SUMMARY OF KEY BUSINESS TERMS AND CONDITIONS OF PROPOSED WASTE DISPOSAL AGREEMENT BETWEEN CITIES AND COUNTY OF ORANGE

(Note: For easy cross referencing, sections of the Agreement containing the specific language are identified in parenthesis)

DISPOSAL OBLIGATIONS

Commitment to Dispose in Orange County Disposal System [Section 3.1]
City agrees to exercise all legal and contractual power and authority to deliver or cause the delivery of all controllable solid waste to the County Disposal System.

Power to Obligate Disposal and Comply with Agreement [Section 3.1 (D)]
City shall amend franchise agreement or other contractual agreements, if necessary, by July 1, 1997 to direct delivery of all solid waste to the County Disposal System.

COMMENCEMENT AND TERM OF AGREEMENT

Commencement Date [Section 6.2 and Appendix 1]
The Agreement is conditioned upon execution by March 1, 1997, or such later date as the County may agree, by a sufficient number of cities or other contract customers (e.g. sanitary districts, transfer station operators or independent haulers) representing at least 1,842,000 tons per year, based on disposal volumes reported during the 12 months ended September 30, 1996. The Commencement Date shall be the date on which the cities or other contract customers have executed and delivered Disposal Agreements representing 1,842,000 tons per year.

Initial 10-Year Term [Section 6.1]
The initial term shall be 10 years, subject to renewal in the seventh year (2004) by mutual agreement for an additional 10 years (for a total term of 20 years). Parameters to be considered for establishing a contract rate for the renewal term are included in Section 6.1 (C).

City Convenience Termination [Section 5.2]
Should the City take its solid waste out of the County Disposal System after entering the Agreement, the City shall pay $22 per ton (or the effective contract rate at such time) to the County, based on its annual tonnage for the preceding calendar year, for the unexpired term.

RATES & RATE ADJUSTMENTS

$22 Per Ton Contract Rate [Section 4.2 (A)]
The Contract Rate shall be $22 per ton, fixed, for 10 years, and may only be adjusted for:

i) Increased costs due to Uncontrollable Circumstances (see next section);
ii) Average annual inflation in excess of 4% per year as measured by the Producer Price Index;
iii) Costs incurred to remediate conditions which, if not corrected, could give rise to potential claims under CERCLA or related statutes;
iv) Tonnage shortfalls (see sections below).

Prior to adjusting the Contract Rate, the County shall utilize the following remedies in the following priority order:

i) Reduce costs;
ii) Utilize net import revenues in excess of $15 million per year; and,
iii) Utilize Unrestricted Reserves to pay costs of the Disposal System.

Uncontrollable Circumstance [Section 1.1]
The Contract Rate may be adjusted for Uncontrollable Circumstances, defined in the Agreement as any act, event, or condition that materially or adversely affects the ability to perform any obligation under the Agreement if such act, event, or condition is beyond reasonable control. Examples of uncontrollable circumstances include Acts of God or changes in law. The definition of "change in law" is also contained in Section 1.1 and includes various events or conditions which have "a material adverse effect on the performance by the parties on the siting, design, permitting, acquisition, construction, equipping, financing, ownership, possession, operation or maintenance of the Disposal System."

County Waste Tonnage Shortfall [(Section 4.2 (B)]
If actual in-County tonnage falls below the "cumulative target" upon which the Contract Rate was based, the County may utilize these options to remedy the short fall in revenues in the following priority order:

i) Reduce costs;
ii) Utilize net import revenues in excess of $15 million per year;
iii) Utilize Restricted Reserves established to protect against tonnage shortfalls;
iv) Utilize Unrestricted Reserves to pay costs of the Disposal System;
v) Adjust the Contract Rate.

If these remedies do not result in sufficient revenues, the County may terminate the Agreement.

Imported Waste Tonnage Shortfall [Section 4.2 (C)]
If the actual amount of imported tonnage falls below the "annual target" upon which the Contract Rate was based, the County may utilize these options to remedy the short fall in revenues in the following priority order:

i) Reduce costs;
ii) Utilize net import revenues in excess of $15 million per year; and,
iii) Utilize Unrestricted Reserves to pay costs of the Disposal System.

If these remedies are insufficient, the County may propose a Contract Rate adjustment. Cities may either accept the proposed adjustment, or terminate the Agreement without breach or damages.

Restricted and Unrestricted Reserves
Unrestricted Reserves are defined as cash and other reserves of the Disposal System which are not Restricted Reserves [Section 1.1]. Unrestricted Reserves are identified as one of the remedies to be used by the County before increasing the Contract Rate [Section 4.1 (A)]. The Waste Management Department may also use Unrestricted Reserves to pay for higher-than-projected expenditures, and there is no provision in the Agreement which limits the Department's ability to designate these funds as "Restricted Reserves" in accordance with Section 4.5 Therefore, there is no assurance that there will be any unrestricted reserves as an available remedy to the cities to mitigate a Contract Rate adjustment. As a practical matter, all agencies utilize Unrestricted Reserves to pay for unexpected or higher than expected expenditures.

Procedure for Contract Rate Adjustments [Section 4.2 (F)]
If the County determines that it is entitled to an adjustment to the Contract Rate pursuant to Section 4.2, the County must notify the cities and provide documentation of the specific event and associated costs resulting in the Contract Rate adjustment. If a sufficient number of cities representing more than 50% of the in-County waste contest the adjustment, the Agreement sets out a process for an expedited judicial review ("Expedited Rate Review"). If the court determines that the County's rate adjustment was unjustified, the County shall reimburse the cities by decreasing the Contract Rate in an amount to recover the amount overcharged.

Non-Contract Customers Pay Posted Disposal Rate [Section 3.6 (B)]
Cities, Sanitary Districts, Transfer Stations, and Independent Haulers that do not execute an Agreement with the County by June 30, 1996, shall pay the Posted Disposal Rate. The Posted Disposal Rate shall be at least 10% higher than the Contract Rate unless the County determines it is in the best interest of the Disposal System to establish such rate at less than 10% above the Contract Rate. In no event shall the Posted Disposal Rate be equal to or less than the Contract Rate. (Note: At a contract rate of $22 per ton, the posted gate rate would be at least $24.20 per ton. The current posted gate rate is $27.00 per ton.)

Self Haulers [Section 3.6 (D)].
Self haulers shall be entitled to deliver to the Disposal System for the Posted Disposal Rate.

OTHER PROVISIONS

Excess Importation Revenues [Section 3.6 (E)]
Revenues from importation tonnage in excess of $15 million per year shall only be retained in the County Waste Management Enterprise Fund or deposited in the debt repayment reserve for bankruptcy debt repayment or related obligations and future bond defeasance.

Reporting [Section 4.7]
In addition to providing audited financial statements in accordance with Section 4.6, the County shall also annually prepare and deliver to each city an updated ten year financial projection, including two years of historical data and 10 years of future projections, including tonnage, revenues, expenditures, and reserve fund balances.

CERCLA Indemnification as Arranger
County shall indemnify City from liability arising from City's activity as "arranger" of municipal solid waste. The cost of providing the indemnity will be considered an uncontrollable cost which could cause a rate increase. [Section 7.3] County will explore availability of insurance for CERCLA or other environmental liability and will acquire such insurance if commercially available at reasonable rates. [Section 3.3 (F)] The cost of the insurance policy will not trigger a rate increase. [Section 4.2 (Aiii)]

No Assignment Without Mutual Agreement [Section 7.13]
The Agreement may not be assigned without consent by the other party, which may be withheld in the other party's sole discretion. However, either party may assign the Agreement to another public entity, subject to reasonable consent. The County will not sell the system unless the renewal term expires without renewal by the cities, and in no event would such sale become operationally effective before expiration of the 10-year term.

Disposal Services Provided [Article III]
To the maximum extent permitted by law, the County will use its best efforts to keep the Olinda Alpha, Prima Deshecha, and FRB landfills open for receipt of solid waste [Section 3.2]. The County will also maintain a Source Separated Household Hazardous Waste Disposal System [Section 3.3 (E)].