3) Standard Services Collection of Sticker Materials

As part of Standard Services, Contractor shall offer Curbside Collection of Sticker Materials to Residential Customers whose accounts are active and in good standing. Contractor will provide to such Residential Customers Twenty (20) Stickers per calendar year. Each Sticker, when attached to a single Sticker Item placed Curbside, entitles the Customer to Collection by Contractor of one (1) Sticker Item. Sticker Items need not be placed in Contractor's Containers and shall include only sturdy bags, boxes, 32 gallon waste cans (or comparable cans or containers) or bundles containing Collection Materials, each not exceeding 50 pounds in weight and capable of being loaded by hand into a Collection vehicle. All loose materials must be bundled. Bundles must be securely bound and not more than 4 feet in length, width and height. Each Customer shall be responsible for preparing the Sticker Items as required in this Agreement, affixing the Sticker to a Sticker Item, separating the Sticker Items from Excluded Materials and placing the Sticker Items Curbside. Contractor may refuse to collect Sticker Items not prepared, Stickered, separated and placed Curbside for Collection by Customer as required herein and may charge fees or other charges for improperly separated, mixed or placed materials. Contractor shall deliver to each Residential Customer, together with the first annual billing, a package of Twenty (20) Stickers for the ensuing calendar year. New Residential Customers shall be delivered Twenty (20) Stickers if subscribing before June 1 of each year and Ten (10) Stickers if subscribing on or after June 1 of each calendar year.

4) Standard Service Disposal Facility Access

As part of Standard Services, Contractor shall offer to Residential Customers whose account with Contractor is active and in good standing the right to haul to and deposit at a Designated Facility selected by Contractor, up to four times per calendar year, not more than three (3) cubic yards of Solid Waste, (generally equal to a standard pick-up load), including Bulky Items, but excluding Excluded Materials, materials containing chlorofluorocarbons and Source Separated Recyclables ("Disposal Facility Access"). Upon entry to a Disposal Facility for Disposal Facility Access, Contractor or the facility operator may require proof of Customer identity and account status, including without limitation proof that Customer resides at a Residence receiving Collections Services, and may adopt other rules and policies for Disposal Facility Access. The disposal facility may refuse to accept Solid Waste not separated from other materials as required herein and may charge fees or other charges for improperly separated or mixed materials. Customers shall comply with the safety and other operational rules and policies of the Designated Facility. City and Customers hereby release Contractor from all damages or claims

resulting from the Disposal Facility Access, except to the extent caused by the negligence or willful misconduct of Contractor.

C. Menu Services

In addition to and not included within the Standard Services, Contractor shall offer to Residential Customers the Menu Services described on the Scope of Services and shall offer to Residential Customers the Containers for such services shown on the Scope of Services and determined appropriate by Contractor for such service. Menu Services shall be provided at the frequency requested by Residential Customers. Residential Customers are not required to subscribe to the Menu Services. Residential Customers are responsible for preparing, separating and placing all Collection Materials and Containers as required in this agreement or Contractor's rules and policies for Menu Services. Contractor may refuse to collect Collection Materials not prepared, separated and placed for Collection by Customers as required herein and may charge fees or other charges for improperly separated, mixed or placed materials.

4.3 FOOD WASTE RECYCLING

The Contractor may at Contractor's election offer Collection Services of Source Separated Food Waste to Residential Customers in the Exclusive Service Area on a subscription basis. If Contractor develops a Source Separated Food Waste Recycling or collection service program, Contractor will have the exclusive right to provide such services in the Exclusive Service Area and Contractor will provide separate Containers suitable for Food Waste as determined appropriate by Contractor for such service. Rates for the collection of Source Separated Food Waste shall be developed by Contractor in consultation with the City, and shall be added to the Menu Services if and when adopted. Customers are not required to subscribe to Food Waste Recycling Collection Services. Collection Services of Food Waste shall include only Food Waste and each Customer shall be responsible for properly separating the Food Waste from all other materials, including without limitation other Source Separated Recyclables, Garbage and Excluded Material, and placing the Food Waste only in Recycling Containers designated by Contractor for Food Waste. Recycling Containers designated by Contractor for Food Waste shall be used only for Food Waste and no other materials of any kind may be placed in Recycling Containers designated for Food Waste. Contractor may refuse to collect Food Waste not separated and placed for Collection as required herein and may charge fees or other charges for improperly separated, mixed or placed materials, including without limitation charging the Rate applicable to Solid Waste for Collection of any Food Waste placed for Collection which is mixed with more than a de minimis amount of material other than Food Waste.

4.4 DELIVERY OF COLLECTION MATERIALS TO DESIGNATED FACILITIES; DISPOSAL AGREEMENT

Contractor acknowledges that the City has entered into a long term Solid Waste Transfer and Disposal Agreement with Refuse, Inc., a Nevada corporation ("Designated Facility Owner") to provide the City with an environmentally sound and cost effective solution for the transfer, processing, handling, recycling, and Disposal of certain Solid Waste and Recyclable Materials (the "Disposal Agreement").

Contractor shall deliver all Collection Materials that Contractor collects within the Exclusive Service Area to a Designated Facility which has been designated by the City pursuant to and in accordance with the requirements of the Disposal Agreement. Capitalized terms used but not defined in this Section 4.4 have the meaning provided in the Disposal Agreement. Contractor hereby agrees to the "Franchise Hauler Terms" (as defined in the Disposal Agreement), including without limitation the following terms and conditions in this Section 4.4, which terms and conditions are also included in the Disposal Agreement:

A. Delivery of Approved Disposal Materials

Beginning on the Effective Date, and throughout the term of this Agreement, Contractor will deliver all Approved Disposal Materials collected, handled or transported under this Agreement to the Designated Facilities in accordance with the terms and conditions hereof and the Disposal Agreement. Contractor shall deliver i) all Solid Waste to the designated Transfer Station, unless the Designated Facility Owner directs the Solid Waste be delivered to another Designated Facility and ii) all Approved Recyclable Material to the MRF, unless the Designated Facility Owner directs the Approved Recyclable Material be delivered to another Designated Facility. No Approved Disposal Materials shall be delivered to the Disposal Site by Contractor without the prior express approval of the Designated Facility Owner. No person or entity other than the Designated Facility Owner shall be allowed or entitled to accept the Approved Disposal Materials for processing, recycling or disposal except as expressly provided under the Disposal Agreement. Notwithstanding anything in this Section 4.4 (A) to the contrary, i) Contractor shall be entitled to deliver (a) Excluded Materials; (b) Exempted Drop Box Materials; (c) Food Waste and (d) Green Waste to Disposal facilities other than the Designated Facilities and ii) Disposal facilities other than the Designated Facilities shall be entitled to accept from the Contractor (a) Excluded Materials; (b) Exempted Drop Box Materials; (c) Food Waste; and (d) Green Waste for processing or recycling. Except as provided in this Section 4.4 A, Contractor may not, directly or indirectly through other persons or otherwise, perform or conduct any processing, sorting, separating, and/or disposal or other activities regarding the Collection Materials, and it is expressly understood that Contractor's services are limited to Collecting the Collection Materials and delivering them to the Designated Facilities.

B. No Excluded Materials; Screening of Materials

Contractor will deliver only Approved Disposal Materials of the type appropriate for the Designated Facility to which the materials are delivered and otherwise in accordance with the terms of the Disposal Agreement. No Excluded Materials will be delivered to any Designated Facility by Contractor except with the prior written and informed approval of the Designated Facility Owner. The Contractor will exercise industry standard, reasonable efforts to screen all materials to i) screen and verify only Approved Recyclable Materials are delivered for Recycling and ii) screen and remove all Hazardous Waste and other Excluded Materials from the materials delivered to the Designated Facilities. Except as provided in Section 4.4 F hereof, ownership of Hazardous Waste and other Excluded Materials shall not transfer to the Designated Facility Owner unless the Designated Facility Owner shall expressly and knowingly accept such ownership in writing and the Designated Facility Owner shall not be responsible for any Hazardous Wastes or other Excluded Materials delivered to a Designated Facility in violation of this Agreement.

C. Payment of Rates and Charges by Contractor

The Contractors will pay the Rates (as defined in the Disposal Agreement), as adjusted, and other charges, to the Designated Facility Owner in accordance with the Disposal Agreement.

D. Limited License

Contractor shall have a limited license to enter the Designated Facilities for the sole purpose of unloading Approved Disposal Materials at an area designated, and in the manner directed, by the Designated Facility Owner.

E. Compliance by Contractor

Contractor and its employees, subcontractors, or other agents shall comply with: i) Applicable Law related directly or indirectly to the delivery to and Disposal of materials at the Designated Facilities, including without limitation the ordinances of the City, ii) all rules and regulations of the Designated Facilities, including without limitation rules relating to safety, acceptance, rejection or revocation of acceptance of materials, and hours of operation, and iii) all other Franchise Hauler Terms in the Disposal Agreement.

F. Inspection and Rejection of Materials by Designated Facility Owner

The Designated Facility Owner shall have the right to inspect, analyze or test any material delivered by Contractor to any Designated Facility. The Designated Facility Owner shall have the right to reject, refuse or revoke acceptance of any material if, in the reasonable opinion of the Designated Facility Owner, the material or tender of delivery fails to conform to, or Contractor fail to comply with, the terms of the Disposal Agreement, including without limitation as a result of delivery of Excluded Material. In the event the Designated Facility Owner, by notice to Contractor, rejects or within 10 business days of receipt revokes acceptance of materials hereunder, the Contractor shall, at its sole cost, immediately remove or arrange to have the rejected waste removed from the Disposal Facilities property or control. If the rejected material is not removed within three (3) days from receipt of notice, the Designated Facility Owner shall have the right and authority to handle and dispose of the rejected material or Excluded Material in any commercially reasonable manner determined by the Designated Facility Owner. The Contractor shall pay and/or reimburse the Designated Facility Owner for any and all costs, damages and/or fines incurred as a result of or relating to the tender or delivery of the rejected material or Excluded Material or other failure to comply or conform to this Agreement, including, without limitation, costs of inspection, testing, analysis, handling and disposal of the rejected material or Excluded Material. Title to, ownership of and liability for Excluded Material shall transfer to Contractor unless such Excluded Material is rejected or the acceptance of which is timely revoked. Without limiting the foregoing, Approved Recyclable Materials mixed with i) more than a de minimis amount of Garbage, ii) 10% or more of materials other than Approved Recyclable Materials, or iii) any amount of Excluded Materials, shall be considered contaminated ("Contaminated"). Contractor may impose a fee or charge for delivery of Contaminated Recyclable Materials, may charge for and dispose of such Contaminated materials as Solid Waste, and may refuse to accept such Contaminated materials.

G. Franchise Hauler Noncompliance

The Designated Facility Owner may suspend on prior written notice some or all Disposal Services to Contractor in the event Contractor fails to comply with the requirements applicable to Contractor in this Agreement or the Disposal Agreement or otherwise fails to follow the requirements and procedures under this Agreement, the Disposal Agreement or Applicable Law, rules and policies, including without limitation, i) improper preparation, separation or contamination of Solid Waste or Approved Recyclable Materials, ii) delivery of Excluded Materials to a Designated Facility; or iii) other failure of a Contractor to comply with the requirements under this Agreement or Applicable Law, rules and policies of which the Designated Facility Owner has provided reasonable prior notice. Upon occurrence of such event(s), the Designated Facility Owner may charge fees and charges as provided in the Disposal Agreement or otherwise approved by City, including without limitation charges and fees for special or additional services and otherwise to the extent necessary to pay the direct and indirect costs of and damages from such noncompliance. Upon notice of such a failure by the Designated Facility Owner to the Contractor and the City and failure of the Contractor to remedy such failure within thirty (30) days, the Designated Facility Owner may suspend Disposal Service to Contractor. The Contractor shall be reinstated on the first business day following the date upon which any such failure has been corrected. Nothing in this Section or in any other Section of this Agreement is intended to limit or restrict the rights or remedies of the Designated Facility Owner under this Agreement, the Disposal Agreement or applicable law.

H. Time of Delivery

The Contractor generally shall be entitled to deliver and unload Solid Waste at the Transfer Station Monday through Friday between the hours of 7:00 a.m. and 5:00 p.m. and Saturday and Sunday between the hours of 8:00 a.m. and 4:30 p.m. The Contractor shall be entitled to deliver and unload Approved Recyclable Materials (including incidental Residuals) at the MRF and Eco-Center Monday through Friday between the hours of 7:00 am and 4:00 p.m. and Saturday between the hours of 8:00 am to 12:00 noon. Operational and delivery hours may be adjusted by the operator of the Designated Facility and approved by City. Any direct haul trips to the Disposal Site shall comply with the Disposal Site's standard hours of operation.

I. Alternative Facilities

During the Term of this Agreement, the Designated Facility Owner may designate alternative facilities for the receipt, processing, transfer, or disposal of Collection Materials, Green Waste and Food Waste, provided such alternative facilities do not result in an increase in Rates or material increase in costs to Contractor and Contractor will deliver such materials to the alternative facilities as directed by the Designated Facility Owner. If the Designated Facility Owner designates an alternative facility, unless the alternative facility is required to pay the Host Fee to the City, the Designated Facility Owner shall pay or cause to be paid the Host Fee payable under the Disposal Agreement and applicable to any Approved Disposal Materials delivered to the alternative facility. Upon the approval of City, the Designated Facility Owner may cause or allow Disposal Materials to be delivered to the City waste water treatment plant, in which event no Host Fee, tipping fee or other fee will be payable to City for or on such materials.

J. Ownership of Disposal Materials

Ownership of all Approved Disposal Materials, upon delivery to and acceptance by a Designated Facility, shall transfer to the owner or operator of the Designated Facility and shall become the property of the Designated Facility Owner.

K. Third Party Beneficiary

The Designated Facility Owner shall be a third party beneficiary of this Agreement with all rights and remedies to enforce the Franchise Hauler Terms and other terms, covenants and conditions under this Agreement.

4.5 SPECIAL SERVICES

In addition to and separate from Collection Services, Contractor may voluntarily offer certain "Special Services" within the City. Contractor is not required under this Agreement to provide Special Services, but may elect to do so. Examples of such optional Special Services include i) on-call Bulky Items pick-up; and ii) collection, transportation, delivery or other services related to Excluded Materials and Exempted Drop Box Materials. Contractor may provide Special Services in the manner and at rates, fees and charges in an amount determined by Contractor, which shall not be included in the Gross Receipts. Contractor shall, however, maintain in full force and effect throughout the term of this Agreement a current business license from the City as it relates to provision of Special Services.

ARTICLE 5
OPERATIONS

5.1 CUSTOMER INFORMATION AND PUBLIC EDUCATION

Contractor is responsible for the distribution, preparation, reproduction and mailing of educational information kits for new Customers which describe Contractor's Collection Services, including without limitation information about the various available Containers, Rates, charges, Recycling of Source Separated Recyclables and related Customer responsibilities. Contractor shall distribute the information kits to Customers and shall provide notice to Customers of its commencement of Collection Services under this Agreement at least thirty (30) days prior to commencement of the Collection Services to the Customer.

5.2 CUSTOMER SERVICE

Contractor shall maintain and provide to all Customers a telephone number for Customer service, and shall provide all telephonic services specified in this Section 5.2. Contractor shall install and maintain telephone equipment, and shall have on staff a sufficient number of dedicated service representatives reasonably necessary to handle customer service calls. Such dedicated customer service representatives shall be available to answer calls from 8 a.m. to 5 p.m., Monday through Friday. Contractor shall also maintain an after-hours telephone message system to record calls received outside Contractor's normal

business hours. Contractor shall provide the City a means of contacting a representative of the Contractor on a twenty-four (24) hour basis.

5.3 SERVICE COMPLAINTS

Contractor shall maintain computer records of all oral and written service complaints registered with Contractor from Customers receiving Collection Services ("Complaint Record"). Contractor shall be responsible for prompt and courteous attention to, and prompt and reasonable resolution of, all Customer complaints as provided in Section 5.4 hereof. Contractor shall record the Complaint in the customer file contained in the Contractor's customer database, noting the name and address of complainant, date and time of complaint, nature of complaint, identity of supervisor, and nature and date of resolution. City has the right under this Agreement to inspect the Complaint's made against Contractor upon written request.

5.4 OMBUDSMAN; COMPLAINT RESOLUTION

A. Contractor shall designate and maintain an Ombudsman for the duration of this Agreement. Contractor shall notify the City of the name and title of the person serving as Contractor's Ombudsman. The Ombudsman must be a company official who does not directly or indirectly report to any person who manages the Collection Services, or any Customer account, on a day-by-day basis. On an ongoing basis, Contractor shall immediately notify the City when an Ombudsman is replaced.

B. If, for any reason, a dispute arises between the Contractor and a Collection Services customer that is not resolved between Contractor and the Customer to the City's reasonable satisfaction, the City, at its sole option, may i) submit the dispute to the Ombudsman who shall ensure that the matter is formally reviewed, considered, and resolved and/or responded to by the Contractor within seven (7) days or ii) make a determination of the dispute resolution without submitting the Ombudsman. If the Ombudsman shall not resolve the dispute to the City's reasonable satisfaction, the City may make a determination of the dispute resolution. The determination by the City of all Collection Services customer disputes shall be final and binding on Contractor and the customer. This Section 5.4 shall not apply to disputes between Contractor and any customer for customer account obligations or the payment or collection thereof.

C. This Section 5.4, however, does not in any way legally obligate the City to submit a dispute to the Ombudsman as a condition precedent to enforcing its rights hereunder in law or in equity, including the right to seek damages for breach, a decree of specific performance, injunctive relief or any other remedy that would be available to the City in the event of a breach, or threatened breach, of any provision of this Agreement by the Contractor, or any of the Contractor's successors or assigns.

5.5 HAZARDOUS AND OTHER EXCLUDED MATERIALS; CONTAMINATION OF APPROVED RECYCLABLE MATERIALS

A. General

If Contractor determines that waste placed in any Container for Collection or delivered to any facility is Hazardous Waste, Medical and Infectious Waste, or other Excluded Materials, in addition to all other rights available under this Agreement or at law or equity, Contractor shall have the right to refuse to accept such waste and to proceed as provided under his Agreement. Customer shall be contacted by Contractor and requested to arrange proper disposal. If Customer cannot be reached immediately, Contractor staff shall, prior to leaving the premises, leave a tag on the top of the Container indicating the reason for refusing to collect the waste.

B. Ownership of and responsibility for Hazardous Waste or other Excluded Material

Notwithstanding anything in this Agreement to the contrary, ownership of Hazardous Waste and other Excluded Materials shall not transfer to Contractor unless Contractor shall knowingly accept for collection and contract expressly in writing to accept, collect and transport such material. All such material shall remain the property of the Customer placing or attempting to place such material for Collection or disposal, and such Customer shall remain solely responsible for such materials, the proper and legal transportation and disposal thereof, the retrieval of such materials from any location (including without limitation a location to which Contractor may have transported them), and for any and all damages, losses, liabilities, fines, penalties, forfeitures, claims, demands, actions, proceedings or suits arising out of relating to the generation, transportation, handling, cleanup, remediation or disposal of such materials.

C. Contamination of Approved Recyclable Materials

Approved Recyclable Materials mixed with i) more than a de minimis amount of Garbage, ii) 10% or more of materials other than Approved Recyclable Materials, or iii) any amount of Excluded Materials, shall be considered contaminated ("Contaminated"). Contractor may impose a fee or charge for Contaminated Approved Recyclable Materials placed in any Recycling Container, may charge for and disposed of such contaminated materials as Solid Waste, and may refuse to Collect such Contaminated materials.

5.6 PERSONNEL

Contractor shall furnish qualified drivers, mechanical, supervisory, clerical and other personnel as necessary to provide the Collection Services required by this Agreement in a safe and efficient manner and otherwise as provided in the Operating Standards.

5.7 VEHICLES AND EQUIPMENT

Contractor shall procure, maintain and replace a sufficient number of industry standard collection vehicles and other equipment to properly provide the Collection, Services. All vehicles used in the performance of Collection Services i) shall be maintained in an operational, clean and sanitary manner to industry standards, ii) shall have appropriate safety markings and lights in accordance with current statutes, rules and regulations, iii) shall not allow liquid wastes to leak from the vehicle, iv) shall be labeled with signs which clearly indicate the vehicle inventory number and customer service number of

Contractor v) shall be painted a uniform color, provided Solid Waste collection vehicles and Recyclable Material collection vehicles may use different paint and color schemes and vi) shall be equipped with properly licensed two-way communication equipment. The Contractor shall maintain a base station or have communication equipment capable of reaching all collection vehicles.

5.8 CONTAINERS AND STICKER ITEMS

A. Container Requirements and Ownership

The Contractor shall procure, maintain, own and provide to Customers a sufficient quantity of Containers to provide the Collection Services. As part of Standard Services, Contractor shall provide to each Residential Customer one (1) Cart for Collection of Solid Waste and one (1) Recycling Cart for Collection of Source Separated Recyclables (unless the Recycling Cart is refused by Customer), each of which Carts shall be in the available size shown on the Scope of Services, as requested by Customer and approved by Contractor as suitable to contain the Collection Materials from such Customer. Without the prior written consent of Contractor, which Contractor may withhold in its sole discretion, except for Sticker Items, Customers shall not provide their own containers and shall use only Containers provided by Contractor for Collection Services. Any Cart or other Container damaged or missing on account of accident, act of nature or the elements, fire, or theft or vandalism by persons other than the Customer such that the Container does not comply with the requirements under this Agreement shall be repaired or replaced by Contractor at Contractor's cost within a reasonable time after request by Customer. Customers shall properly care for Containers provided for Customer's use, shall use reasonable efforts to protect such Containers from graffiti or negligent or intentional misuse, and shall not use such Containers for other than their intended purpose. In the event a Customer damages or requests a replacement Container as a result of Customer's damage, lack of reasonable care or intentional misuse, the Contractor may charge the Customer the reasonable cost of replacement of the Container, including a reasonable pickup and delivery charge. Containers shall be located on the Customer premises in a manner required hereunder and under applicable law, rules and policies and otherwise in a location providing appropriate access to the Container by Contractor and allowing safe and efficient collection by the Contractor. Ownership of all Carts and other Containers shall remain with Contractor at all times.

B. Weight Limits

Cart weight, including all Collection Materials therein, shall not exceed sixty (60) pounds for the 35-gallon size, one hundred-twenty (120) pounds for the 64-gallon size and one hundred-eighty (180) pounds for the 96-gallon size. Sticker Items shall not exceed 50 pounds in weight. No specific weight restrictions apply to Bins or Drop-Boxes, provided, however, the Contractor shall not be required collect, lift or remove any Container i) exceeding the safe working capacity of the collection vehicle as determined by Contractor or ii) which would cause the vehicle carrying the Container to exceed legal road weights

C. Loading Containers:

Except for only Sticker Materials, all Collection Material must be placed by Customers i) only in Containers provided Contractor and ii) completely within the Containers provided by Contractor, such that the lid or other closure on such Container closes completely and iii) only in Containers designated for the type of Collection Material deposited in such Container. Except for Sticker Materials, no Collection Materials may be placed for collection by Customer except in a Container provided by Contractor, including without limitation in Customer-supplied or other containers, in bundles or otherwise placed outside an appropriate Container.

D. Curbside Placement of Carts and Sticker Items; Side Yard Service; Placement of Containers

Except for Residences with approved side yard service, all Carts and Sticker Items must be placed by Customers Curbside by 6:00 AM on the scheduled day of service and otherwise in a manner to provide unobstructed, efficient access by Contractor's equipment and personnel. Contractor shall provide Side Yard Service free of charge and as part of Standard Services to Residences at which no occupant is physically capable of placing the Carts or Sticker Items Curbside, as reasonably determined by Contractor. Side Yard Service means Collection by Contractor of Carts or Sticker Items from a readily accessible and safe location in front of or along the side of a Residence and will apply and may be charged for if a Cart or Sticker Item is not placed Curbside. Side Yard Service may be provided by Contractor to other persons as a Menu Service at the Rate specified. Customer must provide unobstructed, efficient access by Contractor to all Containers in a location approved by Contractor.

5.9 SPILLAGE

Contractor shall exercise reasonable efforts to keep Collection Materials collected by the Contractor completely contained in Containers and collection vehicles. Hoppers and tippers on all collection vehicles shall be operated in a reasonable manner so as to minimize blowing or spillage of materials. Spillage of materials caused by Contractor shall be promptly cleaned up by the Contractor at Contractor's expense to the extent reasonably possible and necessary. However, it is understood that wind conditions in the Truckee Meadows make it impossible for the Contractor to prevent the blowing of all material. All vehicles used for Collection Services shall carry spill kits. At a minimum, spill kits shall include absorbent pads or granules, containment booms, storm drain covers, sweepers and other similar materials reasonably sufficient to contain, control and, for minor events, appropriately clean-up any spillage or release of wind-blown materials, litter, or leaks of Contractor vehicle fluids or leachate.

5.10 CONTRACTOR PLANNING ASSISTANCE

The Contractor shall, upon request, make available a reasonable amount of site planning assistance to either the City and/or property owners or their representatives. The site planning assistance shall be available for all new construction or remodeling of residential building within the Exclusive Service Area, and shall address the ability of Contractor to provide service in the Collection areas. Contractor will not charge for normal and reasonable site planning services. Contractor may charge a reasonable fee for will-serve letters.

5.11 SAFEGUARDING PUBLIC AND PRIVATE FACILITIES

The Contractor shall exercise reasonable efforts to protect public and private improvements, facilities and utilities whether located on public or private property, including street Curbs. If such improvements, facilities, utilities or Curbs are damaged due to the negligence or intentional misconduct of Contractor, the Contractor shall repair or replace the same. However, Contractor shall not be responsible for damage caused to persons or to public or private property to the extent caused by either or both i) the negligent or intentional acts of a Customer or others, and ii) the failure of the Customer property to meet or comply with the requirements of this Agreement and applicable laws, rules and policies, including without limitation the failure to place the Container or Sticker Items where required.

5.12 INCLEMENT WEATHER, CONSTRUCTION AND OTHER SERVICE DISRUPTIONS

When weather, construction or other conditions reasonably prevent or impair Collection Services, Contractor may make reasonable adjustments to the Collection Services, including without limitation postponing Collection from some Residences until the following regularly scheduled weekly Collection, but shall continue Collection Services to the extent reasonably safe and efficient. No credits or refunds will be provided for missed Collections or other service limitations beyond the reasonable control of contractor. The Contractor shall notify the City of its collection plans and outcomes for each day that severe inclement weather is experienced as soon as practical that same business day.

5.13 VEHICLE DRIVE IN SERVICE

The Contractor shall offer drive-in service, at additional charge, to Customers' property that allows safe access, turn-around space, and clearance for service vehicles. Customers located in an area that does not allow safe access, turn-around or clearance for service vehicles will be provided service if Collection Materials are placed adjacent to the nearest public street or private road that provides safe access in a location approved by Contractor. In the event the Contractor determines a private road or drive cannot be safely negotiated or that providing drive-in service for Customers is impractical due to distance or unsafe conditions, the Contractor will evaluate on-site conditions and make a determination of its preferable approach for providing safe and appropriate service to the Customer. Contractor may require a damage waiver agreement or, upon 30 days prior written notice to the Customer and the City, may decline to provide service to Customers where Contractor determines impractical or unsafe.

ARTICLE 6 COMPENSATION TO CONTRACTOR

6.1 COMPENSATION TO CONTRACTOR; RATES; BALANCING ADJUSTMENT

The compensation to Contractor under this Agreement shall include the Rates Revenues and the Balancing Adjustment. The collection of Rate Revenues by Contractor from Customers for Collection Services and the Balancing Adjustment shall be Contractor's sole compensation for provision of Collection Services; provided, however, Contractor shall be entitled to charge other fees and charges for Special Services and other services and may charge other fees and charges for Customer noncompliance as provided in Section 3.9.

6.2 GENERAL RATES PROVISIONS

Commencing for each Residential Customer on the date Contractor begins the Collection Services to such Residential Customer, Contractor shall charge and collect from Customers for Collection Services the Rates provided on the Scope of Services, which Rates may be adjusted as provided in this Agreement. The Rates include the Standard Rates payable for Standard Services and the Menu Rates payable for Menu Services. Contractor shall not charge more than the Rate specified for each service provided on the Scope of Services: provided, however, if a Designated Facility refuses to accept Approved Recyclable Materials, Contractor may deliver such materials for Disposal as Solid Waste and may charge the Rate applicable to Solid Waste for such Collection Services.

A. Standard Rate

Contractor shall charge and collect from Residential Customers the Standard Rates for the Standard Services at the service level provided and Residential Customers shall be obligated to pay the Standard Rates (unless expressly exempted from Standard Service under Section 3.5 of this Agreement) whether or not the Customer uses all Standard Services offered. Contractor will make the Senior Citizen Rate for Standard Services available to qualified senior citizens upon request and verification of age.

B. Menu Rate

Contractor shall charge and collect from Residential Customers the Menu Rates for any Menu Services requested by and provided to Residential Customers.

6.3 BALANCING ADJUSTMENT

A. Balancing Adjustment General Provisions

City and Contractor acknowledge that the Standard Rates are not sufficient to pay the cost of providing the Standard Services and the Return on Revenue to Contractor and that a shortfall ("Shortfall") in compensation to Contractor for the Residential Services would exist if a Balancing Adjustment is not paid by City to Contractor as provided in this Article 6. Accordingly, City hereby agrees to pay to Contractor in monthly installments during the Term a Balancing Adjustment ("Balancing Adjustment") equal to Nineteen and 83/100 percent (19.83%) of the Gross Receipts.

B. Payment of Balancing Adjustment by City to Contractor

The Balancing Adjustment for each calendar month ("Subject Month") during the Term and any extensions of the Term shall be paid by City to Contractor on or before the 25th day of the following calendar month and shall be calculated by Contractor on the basis of the Gross Receipts received and collected by Contractor during the Subject Month. Contractor shall provide to City on or before the 15th day of each calendar month a statement of the Gross Receipts and Balancing Adjustment for such payment, attested to by a representative of contractor as being true and correct. Any Balancing Adjustment not paid by the date due shall bear interest at Seven Percent (7%) per annum until paid and Contractor may deduct and offset such past due amounts from any amounts payable by Contractor to

City under this Agreement or any other agreement between Contractor and the City. Contractor's Gross Receipts, the Balancing Adjustment and the calculation thereof and all related financial matters shall be subject to audit and inspection by the City under Sections 7.5 and 8.3 below and contractor shall cooperate fully in all such audits and inspections.

C. Offset; Decrease of Balancing Adjustment

Instead of City paying the Balancing Adjustment to Contractor and Contractor separately paying the Franchise Fees to City under this Agreement, City and Contractor may agree to adjust and offset ("Offset") the amount of the Balancing Adjustment against the amount of the Franchise Fee payable under this Agreement and any amounts payable by Contractor to City or by City to Contractor under other agreements between City and Contractor, with any remaining balance being paid to the party entitled thereto as provided in this Agreement. The City reserves the right to decrease the Balancing Adjustment upon ninety (90) days written notice to Contractor. In the event City decreases the Balancing Adjustment, the Standard Rates shall concurrently be increased in an amount necessary to fully compensate Contractor for the amount of such decrease in Balancing Adjustment, in which event the increase in Standard Rates shall be cooperatively determined and agreed to in good faith by the City and Contractor during the 90 day notice period.

D. Adjustment of Balancing Adjustment

Commencing on January 1, 2015 and thereafter not more often than once every 5 years during the Term, City or Contractor may request by written notice to the other a review of the amount of Balancing Adjustment to verify the Balancing Adjustment is the correct amount to compensate Contractor for the Shortfall ("Balancing Adjustment Review"). The Balancing Adjustment Review shall be performed cooperatively and in good faith by City and Contractor within 90 days after notice of the election of City or Contractor to perform the Balancing Adjustment Review. Contractor shall provide all information and records reasonably necessary to perform the Balancing Adjustment Review. If City and Contractor determine an adjustment to the Balancing Adjustment is necessary to compensate Contractor for the Shortfall, the adjusted Balancing Adjustment shall become effective on the date 30 days after determination and this Agreement shall be amended to reflect the adjustment. If City and Contractor disagree that an adjustment to the Balancing Adjustment is necessary, the decision may be referred to the City Council for review and determination. Nothing herein shall limit the rights or remedies of Contractor or City with regard to the adjustment of the Balancing Adjustment.

6.4 ADJUSTMENT OF RATES

A. CPI Rate Adjustment

Subject to the terms, conditions and limitations of this Section 6.4 A, the Rates for all Collection Services shall increase annually during the Term and all Extension Terms in proportion to the percentage increase in the CPI over the preceding year, as provided below ("CPI Adjustment"). Adjustments to the Rates shall be made in units of One Cent (\$0.01) and fractions thereof shall be rounded to the nearest cent.

The first annual CPI Adjustment of the Rates shall occur April 1, 2014 (such date and each anniversary thereof during the Term, an "Adjustment Date"). The Rates shall be increased in proportion to the percentage increase in the CPI over the most recent twelve (12) month period ending on December 31 of the year preceding the Adjustment Date. In determining the CPI increases, Contractor may elect to increase the Rates applicable to particular or specific services or groups of services by more or less than the CPI, so long as the total increase in the Rates for all Collection Services is less than or equal to the increase in the CPI; provided, however, Contractor and City shall cooperate in good faith to determine the exact amount and allocation of such increases.. The Contractor's calculations of the CPI Adjustment and the Return on Revenues described below shall be i) based on financial statements of Contractor which form a part of the financial statements of the parent company of Contractor (which parent's financial statements have been audited by an independent certified public accountant or accounting firm), ii) certified true, correct and complete by the Contractor Representative and iii) provided to the City no later than March 15 of the year of the Adjustment Date. The adjusted Rates shall take effect on the Adjustment Date and shall apply for the ensuing year. If the CPI is changed or discontinued, it will be replaced by an index that would achieve as closely as possible to the same result as if the CPI had not been changed or discontinued.

The CPI Adjustment to the Rates shall be subject to the following limitations:

- i) The CPI shall not be less than zero percent (0%) or more than six percent (6%); and
- ii) Commencing with the Adjustment Date occurring on April 1, 2017, in the event the annual Return on Revenue of Contractor for the three consecutive calendar years immediately preceding the Adjustment Date averages more than eight percent (8%) ("Return on Revenue"), using a three year rolling average, no CPI Adjustment shall apply to the Rates for the year in which such Adjustment Date occurs.

For purposes hereof, "Return on Revenue" shall mean net income divided by gross revenues and expressed as a percentage. Net income is determined by deducting from gross revenues all expenses, which expenses include federal income taxes. Return on Revenue shall be calculated by Contractor in accordance with generally acceptance accounting principles, consistently applied, and otherwise in a manner substantially similar to the calculation of rate increases used under the Existing RFA (as defined in Section 11.23 hereof).

B. Other Adjustments to Rates

Because the Rates and the Balancing Adjustment are Contractor's sole compensation for the Collection Services, the Rates must be sufficient to pay known and unknown costs that may increase over time. Accordingly, City and Contractor agree that, in addition to the CPI Adjustment and the other adjustments under this Section, the Rates shall be increased ("Rate Adjustment") in an amount necessary to compensate Contractor for:

1. Increases in costs or expenses resulting from a Change in Law, Change in Scope of Services or increase in City Collection Services;

2. Increase in the Franchise Fee or other fees required, initiated or approved by City or another federal, state or local governmental agency;
3. A change in the volume of Solid Waste or Recyclable Materials or other materials collected by Contractor hereunder that causes a material increase to Contractor's costs or expenses or material decrease in Contractor's revenues, including without limitation changes caused by a change to the Exclusive Service Area, changes to the requirement that all Customers in the Exclusive Service Area have mandatory Collection Services as provided under this Agreement and annexation or consolidation of outlying or noncontiguous area in the City included in the Exclusive Service Area;
4. Increase in the fees, expenses or costs to Contractor for the transfer, processing, transportation, recycling, or Disposal of Solid Waste and Recyclable Materials charged by the Designated Facilities under the Disposal Agreement, including without limitation an increase in the Host Fee as defined in and payable under the Disposal Agreement, except to the extent such increase was already factored into the CPI increase; and
5. The decrease of the Balancing Adjustment by the City or the insufficiency of the Balancing Adjustment to compensate Contractor for the Shortfall; and
6. Any other circumstance, cause or reason not within the reasonable control of Contractor, including without limitation a Force Majeure event, that causes an increase in costs or expenses or reduction in revenue of Contractor, such that the Rates do not fairly compensate Contractor for the Collection Services.

Contractor may initiate a Rate Adjustment under this Section 6.4 B not more than once annually, beginning no earlier than January 1, 2014. To obtain a Rate Adjustment, Contractor shall prepare and submit to the City a rate adjustment statement setting forth the nature of the event causing the increase in costs and a calculation of the increased costs and the Rate Adjustment necessary to offset such increased costs, together with the Return on Revenue. The City may request any and all documentation and data reasonably necessary to evaluate the Rate Adjustment and shall confirm or deny (with detailed written explanation of the reason for any denial and an alternative Rate Adjustment proposal by City) within ninety (90) days of receipt of the statement from Contractor, which confirmation shall not be unreasonably withheld, conditioned or delayed. Rate Adjustments shall include an amount sufficient to pay the increase in costs incurred by Contractor, plus the Return on Revenue.

C. Rate for Outlying or Non-Contiguous Areas

As a result of annexation or consolidation of the City limits occurring after the Effective Date, the Rates may not fairly or accurately reflect the cost of providing Collection Services to Customers in such outlying or non-contiguous areas. In such event, at the City's election, i) the Rates shall be increased to pay the additional cost of providing Collection Services to such areas and otherwise fairly compensate Contractor for providing such Collection Services or ii) a special rate for such areas may be adopted under this Agreement. Contractor may initiate a Rate Adjustment or special rate adoption under this

Section using the same procedures provided for Rate Adjustments in Section 6.4 (B) above and the Rate Adjustments under this Section 6.2 shall apply to any special rates established under this Section 6.4 (C).

ARTICLE 7

BILLING; COLLECTION AND PAYMENT

7.1 BILLING AND COLLECTION

Contractor is responsible for billing Customers and collecting Rates Revenues for all Collection Services. Billing for all Collection Services other than Drop Box services shall be in advance on a quarterly basis. Billing for Drop Box services may be in advance or in arrears on a quarterly or monthly basis, as determined by Contractor. All payments shall be due and payable on the first day of each quarterly billing cycle and shall be delinquent if not paid on or before the last day of that quarterly billing cycle. Contractor shall be entitled to charge a late fee of Fifteen Dollars (\$15.00) and interest at one and one-half percent (1.5%) per month on all delinquent accounts. Contractor shall be entitled to terminate any delinquent Customer's account after Thirty (30) day's written notice. Contractor shall be entitled to charge Customers other appropriate fees and charges, including without limitation NSF check charges and collections costs, and shall be entitled to require a deposit before provision of Collection Services. All Rates, charges, penalties, interest and other amounts due to Contractor for Collection Services shall constitute an obligation of the owner of the Residence (as shown in the Washoe County Assessor's Office records) to which such services are being provided. An owner may request that services be provided and billed to a tenant or other occupant of the property, but owner shall not be relieved from the primary obligation to pay all amounts due for such service and Contractor shall have no obligation to first proceed for collection against the tenant or other occupant. Contractor shall be entitled to establish rules, procedures and requirements for Customers subscribing to Collection Services and for collecting any amount payable for the Collection Services, including without limitation the right to exercise lien rights. Nothing in this Section shall limit any rights or remedies of Contractor, including without limitation the right to enforce the terms of this Agreement, the Reno Municipal code relating hereto and its customer service agreements or to collect any all amounts due for Collection Services and other services.

7.2 RECEIPT OF PAYMENT

Contractor shall record all amounts received from Customers into an appropriate accounting account. All payments of Customer billings shall be made by Customer check, money order, cashier's check, credit card or autopay; provided no cash shall be accepted.

7.3 MONTHLY PAYMENT OF FRANCHISE FEES AND BALANCING ADJUSTMENT

On or before the twenty-fifth (25) day of each calendar month, Contractor shall prepare and submit a monthly statement to City for the prior month, together with the Franchise Fees payable to City for the prior calendar month. The monthly statement shall include the following information and calculations as supporting documentation for the Franchise Fee and Balancing Adjustment payments:

A. Reported Revenues

The amount of Rate Revenues for the month, along with detail describing, at a minimum, the total number of accounts for each applicable monthly charge and the total number of Customers billed for each such amount.

7.4 CONTRACTOR RESPONSIBILITY FOR BAD DEBT AND DELINQUENT PAYMENTS

Contractor shall solely bear all expenses and losses related to collecting or failing to collect bad debt from delinquent Customer accounts.

7.5 AUDIT OF BILLINGS AND FINANCIAL REPORTS; REVIEW OF COSTS

City may at its sole discretion select a qualified independent firm to perform an audit of Contractor's records and data directly relevant to matters relating to Contractor's performance of its obligations under this Agreement, as set forth in this Article. Contractor shall, upon request of written notification by City, permit the audit and inspection of all of such records and data by the firm specified by City. The frequency and timing of the audits shall be determined at City's discretion, but shall not exceed a maximum of two (2) audits during the Base Term and one (1) during any five year extension of the Term. City shall be responsible for payment of all audits during the Base Term of the Agreement and any Extension of the Agreement. City shall provide Contractor thirty (30) days' notice of each audit. City shall determine the scope of any audits based on the general requirements specified below and may elect to conduct either one or both of the following types of audit:

A. Audit of Billings. The auditor shall review the billing practices of Contractor with relation to delivery of Collection Services. The intent of this audit is to use sampling to verify that Customers are receiving the type and level of service for which they are billed.

B. Audit of Revenue Reporting. The auditor shall review relevant financial reports and data submitted by Contractor pursuant to Article 8. The purpose of this audit is to verify that Contractor is correctly calculating Rate Revenues, Residential Franchise Fees and the Balancing Adjustment.

ARTICLE 8

RECORD KEEPING, REPORTING AND INSPECTION

8.1 RECORD KEEPING

A. Accounting Records

Contractor shall maintain full, complete and separate financial, statistical and accounting records and accounts, pertaining to cash, billing, and provisions of all Collection Services, prepared on an accrual basis in accordance with generally accepted accounting principles, including without limitation records of all Rate Revenues, Gross Receipts, Franchise Fees and Balancing Adjustment. Such records shall be subject to audit, copy, and inspection by City Representative or designee at any time during normal business hours upon reasonable prior written notice. Contractor shall maintain and preserve all cash,

billing and Disposal records for a period of not less than five (5) years following the close of each of Contractor's fiscal years.

B. Collection Materials Records

Contractor shall maintain records of the quantities of (i) Solid Waste Collected and Delivered under the terms of this Agreement; and (ii) Recyclable Materials, by type, Collected or Disposed;

C. Customer Complaint Record

Contractor shall maintain the customer complaint record pursuant to Article 5.

D. Other Records

Contractor shall maintain all other records required under other Sections of this Agreement.

8.2 ANNUAL AND QUARTERLY REPORTING

A. General

Annual and quarterly reports shall be submitted to the City within 45 days after the end of the reporting period which include:

1. A summary of the prior period's Rate Revenues, Franchise Fees and Balancing Adjustment;
2. Account data, including the number of accounts, amount and type of materials deposited in each Designated Facility and customer count by type of service;
3. Amount (in tons) and type of materials Collected and amount delivered to each Designated Facility;
4. Amount and type of materials Diverted;
5. Customer count by type of service

8.3 INSPECTION BY THE CITY

City Representative, or designee(s), shall have the right to observe and review any of Contractor's records, operations, and equipment, relevant to a determination of Contractor's compliance with the requirements of this Agreement pertaining to the provision of Collection Services, and to enter premises during normal business hours for the purposes of such observations, and review at any time upon not less than 24 hours prior written notice. City Representative shall notify Contractor's representative upon arrival. City Representative will comply with all policies and procedures of Contractor when on Contractor's premises. Contractor may condition any such entry in or upon Contractor's premises, by City Representative or designee(s), on the prior execution of a waiver of any liability of Contractor for any injury or damages suffered by City Representative or designee(s), or their respective heirs and assigns, or others claiming by, through or under them, arising out of or relating to such entry.

ARTICLE 9
INDEMNITY, INSURANCE, PERFORMANCE SECURITY

9.1 INDEMNIFICATION OF THE CITY

Contractor agrees to and shall indemnify, defend and hold harmless City its officers, officials, employees, volunteers, agents and assigns (collectively, the "Indemnitees") from and against any and all costs, damages, loss, liability, fines, penalties, forfeitures, claims, demands, actions, proceedings or suits (whether administrative or judicial), in law or in equity, of every kind and description, (including, but not limited to, injury to and death of any person and damage to property) to the extent caused by (i) the failure of Contractor to comply with this Agreement and ii) the performance by Contractor, its officers, agents, employees, and subcontractors of the Collection Services or other obligations of Contractor hereunder, except in each case to the extent caused by the default, negligence or intentional misconduct of City. The indemnification obligation hereunder shall arise only in excess of any available and collectible insurance proceeds, and the Contractor shall be liable hereunder to pay only the amount of damages, if any, that exceeds the total amount that all insurance has paid for the damages, plus the total amount of all deductible and self-insured expenses paid under all insurance policies.

9.2 INSURANCE SCOPE AND LIMITS

A. During the Term of this Agreement Contractor shall procure and maintain the following minimum insurance coverage, to the extent available:

1. Commercial General Liability: Commercial General Liability Insurance with limits of not less than Two Million Dollars (\$2,000,000) per occurrence with an aggregate of Four Million Dollars (\$4,000,000). This policy shall be issued on a per-occurrence basis.
2. Automobile Liability: Comprehensive Automobile Liability Insurance with limits for bodily injury of not less than Two Million Dollars (\$2,000,000). Coverage shall include owned and non-owned vehicles used in connection with the Agreement.
3. Worker's Compensation: A policy of Worker's Compensation insurance as may be required by the Nevada Revised Statutes.

B. Other Insurance Provisions

1. The insurance policies shall contain, or be endorsed to contain, the following provisions:
 - a. City, its officers, officials, employees and volunteers are to be covered as additional insureds with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of Contractor; and with respect to liability arising out of work or operations performed by or on behalf of Contractor including materials, parts or equipment furnished in connection with such work or operations.

b. Contractor's insurance coverage shall be primary insurance in relation to the City, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by City, its officers, officials, employees, agents or volunteers shall be excess of Contractor's insurance and shall not contribute with it.

c. Each insurance policy required by this clause shall be occurrence-based, or an alternate form as approved by City and shall be endorsed to state that coverage shall not be canceled by the insurer or reduced in scope or amount except after thirty (30) days prior written notice has been given to City.

d. Contractor'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.

e. Worker's Compensation and Employers Liability Coverage. The insurer shall agree to waive all rights of subrogation against the City, its officers, officials, employees and volunteers for losses arising from work performed by Contractor for City.

C. All Coverages. Each insurance policy required by this Article shall be occurrence-based or an alternate form as approved by the City and endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

D. Verification of Coverage

Contractor shall furnish City, within 30 days after the Effective Date and upon request of City thereafter, with original certificates evidencing coverage required under this Section 9.2.

E. Acceptability of Insurers

All insurance policies required by this Article shall be issued by admitted insurers in good standing with and licensed to do business in the State of Nevada, and possessing a current A.M. Best, Inc. rating of B+ FSC VIII or better.

F. Subcontractors

Contractor 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 in this Section.

G. Liability Coverage Amounts

Not more often than every five (5) years during the Term, City shall be entitled to increase the amount of liability insurance coverage required under this Section 9.2 if such coverage is below amounts generally accepted for similar services. In that event, City and Contractor will cooperate in good faith to establish the amount of liability insurance coverage generally accepted for similar services and Contractor will provide such liability coverage amounts.

9.3 INSTRUMENT FOR SECURING PERFORMANCE

Not less than thirty (30) days after the Effective Date, Contractor shall file with City an instrument, in form reasonably acceptable to City, securing Contractor's faithful performance of Contractor's obligations under this Agreement. The principal sum of the instrument shall be not less than Two Hundred Fifty Thousand Dollars (\$250,000). The instrument may be in the form of a letter of credit, performance bond, or other performance guarantee and shall remain in force during the Term. If the instrument is a performance bond it shall be executed by a surety company designated as an admitted insurer in good standing with and authorized to transact business in this State by the Nevada Department of Insurance and otherwise reasonably acceptable to the City. The premium for such bond or letter of credit, or any other charges related in any way to Contractor's obtaining or maintaining any and all such instruments, shall be fully borne and paid by Contractor. Recovery under the instrument shall not preclude City from seeking additional damages for Contractor's default under this Agreement.

ARTICLE 10 DEFAULT AND REMEDIES

10.1 DEFAULT BY CONTRACTOR

A. Any of the following shall constitute an event of default ("Event of Default") by Contractor hereunder:

1. If Contractor shall fail to perform any of the material covenants, conditions and agreements of this Agreement, unless Contractor shall materially cure or remedy such failure within thirty (30) days after written notice by City to Contractor specifying in detail the nature of such default or, if such failure is not reasonably capable of being cured or remedied within such thirty (30) day period, Contractor commences cure or remedy within such 30 day period and diligently prosecutes the same to completion.
2. Contractor files a voluntary petition for debt relief under any applicable bankruptcy, insolvency, or other similar law, or has an involuntary bankruptcy action filed against it which is not dismissed within 90 days of notice to Contractor; Contractor consents to the appointment of, or taking of possession by, a receiver (or similar official) of Contractor's operating assets or any substantial part of Contractor's property; or Contractor shall make any general assignment for the benefit of Contractor's creditors.
3. Contractor ceases to provide Collection Services as required under this Agreement for a period of five (5) consecutive Working Days or more, for any reason within the reasonable control of Contractor, such cessation poses a material threat to the health, safety and welfare of the public and City shall have provided not less than three (3) Working Days written notice of such default.

10.2 CITY REMEDIES FOR EVENT OF DEFAULT BY CONTRACTOR

A. Upon an uncured Event of Default by Contractor, City shall have the right to:

1. Terminate the Agreement in accordance with Section 10.3.
2. In addition to, or in lieu of termination, exercise all of its remedies in accordance with this Article and any other remedies at law and in equity to which City shall be entitled, including without limitation the right to pursue the performance security under Section 9.3 and make an available claim under any insurance policy.
3. At its discretion waive Contractor's default in full or in part.

10.3 TERMINATION BY CITY

Subject to Dispute Resolution in Section 11.8, City shall only exercise its right to terminate this Agreement through action of the Reno City Council at a regularly scheduled (or special) public meeting of that body. Contractor shall be given reasonable prior notice of such meeting, a written statement of the factual and legal basis of the claimed Event of Default and an opportunity to respond and to offer testimonial and documentary evidence during the hearing of the matter at such meeting and City shall provide to Contractor copies of all records and information in City's possession or control relating to the Event of Default giving rise to such termination.

10.4 CONTRACTOR REMEDIES; TERMINATION

Contractor shall be entitled to terminate this Agreement or pursue specific performance of this Agreement if City shall fail to perform any of the material covenants, conditions and agreements of this Agreement, unless City shall materially cure or remedy such failure within sixty (60) days after written notice by Contractor to City specifying in detail the nature of such default or, if such failure is not reasonably capable of being cured or remedied within such sixty (60) day period, City commences cure or remedy within such 60 day period and diligently prosecutes the same to completion. Contractor shall have the right to terminate this Agreement upon ninety (90) days written notice to City if Applicable Law prohibits, materially limits or makes uneconomical the Collection Services as contemplated in this Agreement. Except as provided in Section 11.8, nothing herein shall limit Contractor's rights and remedies available at law or equity for default by a party under this Agreement.

ARTICLE 11

MISCELLANEOUS AND OTHER AGREEMENTS OF THE PARTIES

11.1 OTHER EXCLUSIVE SERVICE PROGRAMS; RIGHT OF FIRST REFUSAL

In the event City determines that a specific program should be implemented for collection or transportation of Food Waste or Green Waste or for any other Solid Waste or Recyclable Materials, other than as provided in this Agreement, to serve the needs of the public in the City, City will notify Contractor and Contractor and City will discuss and negotiate in good faith to i) develop and implement the program and the franchise fees, rates and other matters related thereto and ii) reach agreement on the terms and conditions of a service agreement relating thereto between the City and Contractor. If Contractor and City are unable to reach agreement on the terms and conditions of the service

agreement within 90 days of the City notice, City hereby grants to Contractor the right of first refusal to match and accept a) the terms and conditions of any contract offer by the City to other service providers for such a program ("City Offer") and b) the terms and conditions offered by another service provider to the City that the City is willing to accept relating to such a program ("Third Party Offer"). If the City makes a City Offer or receives a Third Party Offer the City is willing to accept, City shall give Contractor prompt written notice with a copy of thereof. Contractor shall have a period of thirty (30) days to provide written notice to City that Contractor will accept the terms of either the City Offer or the Third Party Offer. If Contractor provides such notice, City and Contractor will enter into a service agreement on the terms and conditions of the offer accepted. If Contractor does not timely provide the acceptance notice, the City shall be free to contract with another service provider on the same terms and conditions as stated in the City Offer or the Third Party Offer, as applicable. In the event the City does not consummate an agreement with another service provider on the same terms and conditions within 120 days of the expiration of the 30 day notice period, then the right of refusal shall revive and Contractor shall have the same right of first refusal to accept any subsequent changed terms and conditions, City Offer or Third Party Offer.

11.2 RELATIONSHIP OF PARTIES

The Parties intend that Contractor shall perform the Collection Services as an independent contractor engaged by City and not as an officer or employee of City or as a partner of or joint venturer with City. No employee or agent of Contractor shall be or shall be deemed to be an employee or agent of City. Except as expressly provided herein, Contractor shall have the exclusive control over the manner and means of conducting Collection Services and all persons performing such services on behalf of Contractor. Neither Contractor nor its officers, employees, subcontractors, or agents shall obtain any rights to retirement benefits, workers' compensation benefits, or any other benefits which accrue to City employees by virtue of their employment with City.

11.3 FORCE MAJEURE

Provided that the requirements of this Section are met, Contractor shall not be deemed to be in default and shall not be liable for failure to perform under this Agreement if Contractor's performance is prevented or delayed by acts of terrorism, acts of God including landslides, public or private construction activities, lightning, forest fires, storms, floods, freezing and earthquakes, civil disturbances, wars, blockades, public riots, explosions, unavailability of required materials or disposal restrictions, work stoppages or lockouts, governmental restraint or other causes, whether of the kind enumerated or otherwise, that are not reasonably within the control of the Contractor ("Force Majeure"). If as a result of a Force Majeure event, Contractor is unable wholly or partially to meet its obligations under this Agreement, it shall promptly give the City written notice of the Force Majeure event, describing it in reasonable detail. The Contractor's obligations under this Agreement shall be suspended, but only with respect to the particular component of obligations affected by the Force Majeure event and only for the period during which the Force Majeure event exists.

11.4 COMPLIANCE WITH LAW

In providing the services required under this Agreement, Contractor shall at all times, at its sole cost (subject to rate adjustment provisions elsewhere in this Agreement), comply with all Applicable Laws, including all permit requirements for Collection Service.

11.5 GOVERNING LAW

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

11.6 JURISDICTION AND VENUE

Any lawsuits between the Parties arising out of this Agreement shall be brought and concluded in the courts of the State of Nevada, which shall have exclusive jurisdiction over such lawsuits. With respect to venue, the Parties agree that this Agreement is made in and will be performed in City of Reno.

11.7 ASSIGNMENT

A. Definition

For purposes of this Section 11.7, the term "Assignment" shall include, but not be limited to: (i) a transfer by Contractor to another person or entity of all of Contractor's rights, duties and obligations under this Agreement, including without limitation subcontracting of all or a portion of Contractor's obligations hereunder; (ii) a sale, exchange, or other transfer of substantially all of Contractor's assets dedicated to service under this Agreement to a third party; (iii) a sale, exchange, or other transfer of fifty percent (50%) or more of the outstanding common stock of Contractor; (iv) any reorganization, consolidation, merger, recapitalization, stock issuance or reissuance, voting trust, pooling agreement, escrow arrangement, liquidation, or other transaction to which Contractor or any of its shareholders is a party which results in a change of ownership or control of fifty percent (50%) or more of the value or voting rights in the stock of Contractor; and (v) any combination of the foregoing (whether or not in related or contemporaneous transactions) which has the effect of any such transfer or change of ownership. If Contractor is not a corporation, an assignment shall also include, among other things, any transfer or reorganization that has an effect similar to the situations described in foregoing sentence for corporations. For purposes of this Article, the term "proposed assignee" shall refer to the proposed transferee(s) or other successor(s) in interest pursuant to the assignment.

B. City Consent to Assignment; Written Assignment and Assumption

Except for Assignments to a Permitted Transferee and except as provided in this Article or otherwise in this Agreement, Contractor shall not make an Assignment of this Agreement to any other person or entity without the prior written consent of City, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that the assignee shall be deemed suitable and City shall consent to an Assignment if the Assignee meets the Assignee Qualifications (as defined below). A formal written instrument of assignment shall be executed by Contractor and an approved assignee or Permitted Transferee, which shall provide for the assignee's assumption and acceptance of all terms and conditions of this Agreement, including all duties and obligations imposed thereby, and also the

assignee's express adoption of the representations of Contractor set forth herein as its own representations. Assignments to Permitted Transferees shall not require the consent of the City.

C. Qualifications of Assignee

A proposed assignee shall be deemed suitable and City shall consent to an Assignment to a proposed assignee upon submission of reasonably satisfactory evidence or support (i) that the proposed assignee has at least five (5) years of Solid Waste and Recyclable Materials collection experience similar to the Collection Services; ii) that the proposed assignee currently or recently conducted Solid Waste and Recyclable Materials Collection on a scale reasonably equal to or exceeding the scale of operations conducted by Contractor under this Agreement; (iii) the proposed assignee conducts its operations in substantial accordance with accepted industry standards (iv) the proposed assignee conducts its Solid Waste and Recyclable Materials management practices in substantial compliance with all applicable Federal, State, and local laws; and (v) the proposed assignee has the reasonable financial capability and other capabilities to perform the obligations of Contractor under this Agreement to industry standards and to otherwise comply with all terms, covenants and conditions of this Agreement applicable to Contractor (collectively, the "Assignee Qualifications").

D. Transition

If City consents to an assignment, Contractor shall cooperate fully with City and subsequent Contractor(s) or subcontractor(s), and shall provide all appropriate assistance to ensure an orderly transition. Such cooperation and assistance shall include, but not be limited to, Contractor providing, to City and the subsequent Contractor(s) or subcontractor(s), all route lists and billing information listing accounts, and using Contractor's reasonable efforts to avoid and minimize any disruption or inconvenience to Customers.

11.8 DISPUTE RESOLUTION

A. Continue Performance

In the event of any dispute arising under this Agreement, City and Contractor shall continue performance of their respective obligations under this Agreement and shall attempt to resolve such dispute in a cooperative manner, including but not limited to, negotiating in good faith.

B. Mediation

Any unresolved dispute arising between the Parties under this Agreement after negotiation in good faith shall first be submitted to non-binding mediation before a recognized mediator having experience with agreements of this nature and that is mutually acceptable to the Parties, provided that neither Party shall unreasonably withhold its acceptance. If the parties are unable, after a period of thirty (30) days from commencement of the dispute resolution process, to agree on a mediator, either Party shall be entitled to petition a court of competent jurisdiction to appoint such a mediator for the Parties. In the absence of judicial jurisdiction to appoint a mediator, mediation will be before a panel composed of a mediator selected by each party and a third mediator selected by the two mediators so selected. Each

Party shall bear its own costs, including attorney's fees, incurred in connection with the mediation. If the mediation does not result in a resolution of the dispute that is acceptable to both Parties, either Party may pursue any right or remedy available at law or equity, except as expressly and specifically limited under this Agreement.

11.9 NON-DISCRIMINATION

Contractor shall not discriminate in the provision of service or the employment of persons engaged in performance of this Agreement on account of race, religious creed, color, national origin, ancestry, physical handicap, medical condition, marital status, or sex of such persons or as otherwise prohibited by law.

11.10 BINDING ON SUCCESSORS

The provisions of this Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the Parties.

11.11 PARTIES IN INTEREST

Except as expressly provided to the contrary herein, nothing in this Agreement, whether express or implied, is intended or shall be deemed to confer any rights on any persons other than City and Contractor and their representatives, successors and permitted assigns.

11.12 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 or 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 preexisting or concurrent breach or violation by the other party of any provision of this Agreement.

11.13 NOTICE

A. Notice Procedures

Except as otherwise specifically provided herein, all notices, demands, requests, proposals, approvals, consents and other communications made in connection with this Agreement shall be in writing and shall be effective when personally delivered to a representative of the Parties at the address below or deposited in the United States mail, first class postage prepaid, addressed as follows:

If to CITY: City of Reno
 Office of the City Manager
 P.O. Box 1900
 One East First Street
 15th Floor
 Reno, Nevada 89505

Attention: City Manager

If to Contractor: Reno Disposal Company
100 Vassar St.
Reno, Nevada 89502
Attention: District Manager

The address to which communications may be delivered may be changed from time to time by a notice given in accordance with this Section 11.13.

B. Facsimile Notice Procedures

1. Facsimile notice may be substituted for written notice with the following limitations:

a. Facsimile notice shall be considered valid and delivered during standard business hours and days, Monday through Friday, at such time as an authorized representative of the receiving Party acknowledges receipt in writing or by facsimile acknowledgement to the sending party.

b. Written notice, in accordance with Paragraph A, must follow any facsimile notice, in order for the facsimile notice to be considered valid notice hereunder.

2. If above conditions are met, facsimile notice will be considered effective from date and time of transmission as indicated on receiving Party's original copy of the transmission.

3. Facsimile notices must be sent to the following addressees:

If to City: City Manager
Fax number: (775)334-2020

If to Contractor: District Manager
Fax number: (775) 329-4662

4. The facsimile number to which communications may be transmitted may be changed from time to time by a notice given in accordance with this Section 11.13.

11.14 ACTION BY CITY; CITY AND CONTRACTOR REPRESENTATIVE

Subject to the restrictions provided in this Section 11.14, whenever action or approval by City is required under this Agreement, the City Council hereby delegates to the City Representative the authority to act on or approve such matter unless specifically provided otherwise in this Agreement or unless the City Representative determines in his or her sole discretion that such action or approval requires referral to the City Council. The City Representative will have the authority to make approvals, issue interpretations, waive provisions, execute all necessary documents enter into amendments and otherwise take actions on behalf of the City relating to this Agreement, including without limitation approving Rate Adjustments, agreeing with Contractor to change the Approved Recyclable Materials and

extensions of time to perform, so long as such actions do not materially change the scope or nature of the Collection Services or the exclusive right and obligation of Contractor to perform the Collection Services. All actions of City Representative are subject to appeal by Contractor to the City Council and Contractor is entitled to rely on all actions of the City Representative. Any alteration, change or modification of or to this Agreement, in order to become effective, will be made in writing and in each instance signed on behalf of each party. Contractor shall, by the Operative Date, designate in writing a responsible official, or duly authorized agent, who shall serve as the representative of Contractor in all matters related to the Agreement and shall inform City in writing of such designation and of any limitations upon his/her authority to bind Contractor. City may rely upon action taken by such designated representative as action of Contractor. Notwithstanding anything to the contrary in this Section 11.14, the City Council shall have the sole authority to take the following actions: i) termination of this Agreement under Section 10.3 of this Agreement, ii) Rate increases in excess of three percent (3%) in excess of the CPI increase, iii) any increase or decrease of the Franchise Fee.

11.15 ENFORCEMENT

Contractor shall be entitled to independently enforce against third parties the terms, covenants, conditions and requirements of this Agreement and City ordinances related thereto, including without limitation defending challenges thereto and to prevent violations by third parties thereof (including without limitation the exclusive right and obligation to provide the Collection Services). City shall reasonably cooperate in such enforcement; provided, however, City shall not be required to incur third party costs in connection therewith. City will adopt and enforce appropriate ordinances to implement this Agreement and otherwise relating to the collection and transportation of Solid Waste and Recyclable Materials.

11.16 GOOD FAITH

Each Party's interpretation and performance under this Agreement shall be reasonable and consistent with the intent to deal fairly and in good faith with the other Party hereto. Each party's exercise of any discretion hereunder shall be made in good faith and consents and approvals shall not be unreasonably withheld, conditioned or delayed, unless expressly stated to the contrary herein.

11.17 ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Contractor and City with respect to the subject matter hereof and supersedes all previous Agreement negotiations, proposals, commitments, writings, advertisements, publications, and understanding of any nature whatsoever unless expressly included in this Agreement.

11.18 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.

11.19 INTERPRETATION

Each of the Parties has received the advice of legal counsel prior to signing this Agreement. Each Party acknowledges no other party or agent or attorney has made a promise, representation, or warranty whatsoever, express or implied, not contained herein concerning the subject matter herein to induce another party to execute this Agreement. The Parties agree no provision or provisions may be subject to any rules of construction based upon any party being considered the party "drafting" this Agreement.

11.20 MODIFICATION

Any matters of this Agreement may be modified from time to time by the written consent of both Parties without, in any way, affecting the remainder.

11.21 SEVERABILITY

If any provision of this Agreement is for any reason found or deemed to be invalid or unenforceable, this Agreement shall be construed as not containing such provision. All other provisions of this Agreement which are otherwise lawful shall remain in full force and effect, and shall be enforced as if such invalid or unenforceable provision had not been contained herein, and to this end the provisions of this Agreement are hereby declared to be severable.

11.22 COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall be considered an original.

11.23 EXISTING FRANCHISE AGREEMENT

The existing First Amended City of Reno Garbage Franchise Agreement dated August 9, 1994, as amended ("Existing RFA"), will remain in place and effective until the later of i) the Effective Date of this Agreement and ii) the date all of the Disposal Agreement and the other City Franchise Agreements (each as defined in the Disposal Agreement), in form acceptable to Contractor and City, are executed and become effective.

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

CITY OF RENO

a political subdivision of the State of Nevada.

By DAVID L. ALAZZI Date 11-07-12

For Robert A. Cashell, Sr., Mayor

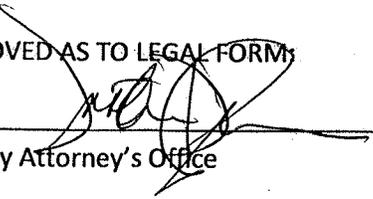


Attest:

By Lynnette R. Jones

Lynnette R. Jones, City Clerk

APPROVED AS TO LEGAL FORM:

By: 
City Attorney's Office

CONTRACTOR

Reno Disposal Company, Inc., a Nevada corporation

By: 

Title: Vice President

Date: 11/16/12

List of Exhibits:

Exhibit A- List of Approved Recyclable Materials

Exhibit B Operating Standards

Exhibit C Scope of Services

EXHIBIT A
List of Approved Recyclable Materials

EXHIBIT A
RESIDENTIAL FRANCHISE AGREEMENT
APPROVED RECYCLABLE MATERIALS

1. Newspaper (including inserts, coupons, and store advertisements)
2. Chipboard
3. Corrugated cardboard
4. Mixed waste paper (including office paper, computer paper, magazines, junk mail, catalogs, kraft bags and kraft paper, paperboard, egg cartons, phone books, brown paper, grocery bags, colored paper, construction paper, envelopes, legal pad backings, shoe boxes, cereal and other similar food boxes)
5. Glass containers (including brown, clear, and green glass bottles and jars)
6. Aluminum (including beverage containers, food containers, small scrap metal)
7. Steel or tin cans
8. Plastic containers classified under Resin Identification Code Nos. 1 through 7, inclusive.
9. Food Waste (only if source separated and placed by the generator in a separate Container designated by Contractor for Food Waste)
10. Any other materials mutually agreed to by the CONTRACTOR and the City.

To qualify as Approved Recyclable Materials, all Recyclable Materials must be reasonably clean and otherwise in a condition acceptable to commercial recycling facilities. Without limiting the foregoing, Approved Recyclable Materials mixed with i) more than a de minimis amount of Garbage, ii) 10% or more of materials other than Approved Recyclable Materials, or iii) any amount of Excluded Materials, shall be considered contaminated ("Contaminated"). Contractor may impose a fee or charge for placement of Contaminated Recyclable Materials in a Recycling Container for Collection, may charge for and dispose of such Contaminated materials as Solid Waste, and may refuse to accept such Contaminated materials.

Exhibit B
Operating Standards

EXHIBIT B
RESIDENTIAL FRANCHISE AGREEMENT
OPERATING STANDARDS

1. **Contractor Standards**

A. Contractor shall perform the Collection Services in a commercially reasonable manner using industry standard practice for comparable operations.

B. Color and appearance of collection vehicles, containers, employee uniforms, and public education materials provided by Contractor will be designed to provide a standard representation of the company. If subcontractors are used, a distinct but uniform appearance of the subcontractor's equipment, vehicles, and personnel is required.

2. **Vehicles and Equipment**

Contractor shall furnish sufficient vehicles and equipment to provide all services required under this Agreement. Contractor's name, phone number, and vehicle identification number shall be visibly displayed on its vehicles in letters and figures. Contractor shall maintain all of its vehicles and equipment in a reasonably safe, clean, painted and operable condition. All Collection vehicles must be registered with the Department of Motor Vehicles of the State of Nevada. Vehicles shall be operated in compliance with all applicable safety and local ordinances. Collection vehicles shall be operated in a manner to minimize or prevent spilling, dripping or blowing of materials from the vehicle.

3. **Personnel**

A. **Employee Conduct**

Contractor shall reasonably train and supervise its employees i) to provide professional and courteous service to Customers and to other wise deal with the public in a professional and cautious manner and ii) to dress in clean uniform shirts with suitable identification.

B. **Employee Operational Requirements**

Contractor's employees shall i) not place Containers in a manner that blocks any driveway, sidewalk, mailboxes, or street, ii) shall close all gates opened by them in making collections, unless otherwise directed by the customer, and iii) shall exercise reasonable care to perform Collection Services in a reasonably quiet manner.

C. **Driver Qualifications**

All drivers shall be trained and qualified in the operation of Collection vehicles and must have in effect a valid license, of the appropriate class with appropriate endorsements, issued by the Nevada Department of Motor Vehicles. All Collection vehicle drivers shall also complete Contractor's in-house training program, which includes education on the use of Collection vehicles, Collection programs, and route information as well as Customer service practices and safety information.

D. Background Checks

To the extent permitted by Applicable Law, Contractor shall, prior to hiring a driver, request a report or reports from the State of Nevada indicating whether (i) the individual is listed by the State as a sexual predator and (ii) the individual has a felony record of violence with the State. Contractor will not employ an individual as a driver if those reports show that the individual is so listed or has such a record unless the reports are demonstrated to be erroneous. Once each calendar year, Contractor shall request from the Nevada Department of Motor Vehicles a report of violations committed by drivers employed by Contractor and shall take such action, if any, as Contractor deems appropriate based on such report. Contractor may satisfy these requirements with a background check performed by a third-party in the business of providing such background checks. Contractor shall be entitled to rely without further inquiry on the reports obtained from the State of Nevada or such third-party.

E. Employee Safety Training

Contractor shall provide reasonable operational and safety training for all of its employees who utilize or operate vehicles or equipment for collection or who are otherwise directly involved in such services. Contractor shall train its employees involved in Collection to identify and not to Collect Excluded Waste.

F. No Gratuities

Contractor shall direct its employees not to demand, solicit or accept, directly or indirectly, any additional compensation or gratuity from members of the public for the Collection Services under this Agreement. Contractor may permit its employees to accept holiday gifts.

Exhibit C
Scope of Services

**Exhibit C
Residential Franchise Agreement
Scope of Services
And Rates**

Standard Services

Standard Rates

Solid Waste Cart and Recycling Cart Options

One 35 gallon Solid Waste Cart and one 64 gallon Recycling Cart	\$ 13.85
One 35 gallon Solid Waste Cart and one 96 gallon Recycling Cart	\$ 14.28
One 64 gallon Solid Waste Cart and one 96 gallon Recycling Cart	\$ 15.33
One 96 gallon Solid Waste Cart and one 96 gallon Recycling Cart	\$ 16.97
Senior Citizen Rate: One 35 gallon Solid Waste Cart and one 64 gallon Recycling Cart Additional Monthly Cost for Yard Green Waste and 10 or 20 extra Stickers	\$ 12.37

Collection of Sticker Materials ¹

20 Stickers	Included in Standard Rate
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¹ Each Sticker, when attached to a Sticker Item and placed Curbside, entitles Customer to collection of the Sticker Item

Disposal Facility Access ²

Included in Standard Rate

² Four deposits per year at Designated Facility

Menu Services

Menu Rates

Side Yard Service	\$ 11.33
Extra Sticker	\$ 2.25
Summer/Fall Sticker package (20 stickers)	\$ 40.00
Additional 96 gallon Solid Waste Cart	\$ 8.39
Additional 96 gallon Solid Waste Cart for Customers with existing 96 gallon Solid Waste Cart and 96 gallon Recycling Cart	\$ 5.37
Additional 96 gallon Recycling Cart	\$ 5.04
Additional 64 gallon Solid Waste Cart	\$ 8.75
Additional 64 gallon solid Recycling Cart	\$ 5.75
Side Yard Service - Senior/Disabled	No Charge

Bin Service - Residential

Bin Service

Bin Capacity

Rates

Trip Charge ³	\$ 28.08
4 Yard Bin Special -Single Service ⁴	\$ 80.58
6 Yard Bin Special -Single Service ⁴	\$ 107.99

³Inability to access or service Bin

⁴Delivery and pick up Bin-single service

Miscellaneous

Cart replacement (all size and type Carts) - If customer responsibility (Includes Cart and Cart delivery)	\$ 85.00
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