

**THIRD AMENDMENT TO AGREEMENT
FOR ORGANIC MATERIAL PROCESSING,
COMPOSTING AND MARKETING SERVICES
WITH THE SONOMA COMPOST COMPANY**

This Third Amendment to Agreement for Organic Material Processing, Composting and Marketing Services ("Amendment") dated as of April 27, 2004 ("Third Amendment Effective Date"), is by and among the Sonoma County Waste Management Agency ("Agency"), a joint powers agency, the Sonoma Compost Company ("Contractor"), and the County of Sonoma ("County"). All capitalized terms used herein shall, unless otherwise defined, have the meaning ascribed to those terms in the existing agreement.

WHEREAS, Agency, County and Contractor entered into that certain Organic Material Processing, Composting and Marketing Services Agreement dated as of September 28, 1999 (hereinafter referred to as the "Original Agreement") in order to provide composting services for the Agency for yard debris and wood waste and marketing the finished products; and

WHEREAS, Agency and Contractor entered into that certain First Amendment to Agreement dated as of February 20, 2002 (the "First Amendment"); and

WHEREAS, Agency, Contractor and County entered into that certain Second Amendment dated March 23, 2004 to: (a) increase the fees paid to Contractor for processing wood waste; (b) ratify the First Amendment; and (c) revise certain other terms (the "Second Amendment", collectively the Original Agreement as modified by the First Amendment and the Second Amendment is referred to herein as the "Agreement"); and

WHEREAS, the parties desire to amend the Agreement in order to: (a) extend the term to November 15, 2010; (b) allow County to relocate the Facility if needed; (c) allow Contractor to expand the area of the Facility by approximately three (3) acres in the event the Facility is not relocated; and (d) revise certain other terms as more particularly set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. The following definitions set forth in Article 1 of the Agreement shall be amended to read as follows:

“‘Operating Term.’ Operating Term shall mean the term from the Start Date to July 18, 2010.

‘Post-Operating Term.’ Post-Operating Term shall mean the period of time from July 19, 2010 to November 15, 2010.

‘Prepared Yard Debris.’ Prepared Yard Debris shall mean green plant debris including grass clippings, leaves, prunings, weeds, branches, brush, portions of wood and other forms of organic waste generated from landscapes and gardens. Prepared Yard Debris shall be processed through a grinder to reduce the delivered yard debris to particles and then shall be passed through a screen to remove foreign material (non-organic) contaminants and producing an average particle size of one and one-half inches (1 1/2) “

2. The following new subsection shall be added to the end of Article 2 of the Agreement:

“2.1.4 Processing Delivery Materials to the Santa Rosa Laguna Subregional Compost Facility (“Laguna Facility”). Contractor shall process incoming materials into Prepared Yard Debris and shall deliver the maximum amount of materials acceptable to the Laguna Facility, but at least three hundred fifty (350) tons per week on average.”

3. Section 2.3 of the Agreement shall be amended to read as follows:

2.3 Disposal of Contaminants. Contractor, at Contractor’s sole cost and expense, shall properly dispose of all Contaminants which remain after processing of Yard Debris and Wood Debris; provided, however, that Contractor shall be allowed to dispose of Contaminants at the Central Disposal Site at no cost to Contractor to the extent that such materials do not exceed two percent (2.0%) of the monthly weight of materials processed by Contractor in any calendar month. Where Contaminants are disposed of

at a disposal site other than the Central Disposal Site, Contractor shall dispose of such materials at its own cost and shall insure that the hauling operation for Contaminants is at all times performed in compliance with all federal, state and local permit requirements, laws and regulations.

4. Article 3 of the Agreement shall be amended to read as follows:

"3. TERM OF AGREEMENT.

3.1 Term. The term of this Agreement shall commence on the Effective Date and terminate on November 15, 2010, unless terminated earlier in accordance with the provisions of Section 3.2 below.

3.2 Termination.

3.2.1 Termination by Agency. Agency may terminate or modify this Agreement: (a) for an Event of Default in accordance with the procedures set forth in Article 15; or (b) in the event a third party regulator orders a shut down of sixty (60) days or more of the Facility.

3.2.2 Termination by County. County may terminate this Agreement if the County needs the composting area for the landfilling of refuse, as determined in the County's sole discretion; provided, however, that County shall reimburse Contractor for the unamortized portion of the: (i) three (3)-acre concrete surface actually installed by Contractor pursuant to Section 5.2.3, based upon the straight-line amortization schedule set forth in Exhibit B-1; and (ii) "aerated static pile" system or other system installed by Contractor pursuant to Section 5.2.4, based upon the straight-line amortization schedule set forth in Exhibit B-2."

5. Section 4.2.3 of the Agreement is deleted in its entirety, and Section 4.2.4 of the Agreement is renumbered as Section 4.2.3.

6. Section 4.7 of the Agreement is amended to read as follows:

"4.7 Acceptance of Compost By-Products. During the Operating Term, Contractor shall deliver to County, without charge, Compost By-Products suitable for Alternative Daily Cover, provided, however, that County shall not be required to accept more than nine thousand (9,000) cubic yards in any Contract Year. Contractor shall transport and place, at Contractor's

sole cost, the Compost By-Products where directed by County, so long as the location is easily accessed by Contractor's trucks and is within the boundaries of the Central Disposal Site."

7. Section 5.1 of the Agreement is amended to read as follows:

"5.1 Facility Design and Relocation.

5.1.1 Existing Facility. Contractor hereby represents and warrants to Agency and County that it has reviewed the design of the Facility and is satisfied that, it will perform as required and accommodate the following throughput capacities (assuming Contractor is delivering the minimum amount of materials to the Laguna Facility as set forth in Section 2.1.4 above): (a) with the additional three (3) acre expanded area contemplated by Section 5.2.3, a throughput capacity of 200 tons per day based upon a monthly average and a peak throughput capacity of 480 tons per day; and (b) with the completion of the aerated static pile project or alternate project contemplated by Section 5.2.4, a throughput capacity of 300 tons per day based upon a monthly average and a peak throughput capacity of 480 tons per day.

5.1.2 Relocation of Facility. County shall have the right to relocate the Facility to a different area of the Central Disposal Site by giving at least one hundred twenty (120) days prior written notice to Agency and Contractor. If County exercises its right to relocate the Facility, Contractor shall reimburse County for County's expenses to prepare a new concrete surface and extend necessary water and power lines to the relocated Facility, up to a maximum of Two Hundred Fifty Thousand Dollars (\$250,000)."

8. Subsection 5.2.1 of the Agreement is amended to read as follows:

"5.2.1 Minimum Requirements. Contractor shall not make any changes to the Facility that would impair any of the following design parameters:

(a) Throughput Capacity. The Facility shall have a throughput capacity of at least two hundred (200) tons per day (TPD) of total material during each operating day. The Facility design must incorporate allowances for scheduled maintenance and repair throughout the year. Facility design shall allow for a peak throughput capacity of four hundred eighty (480) TPD."

9. A new Subsection 5.2.3 is added to the Agreement as follows:

"5.2.3. Additional Working Surface Improvements. In the event County does not exercise its right to relocate the Facility pursuant to Section 5.1.2 above, Contractor shall install concrete, or an equivalent surface approved by the RWQCB and the LEA, to the approximate three (3) acres adjoining the existing working surface of the composting pad as more particularly described in Exhibit A-1. Such work shall be completed within ninety (90) days of County's notice to Contractor that it does not intend to relocate the Facility. Contractor shall reimburse County for County's expenses to grade, compact, and otherwise prepare the area for installation of the concrete or equivalent surface, up to a maximum of One Hundred Thousand dollars (\$100,000.00)."

10. A new Subsection 5.2.4 is added to the Agreement as follows:

"5.2.4 Aerated Static Pile Pilot Project. Contractor shall undertake a pilot project using an "aerated static pile" system as soon as possible, weather permitting. If the "aerated static pile" system proves feasible, Contractor shall increase the size of the system sufficiently to allow the expanded composting site to process up to three hundred (300) TPD. If the "aerated static pile" system is not feasible, Contractor shall pursue other composting techniques, equipment, or systems that will effect a total throughput of three hundred (300) TPD."

11. Subsection 5.4.2.2 of the Agreement is amended to read as follows:

"5.4.2.2 New Concrete Working Surface. Contractor shall be responsible for maintaining and repairing the remaining portion of the working surface (approximately fourteen (14) to seventeen (17) acres depending upon whether Contractor improves the additional three (3) acres as set forth in Section 5.2.3 above), including damage caused by landfill settling. Contractor shall be responsible for prevention of ponding on any area within the Facility, except the seven (7) acre existing concrete surface installed by County. Contractor shall be responsible for repairing problems with the new working surface that are directly related to the structural integrity or performance of the working surface."

12. Subsection 5.4.3 of the Agreement is amended to read as follows:

“Contractor shall be responsible for maintaining, repairing and replacing all roads within the Facility, except damage directly caused by County employees or contractors. Contractor shall notify County in writing, within forty-eight (48) hours of any damage cause by County employees or its contractors. Prior to the Start Date, County will grade and add rock and compact as necessary to provide all weather access. Notwithstanding the foregoing, however, County shall be responsible for constructing a new perimeter road in the event Contractor constructs the additional three (3)-acre concrete surface expansion pursuant to Section 5.2.3. Contractor shall be responsible for maintaining the new perimeter road after construction.”

13. Section 16.1 of the Agreement shall be amended to read as follows:

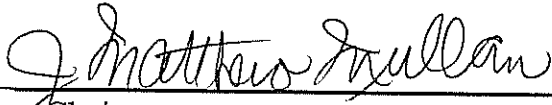
"16.1 Normal Expiration. Effective upon July 18, 2010, County shall stop accepting Yard Debris and Wood Debris. Contractor shall finish processing all existing material on site and to conclude its on-site operations during the Post-Operating Term. Agency shall pay Contractor for processing of materials delivered up to the date that County stops accepting such materials."

14. As of the Third Amendment Effective Date, all references to Exhibit A to the Agreement shall be deemed to refer to Exhibit A-1 attached to this Amendment.
15. As of the Third Amendment Effective Date, all references to Exhibit B to the Agreement shall be deemed to refer to Exhibits B-1 and B-2 attached to this Amendment.
16. As of the Second Amendment Effective Date, all references to Exhibit C to the Agreement shall be deemed to refer to Exhibit C-1 attached to this Amendment.
17. Except to the extent the Agreement is specifically amended or supplemented hereby, the Agreement together with exhibits is, and shall continue to be, in full force and effect as originally executed, and nothing contained herein shall, or shall be construed to modify, invalidate or otherwise affect any provision of the Agreement or any right of Agency arising thereunder.

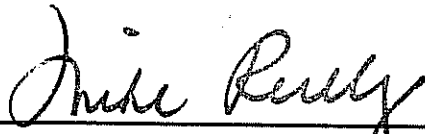
18. This Amendment shall be governed by and construed under the internal laws of the State of California, and any action to enforce the terms of this Amendment or for the breach thereof shall be brought and tried in the County of Sonoma.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of Third Amendment Effective Date.

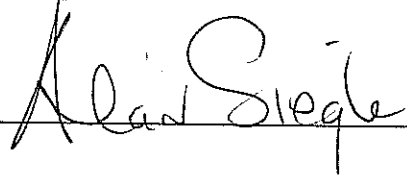
"Agency": SONOMA COUNTY WASTE MANAGEMENT AGENCY

By: 
Chair


"County": COUNTY OF SONOMA

By: 
Chairman, Board of Supervisors

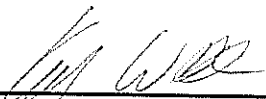
"Contractor": SONOMA COMPOST COMPANY, a California general partnership

By: 

APPROVED AS TO FORM FOR AGENCY AND COUNTY:


Sheryl L. Bratton
Chief Deputy County Counsel

APPROVED AS TO SUBSTANCE FOR AGENCY AND COUNTY:


Ken Wells
Integrated Waste Manager

[ATTACH REVISED EXHIBITS A, B AND C]

Exhibit B-1

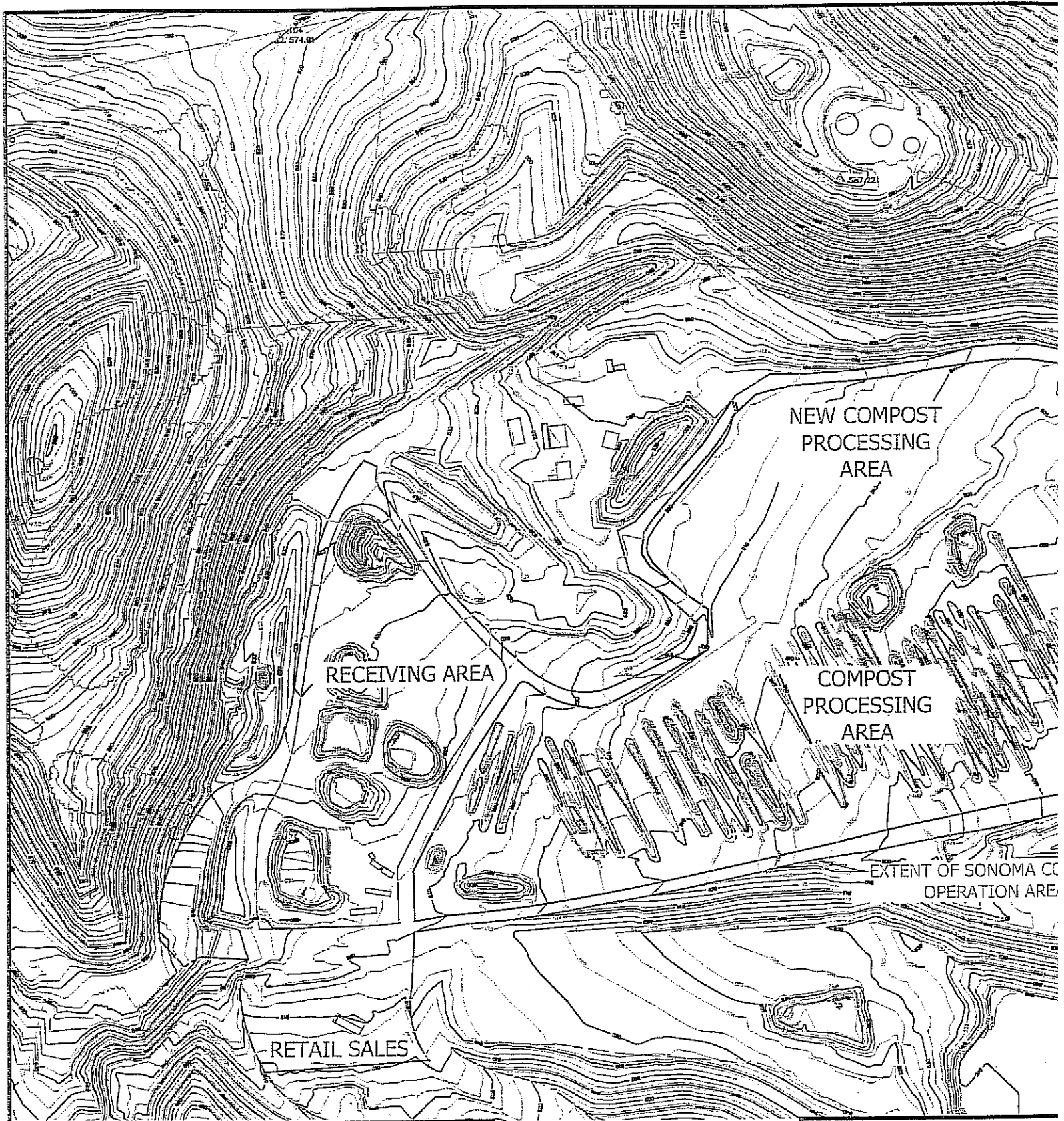
Amortization Schedule for Three Acre Expansion Area of Composting Area

The amortization schedule for the three (3) acre expansion area is calculated using the straight line method beginning _____, 2004 and ending November 15, 2010. The value of the expansion area is \$250,000.

Exhibit B-2

Amortization Schedule for Aerated Static Pile Equipment

The amortization schedule for the aerated static pile processing equipment is to be calculated using the straight line method beginning _____, 2004 and ending November 15, 2010. The value of the aerated static pile processing equipment is to be determined after it is installed, but not to exceed \$250,000.



DESIGNED UNDER THE SUPERVISION OF		CIVIL ENGINEER, LICENSE EXPIRES: _____	
DESIGN		CHECKED	
DRAWING			

AS BUILT INFORMATION TO BE COMPLETED AFTER CONSTRUCTION
CONSTRUCTION COMPLETED:
AS BUILT DRAWINGS BY: