



DEPARTMENT OF PUBLIC WORKS

COUNTY OF SANTA CRUZ

GOVERNMENTAL CENTER

701 OCEAN STREET, SANTA CRUZ, CALIFORNIA 95060-4070

JOHN A. FANTHAM
DIRECTOR OF PUBLIC WORKS

(408) 454-2160

FAX (408) 454-2385

April 16, 1998

SANTA CRUZ COUNTY BOARD OF SUPERVISORS
701 Ocean Street
Santa Cruz, California 95060


SUBJECT: WASTE MANAGEMENT, INC. AND USA WASTE MERGER

Members of the Board:

In a previous memorandum to your Board dated March 16, 1998, our office provided notice of the corporate merger between Waste Management, Inc., (WMI) and USA Waste Services. During the course of your Board's deliberations on the April 14, 1998, agenda, an update on the status of the merger was further requested. Attached you will find copies of Public Works' March 24, 1998, and Waste Management Inc., March 26, 1998, correspondence on the subject matter. County Counsel has reviewed the correspondence from WMI and concurs with the representations set forth pertaining to the legal status of the merger. Based upon WMI's representations regarding the subject merger it appears that no additional actions are required on behalf of the County of Santa Cruz or Waste Management Inc., at this time.

We have, however, reiterated to WMI in writing the County's position relating to the potential for future merger-driven changes in the operations of the County's franchisee, Waste Management Inc., of Santa Cruz County (a WMI Subsidiary). Any and all changes to the County's franchise services, service provider, or use of County designated recycling processing capacity by other jurisdictions cannot occur without prior approval by your Board.

It is therefore recommended that the Board of Supervisors accept and file this report on the status of the Waste Management Inc./USA Waste Services merger.

Yours truly,

JOHN A. FANTHAM
Director of Public Works

R P M : m g
Attachments

RECOMMENDED FOR APPROVAL:



County Administrative Officer

copy to: County Counsel
Public Works,
Jim Moresco, Waste Management of Santa Cruz County

WMUM



Waste Management " "

18500 Von Karman Suite 900
Irvine, CA 92612

Phone 714.474.2311



March 26, 1998

Mr. R. Patrick Mathews
Solid Waste Division Manager
County of Santa Cruz
Department of Public Works
701 Ocean Street
Santa Cruz, CA 95060-4070

Re: Waste Management and USA Waste Merger

NO.	ROUTE DUTY	COPY	ATT.
1	DIRECTOR	✓	
	ASST DIR. OPR		
	CSA/CLAIMS		
	OPR. PROJ/PRNG		
	PERMITS/ENCR		
	RDS/DRAIN/OP		
	SANIT/LANDF		
2	ASST. DIR. RS.	✓	
	CONSTRUCTION		
	DRAINAGE		
	SANIT. ENG.		
3	SOLID WASTE	✓	
	ASST. DIR. RE.		
	DESIGN		
	F.D.A.		
	RD. PLAN/TRAFF		
	SURVEY		
	CHIEF ADM. SVC		
	REAL PROPERTY		

Dear Mr. Mathews:

I am writing in response to your letter dated March 24, 1998 to Jim Moresco concerning the possible impact of the announced merger between Waste Management, Inc. and USA Waste Services, Inc. on certain consent provisions in the Solid Waste Franchise, in particular, sections 3.2A (County Consent for Assignment or Transfer of Franchise), 3.3C (Consolidation, Merger, Sale, Transfer and Change in Control) and 3.3D (Transfer of Voting Stock). Waste Management does not believe that any of the consent provisions in these sections will be triggered by the pending merger.

Under the proposed merger, 40% of the stock of Waste Management, Inc. will be owned by USA Waste Services, Inc. The remaining 60% of the stock will continue to be owned by individual shareholders and be publicly traded. None of the stock of Waste Management of North America, Inc. (which is a wholly-owned subsidiary of Waste Management, Inc.) or Waste Management Collection & Recycling, Inc. and its Division Waste Management of Santa Cruz County, (which is a wholly-owned subsidiary of Waste Management of North America, Inc.) will be sold or otherwise transferred. Accordingly, none of the events described in Sections 3.2(A), 3.3(C) and (D) will have occurred as a result of the proposed merger.

With respect to Section 3.2(A), the Franchise will remain with Waste Management Collection & Recycling, Inc./Waste Management of Santa Cruz County. The Franchise will not be transferred, sold, pledged, hypothecated, leased or assigned either in whole or in part, nor will any other event described in this Section occur as a result of the proposed merger.

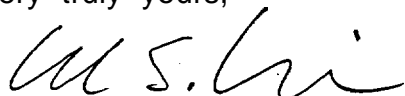
With respect to Section 3.3(C), Waste Management Collection & Recycling, Inc. will not, under the proposed merger, acquire, consolidate or merge with another entity, nor will Waste Management permit any other entity to merge with it.

Finally, as to Section 3.3(D), none of the voting stock of Waste Management Collection and Recycling, Inc./Waste Management Santa Cruz County will be sold or transferred in any way.

In short, under the proposed merger, neither the ownership of Waste Management Collection & Recycling, Inc./Waste Management of Santa Cruz County nor the Company's obligations and commitments under the Franchise will change or diminish.

I trust that this satisfactorily addresses the matters raised in your letter.

Very truly yours,



Howard S. Yamaguchi
Area General Counsel

HSY:tm98077

cc: Jim Moresco

DEPARTMENT OF
PUBLIC WORKS



COUNTY OF SANTA CRUZ

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GOVERNMENTAL CENTER

JOHN A. FANTHAM
DIRECTOR OF PUBLIC WORKS

701 OCEAN STREET, SANTA CRUZ, CALIFORNIA 95060-4070

(408) 454-2160

FAX (408) 454-2385

March 24, 1998

MR. JIM MORESCO, GENERAL MANAGER
WASTE MANAGEMENT OF SANTA CRUZ COUNTY
P.O. Box 2347
Watsonville, California 95077

SUBJECT: WASTE MANAGEMENT AND USA WASTE MERGER

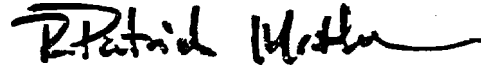
Dear Mr. Moresco:

As discussed during our March 12, 1998, phone conversation, Waste Management's recent merger with USA Waste must comply with Franchise Agreement, Sections 3.2(A), 3.3(C) and 3.3(D) regarding County consent for mergers and transfer of voting stock. We request that you have your legal counsel immediately review Section 3 of said Franchise Agreement and provide our County with a formal response regarding compliance with the notification requirement for your company's merger.

While it appears that this merger will improve your company's corporate leadership and financial standings, the County's franchise services or service provider cannot be altered, changed or impacted without prior approval by the County Board of Supervisors. Please keep our office advised, in advance, of any pending changes resulting from this merger. We have also informed the Board of Supervisors of this change in your company and await their directive for further response to this matter. If you have any questions please feel free to contact me at (408) 454-2160.

Yours truly,

JOHN A. FANTHAM
Director of Public Works

By: 
R. Patrick Mathews
Solid Waste Division Manager

✓RPM:bbs

copy to: County Administrative Office
County Counsel
Carol Kelly, Public Works
Dan deGrassi, Public Works

WMAB

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