

**Second Amendment to the Franchise Agreement Between the County of San Mateo and
BFI Waste Systems of North America, Inc. for Solid Waste, Recyclable Materials and Plant
Materials Collection Services**

This SECOND AMENDMENT to the Franchise Agreement Between the County of San Mateo and BFI Waste Systems of North America, Inc. for Solid Waste, Recyclable Materials and Plant Materials Collection Services, dated February 8, 2000, and effective as of January 1, 2000 (Franchise Agreement), is made by and between BFI Waste Systems of North America, Inc. (Contractor), and the County of San Mateo (Agency).

RECITALS

WHEREAS, Contractor and Agency entered into the Franchise Agreement setting forth the terms and conditions of solid waste, recyclable materials and plant materials collection in County Service Area No. 8, the North Fair Oaks area; and

WHEREAS, the Contractor and the Agency wish to make changes to the terms and conditions of the Franchise Agreement affecting the franchise fee and the method of billing certain categories of customers.

NOW, THEREFORE, the parties hereto agree to amend the Agreement as follows:

1. Effective July 1, 2002, Section 3.01.1, "Franchise Fee Amount," is amended to read:

3.01.1 Franchise Fee Amount. In consideration of the exclusive franchise provided in Section 2.01 of this Agreement, Contractor shall pay to Agency 3% of Gross Revenues derived by Contractor from services provided in Agency's Service Area under this Agreement as a Franchise Fee. County will deposit Franchise Fee payments in the Service Area's fund. This Franchise Fee may be adjusted in accordance with Section 3.01.3 by Agency by resolution. This Franchise Fee shall be a Pass-Through Cost.

2. Effective July 1, 2002, Section 3.01.2, "Time and Method of Payment," is amended to read:

3.01.2 Time and Method of Payment. On or before the twentieth (20th) day after the end of each calendar quarter during the Term of this Agreement, Contractor shall remit to Agency the Franchise Fee amount. If the Franchise Fee is not paid on or before the twentieth (20th) day after any calendar quarter, Contractor shall pay to Agency a late payment penalty in an amount equal to two percent (2%) of the amount owing for that quarter. Contractor shall pay an additional two percent (2%) owing on any unpaid balance for each following thirty (30) day period the Franchise Fee remains unpaid. Late payment penalty amounts shall not be included in any Contractor revenue requirement. The late payment penalty amounts are not intended as interest on debt, but rather are intended as a predetermined penalty for failure to meet an obligation under this Agreement.

3. Effective July 1, 2002, Section 3.01.3, "Adjustment to Franchise Fee," is amended to read:

3.01.3 Adjustment to Franchise Fee. The Agency may adjust the amount of the Franchise Fee at any time. Such adjustment shall be reflected in the rates that Contractor is allowed to charge and collect from Service Recipients.

4. Effective January 1, 2003, Section 4.01, "General", is amended to read:

4.01 General . The work to be done by Contractor pursuant to this Agreement shall include, but not be limited to, the furnishing of all labor, supervision, equipment, materials, supplies, and all other items necessary to perform the services required. The enumeration of, and specification of requirements for, particular items of labor or equipment shall not relieve Contractor of the duty to furnish all others, as may be required, whether enumerated elsewhere in the Agreement or not.

The work to be done by Contractor pursuant to this Agreement shall be accomplished in a thorough and professional manner so that the residents and businesses within the Agency are provided reliable, courteous and high-quality service at all times. The enumeration of, and specification of requirements for, particular aspects of service quality shall not relieve Contractor of the duty of accomplishing all other aspects in the manner provided in this Article, whether such other aspects are enumerated elsewhere in the Agreement or not.

The Agency has enacted a mandatory service requirement in the Service Area. Through its ordinance code the Agency has established a minimum level of Solid Waste, Recyclable Materials and Plant Materials Collection service for each Residential Property in the Service Area where Solid Waste, Recyclable Materials and/or Plant Materials are generated or accumulated. A service charge to pay for the cost of the minimum level of service is levied annually on each affected Residential Property in the Service Area and the service charge is collected by the Agency along with the property tax. The Agency uses the revenue from the service charges to pay the Contractor for the minimum level of Solid Waste, Recyclable Materials and Plant Materials Collection service required by the San Mateo Ordinance Code and rendered to each affected by Contractor.

Each year, after the Board of Supervisors has adopted the service charges report for the coming fiscal year, the Agency will provide the Contractor with a copy of the report. The Contractor will then, commencing on January 1 of the year following the year in which the report was adopted by the Board of Supervisors provide to each listed in the report the level and type of Solid Waste, Recyclable Materials and Plant Materials Collection service described therein. The cost of the service and rendered by the Contractor shall be paid by the Agency to the Contractor pursuant to Section 5.01.2A.

Any Owner or occupant of any Residential Property in the Agency's Service Area may request from the Contractor service in excess of that required by the report. Any Owner of a Multi-Family Residential Complex may arrange with

the Contractor to receive a different type of service (e.g., bin service instead of can service) from the type of minimum service set forth in the report. The cost of such additional or alternative service shall be billed by the Contractor pursuant to Section 5.01.2B.

5. Effective January 1, 2003, Section 5.01.2, "Billing," is amended to read:

5.01.2 Billing.

A. Payment from Agency. The Agency will pay the Contractor quarterly for the services the Contractor rendered during the preceding quarter to Residential Properties in the Service Area as required by the service charges report described in Section 4.01 and adopted by the Board of Supervisors and in effect during the quarter in which the Contractor rendered service. The amount of the Agency's quarterly payment to the Contractor shall be the product of the total number of Units of Pickup for which service was required and rendered and the unit charge per quarter per Unit of Pickup as set forth in Exhibit B, unless amended in accordance with this Agreement. The total number of Units of Pickup eligible for inclusion in this calculation in a given quarter is the total number of Units of Pickup shown in the service charges report described in Section 4.01, adjusted for changes, if any, which have occurred during the quarter in which service was rendered and which have been reported to the Contractor. The Contractor shall submit an invoice to the Agency at the end of the quarter for which payment is due. The invoice shall show this calculation and the total quarterly amount due. The Agency will pay the invoice within thirty (30) days of its receipt.

If the Agency grants a reduced lifeline user charge to a Service Recipient the Contractor shall be entitled to payment from the Agency at the full unit charge for one Unit of Pickup. If the Agency eliminates from the tax roll a user charge for minimum service for a parcel of property to which the Contractor is subsequently requested to provide service or if a new parcel of property requiring service is created after the service charges report described in

Section 4.01 has been prepared and adopted by the Board of Supervisors the Contractor shall provide the requested service and bill the Service Recipient as provided in Section 5.01.2B except that said bill will not contain a credit for charges collected by the Agency.

B. Payment from Service Recipients. Except as provided in Section 5.01.2.A Contractor shall prepare, mail and collect bills (or shall issue written receipts for cash payments) for Solid Waste services provided by Contractor. Service Recipients receiving excess or alternative Solid Waste service, as those services are described in Section 4.01, Contractor shall prepare, mail and collect bills (or shall issue written receipts for cash payments) for the difference between the total cost of the Solid Waste services received, determined according to the rates set forth in Exhibit B or as subsequently amended in accordance with this Agreement, and a prorated amount of the user charge collected by the Agency on the tax roll, as described in Section 4.01. Bills shall be for service for a three month period (i.e., using a quarterly format), unless the Agency requests a more frequent Billing interval in which case the Contractor shall be entitled to a reasonable adjustment in its compensation related to the additional costs as described in Article 6. Bills for residential service shall be mailed in advance of the provision of service but no more than three (3) months in advance. The user charges collected by the Agency on the tax roll shall be prorated and shall appear on the bill as a credit against the total cost of the service provided. Agency shall have the right to revise the billing format (size, font, frequency, etc.), to itemize certain charges, and to review the Billing procedures.

Agency may also direct Contractor to insert mailers relating to service with the Billings. The mailers must fit in standard envelopes and not increase the required postage. Contractor also agrees to insert with the Billings, at Agency's expense for the incremental cost, mailers describing activities of the Agency. Agency will provide not less than thirty (30) days notice to Contractor prior to the mailing date of any proposed mailing to permit Contractor to make appropriate arrangements for inclusion of Agency's materials. Agency will provide

Contractor the mailers at least thirty (30) days prior to the mailing date. All Contractor generated mailers must be approved in advance by the SBWMA with the exception of Contractor's quarterly newsletter.

Contractor shall maintain, for inspection by the Agency, copies of said Billings and receipts, in chronological order, for a period of three (3) years after the date of service. Contractor may, at its option, maintain those records in computer form, on microfiche, or in any other manner, provided that the records can be preserved and retrieved for inspection and verification in a timely manner.

Agency shall establish, by resolution, rates for the types of service provided, Contractor shall bill and Collect at those rates. Service Recipients will be considered delinquent sixty (60) days after start of the quarter in which the services are provided. Contractor may discontinue service to any account, if payment is not received by Contractor within thirty (30) days after the end of the quarter in which the bill was issued. Contractor must provide all accounts with written notice of its intent to discontinue service at least thirty (30) days prior to such discontinuance. Any disputes related to billing shall be handled as described in Section 5.02.3

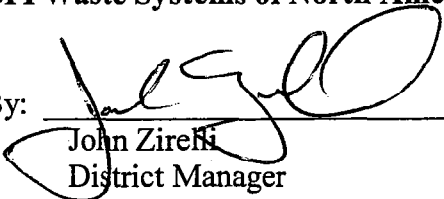
6. In all other respects, the Franchise Agreement shall remain unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to the Agreement Between Count of San Mateo and Browning-Ferris Industries of California, Inc. for Landfill Operation on the date indicated below.

Date: _____

“Owner”

BFI Waste Systems of North America, Inc.

By:  _____
John Zireffi
District Manager

“County”

County of San Mateo

By: _____
Jerry Hill, President
Board of Supervisors

Attest:

By: _____
John Maltbie
Clerk of the Board