

**AMENDMENT No. 2
TO**

**The City of Seattle Contract with
Washington Waste Systems, Inc.
for the Transportation and Disposal of Waste**

This Amendment is entered into by and between THE CITY OF SEATTLE, a municipal corporation of the State of Washington ("City"), and WASHINGTON WASTE SYSTEMS, INC. ("Contractor"). The obligations of the Contractor under this Contract and Amendment are covered by and included in the Guarantee of Waste Management, Inc. dated August 31, 1990.

Section 10 of the Contract, which was last amended by a Contract Amendment executed October 31, 1996, is amended as follows:

By deleting "March 31, 2006, March 31, 2007, March 31, 2008" and substituting in its place "March 31, 2009, March 31, 2010, March 31, 2011" and adding a new sentence, "Provided, however, that if the City elects the market rate adjustment option set forth in Section 525, its termination options in 2010 and 2011 will be eliminated."

Section 500(a), of the Contract, which was last amended by a Contract Amendment executed October 31, 1996, is deleted and a new Section 500(a) is substituted in its place as follows:

(a) Base Price. The following base amount per ton for each ton of Waste delivered to the Receiving Facility (subject to the annual adjustments in Section 520 unless otherwise indicated:

- (i) As of April 1, 2000, the base amount per ton is \$44.456 (2000 Dollars);
- (ii) On April 1, 2001, the base amount per ton will be calculated by using the annual adjustment in Section 520;
- (iii) On April 1, 2002, there will be no adjustment made in accordance with Section 520 and the base amount per ton will become \$43.725 (2002 Dollars);
- (iv) On April 1, 2003, the base amount per ton will be calculated by first using the annual adjustment in Section 520, and second by subtracting \$1.50 per ton;
- (v) On April 1, 2004, the base amount per ton will be calculated by using the annual adjustment in Section 520;
- (vi) On April 1, 2005, the base amount per ton will be calculated by first using the annual adjustment in Section 520, and second by subtracting \$1.50 per ton;
- (vii) On April 1, 2006, the base amount per ton will be calculated by using the annual adjustment in Section 520;
- (viii) On April 1, 2007, the base amount per ton will be calculated by first using the annual adjustment in Section 520, and second by subtracting \$1.50 per ton;

and

- (ix) Commencing April 1, 2008, and continuing through the duration of the Contract, the base amount per ton will be calculated using the annual adjustment in Section 520.

The Contractor shall bill the City for 25 tons for any container delivered with less than 25 tons.

A new Section 525 is added to the Contract as follows:

Section 525. Market Rate Option

(a) The City will have one option to convert from a CPI adjustment to the base rates under Section 520 to a market rate adjustment to base rates under this section, which it may exercise upon six months' prior written notice to become effective April 1, 2009. If the City exercises this option to convert from the CPI adjustment method to a market rate adjustment method, the contract termination options in 2010 and 2011 will be eliminated.

(b) For purposes of this section, the following definitions shall apply:

(i) The term "Base Rate" shall mean the amount per ton for each ton of Waste delivered to the Receiving Facility paid by the City to the Contractor during the prior calendar year, commencing with the year 2008.

(ii) The term "Market Rate" shall mean the lowest per ton amount for solid waste transportation and disposal, exclusive of any regulatory fees, charged to any public body, including but not limited to any state, county, city, district, solid waste authority or other similar unit of government, contracting for the annual disposal of at least 300,000 tons of solid waste for a term of at least ten years in any landfill in Oregon or Washington that is owned or controlled by Contractor, Waste Management Holdings Incorporated, Waste Management Incorporated, Waste Management of North America, Inc., or any of their respective corporate parents or corporate subsidiaries, whether in existence at the time the City elects the option provided herein or later created.

(iii) The term "controlled" used in Subsection 525(b)(ii) means either of the following:

(1) Holding 50 percent or more of the outstanding voting securities of any landfill business entity or in the case of a landfill business entity that has not outstanding voting securities, having the right to 50 percent or more of the profits from the operation of the entity, or having the right in the event of dissolution to 50 percent or more of the assets of the entity; or

(2) Having the contractual power to designate 50 percent or more of the directors of a corporation, or in the case of unincorporated entities, of individuals exercising similar functions.

(c) If the City elects this option, thereafter annually for an effective date of April 1, the City and the Contractor will undertake to perform a comparison of the Base Rate in effect as of December 31 of the prior calendar year with the Market Rate in effect as of that same date.

(i) In the event that the Market Rate exceeds the Base Rate, or in the event that the Base Rate exceeds the Market Rate by an amount less than 5 percent of the Base Rate, no adjustment shall be made to the Base Rate, and the City shall continue to pay to the Contractor the amount per ton for each ton of Waste delivered to the Receiving Facility that was in effect on December 31 of the prior calendar year;

(ii) In the event that the Base Rate exceeds the Market Rate by an amount equal to or greater than 5 percent of the Base Rate, then the Base Rate then in effect shall be adjusted effective April 1 of the subsequent year to a revised Base Rate that yields an effective per ton price that is the equivalent of the Market Rate in effect on December 31 of the previous year.

Section 970 of the Contract, which was last amended by a Contract Amendment executed October 31, 1996, is amended as follows:

To Contractor: Legal Department
Waste Management of Washington, Inc.
801 Second Avenue, Suite 614
Seattle, WA 98104

Legal Department
Waste Management of Washington, Inc.
c/o Waste Management Holdings, Inc.
1001 Fannin, Suite 4000
Houston, TX 77002

To Guarantor: Legal Department
Waste Management Holdings, Inc.
1001 Fannin, Suite 4000
Houston, TX 77002

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by having their representatives affix their signatures below.

CONTRACTOR

CITY

By: _____
JONATHAN M. ANGIN
Region Vice President

By: _____
DIANA GALE, Managing Director
Seattle Public Utilities

Dated: _____

Dated: _____

Authorized by Ordinance No. 120242