

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AUTHORIZING) RESOLUTION NO. 98-2590B
CHANGE ORDER NO. 23 TO THE CONTRACT)
FOR WASTE TRANSPORT SERVICES) Introduced by Mike Burton,
) Executive Officer

WHEREAS, Metro has entered into a certain Waste Transport Services Agreement with Jack Gray Transport, Inc. ("JGT") for the transportation of mixed solid waste from the Metro Central and Metro South Transfer Stations to the Oregon Waste Systems, Inc. disposal site in Arlington, Oregon; and

WHEREAS, Change Order No. 21 to the Waste Transport Services Agreement requires the prior written consent of Metro before any assignment of the Agreement; and

WHEREAS, on September 24, 1997, JGT entered into an Asset Purchase Agreement with Gary I. Goldberg to convey the assets and business of JGT relating to the transport of municipal solid waste; and

WHEREAS, under the Asset Purchase Agreement, Goldberg obtained the right to assign his rights to acquire the assets and business of JGT; and

WHEREAS, on September 29, 1997, Goldberg entered into an Assignment of Asset Purchase Agreement with Aasche Transportation Services, Inc. ("Aasche"), and JGT has provided its consent thereto; and

WHEREAS, Aasche has formed a separate subsidiary named Specialty Transportation Services, Inc. ("STS") solely for the purpose of owning and operating the assets and solid waste transport business acquired from JGT; and

WHEREAS, Metro has received a written request from Goldberg for consent and approval of the assignment of the Waste Transport Services Agreement to Goldberg and the Aasche for operation by STS; and

WHEREAS, Metro's Regional Environmental Management Department Staff and its consultants have reviewed the stated criteria for approval of the assignment; analyzed various correspondence, agreements, and financial reports; and prepared findings; and

WHEREAS, Metro's Regional Environmental Management Department Staff, based upon such findings, has recommended approval of the assignment of the Waste Transport Services Contract to STS; and

WHEREAS, Aasche and STS have entered into certain financial agreements with lenders in which STS and its lenders expressly recognize Metro's right and priority, in the event of any default, to assume control of Specialty Transportation Services, Inc.'s, transport operations as specified in the attached Change Order No. 23; and

WHEREAS, All financial agreements of STS protect the assets of STS from use or access by Aasche except for certain limited purposes; and

WHEREAS, It is necessary to amend the Waste Transport Services Agreement to provide for the proposed assignment and to make other necessary modifications; and

WHEREAS, Change Order No. 23, attached as Exhibit "A," provides the necessary modifications to the Waste Transport Services Agreement; and

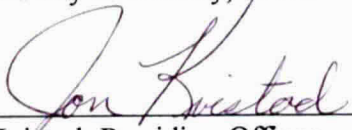
WHEREAS, The resolution was submitted to the Executive Officer for consideration and was forwarded to the Metro Council for its approval; now therefore

BE IT RESOLVED, THAT

1. The Metro Council authorizes the Executive Officer to consent to and approve of on behalf of Metro the assignment of the Waste Transportation Services Agreement from Jack Gray Transport, Inc. to Specialty Transportation Services, Inc., as set forth in Change Order No. 23, which is attached hereto as Exhibit "A," provided that the Executive Officer determines that the provisions of any financial agreements sufficiently protect the assets of STS from any misuse by Aasche. Any substantial modification of the financial agreements shall be presented to the Metro Council for further review.

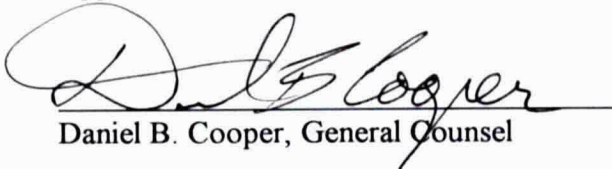
2. The Metro Council authorizes the Executive Officer to execute Change Order No. 23 to the Waste Transport Services Agreement, in a form substantially similar to that set forth in the attached Exhibit "A," and to obtain all final executed financial agreements with lenders within ten (10) days of their execution.

ADOPTED by the Metro Council this 22nd day of January, 1998.



Jon Kvistad, Presiding Officer

Approved as to Form:



Daniel B. Cooper, General Counsel

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REGIONAL ENVIRONMENTAL MANAGEMENT COMMITTEE REPORT

CONSIDERATION OF RESOLUTION NO. 98-2590B, FOR THE PURPOSE OF AUTHORIZING CHANGE ORDER NO. 23 TO THE CONTRACT FOR WASTE TRANSPORT SERVICES

Date: January 22, 1998

Presented by: Councilor

Committee Recommendation: At its January 20 meeting, the Committee considered Resolution No. 98-2590. An additional hearing was held at a special committee meeting on January 22. At this meeting, the committee voted unanimously to send Resolution No. 98-2590B to the Council with a do pass recommendation. Voting in favor: Councilors McFarland, Washington and Chair Morissette.

Background

In 1990, Metro entered into a 20-year contract with Jack Gray Transport, Inc. (JGT). The contract authorizes JGT to provide transport services for solid waste from the Metro Central and Metro South Transfer Stations to the Columbia Ridge Landfill in Gillam County. Under the terms of the contract Metro pays JGT a per ton fee for the material transported to Columbia Ridge. For the current fiscal year, total payments of about \$8.9 million are budgetted.

JGT, is solely owned by Mr. Jack Gray. In recent years, as Mr. Gray has approached retirement age, he has begun to examine opportunities to divest portions of his business. An earlier Change Order (No. 21) outlined the nature of Metro's right to review and approve or disapprove of any change in ownership affecting Metro's contract. The Change Order provided that Metro would have 30 days to approve or disapprove of the proposed transaction, but further provided that the 30-day period would not commence until Metro had received a satisfactory response to any requests for additional information.

In mid October 1997, Metro was notified that Mr. Gary Goldberg, the JGT executive vice president in charge of administering the company's waste hauling contracts, had entered into an agreement to purchase JGT's waste hauling business. Mr. Goldberg, then proposed to enter into a further agreement with Aasche Transportation Services, to permit Aasche to acquire this waste

hauling business from Mr. Goldberg and form a new waste hauling subsidiary of Aasche that would be headed by Mr. Goldberg. The new subsidiary would be designated as Speciality Transport Services, Inc. (STS)

The chronology of events, including requests for additional information by Metro, are outlined in the staff report. Mr. Goldberg has indicated that the deadline for closing his deal with Aasche in January 31, 1998.

Committee Issues/Discussion: Bruce Warner, Regional Environmental Management Director, provided a brief overview of the chronology of events that have occurred since Metro was notified of the pending sale in October. He further noted that the most recent drafts of the purchase and credit agreements related to the transaction were not received by Metro staff until late on Friday, January 16. These documents still do not represent the final versions and contain "blanks" or incomplete provisions involving some of the issues that are of interest to Metro.

Gary Goldberg, President of STS, testified concerning the history and status of the pending transaction. He noted that he had served on the Aasche Board of Directors for two years. He indicated the Metro contract will constitute about 1/3 of the business of STS and that the company has other waste transport contracts with both the public and private sectors.

He explained that funding for the transaction would come from three sources:

- 1) \$6 million from Aasche
- 2) \$8 million from American Capital Strategies
- 3) \$23 million from Mellon Bank, including \$5 million in working capital.

With regard to the Metro contract, he indicated that it is Aasche's intent to retain that the same management team and employees that currently administer the contract.

Councilor McFarland expressed concern that staff had encountered delays in obtaining necessary legal and financial documents to facilitate their review of the transaction. She noted that the major credit agreement documents had arrived only late on Friday.

She expressed concern about the amount of time that staff has had to review the documents and noted the she and the other members of the Council had not had time to directly review the docements.

Mr. Goldberg responded that his representatives had been in continual contact with Metro staff and that he felt that all of Metro's issues had been addressed.

Terry Peterson, Regional Environmental Management Environmental Services Manager, outlined the three principal issues that had concerned staff about the proposed transaction:

1) Historically Aasche Transport has not been as financially healthy as Jack Gray Transport. Therefore, staff had raised the issue of whether Aasche's creditors or the lenders associated with this transactions could file a lien against or otherwise prevent the equipment used to fulfill the Metro contract from being used for that purpose.

2) Staff expressed concern over the need to maintain continuity related to the upper level management of the Metro contract.

3) Staff expressed concern about the ability of the parent company to utilize the STS subsidiary as a "cash cow" or otherwise divert the assets of the subsidiary for the use of the parent company in a manner that might jeopardize the ability of the STS to fulfill the terms of the Metro contract.

Chair Morissette asked Marv Fjordbeck, Senior Assistant Counsel, to comment on his review of the documents related to the transaction and how these transactions had addressed the issues raised by staff. Mr. Fjordbeck addressed each of the issues. He noted that regarding the issue of equipment availability to fulfill the terms of the contract, the documents now include a provision that would allow all equipment to continue to be used to service the Metro contract for up to 180 days. This would give Metro time to procure other transport services in the event that Aasche defaulted on the contract.

Mr. Fjordbeck indicated that the question of management continuity had been addressed through a requirement that Mr. Goldberg have a five-year employment contract.

Mr. Fjordbeck indicated that the issue of the financial relationship between the parent company and STS had been addressed to some extent, but that some outstanding issues remained. He noted that it was Metro's intent to build a "firewall" between the parent company and STS to insure that STS assets could not be "raided" by the parent. He noted that the language in the draft document received on Friday "went a long way" toward addressing this issue, but he indicated that some of the language in the exceptions clauses was incomplete and that he would still like to receive and review the voting trust agreement related to the relationship between the parent company and STS.

Chair Morissette indicated that he felt nothing fearful about moving forward with the resolution. He noted that the few outstanding issues did not place Metro in any jeopardy. He requested that staff identify all costs associated with its consideration of the proposed transaction and preparation of the proposed resolution. He indicated that it was his intent that the parties associated with the proposed transaction should pay these costs.

Councilor McFarland again expressed concern about the length of time that had been available to staff to review documents related to the transaction and that there were still some outstanding issues. She requested that the committee meet again on January 27 to consider the resolution, and that the staff request additional information from the parties involved to address all outstanding issues. The committee would then make a decision on the resolution and make a recommendation for consideration by the full Council on January 29. When the committee was informed that the full Council had not scheduled a meeting on January 29, the committee chose to reconvene at 4:00 on Thursday, January 22 to consider any additional information that is available at that time.

At the January 22 meeting, Mr. Warner indicated that since the prior committee meeting, staff had received additional information which provide assurance that all of the concerns that had been raised by staff had been addressed. Mr. Warner noted that the original resolution had been drafted prior to the receipt of the related lending and financial agreements.

He recommended that the committee consider two amendments. First, an amendment to the 11th "whereas" clause which would recognize that certain STS assets could be accessed by Aasche. This change

was necessary to reflect that STS will be paying a small management fee to Aasche. Second, Mr. Warner recommended that the first "Be It Resolved" clause be amended to authorize the Executive Officer to approve the proposed transaction "provided that the Executive Officer determines that the provisions of any financial agreements sufficiently protect the assets of STS from any misuse by Aasche." Warner noted that this language is necessary because Metro will not see the final agreements related to the transaction until after closing. While Metro has received assurances that no significant changes will occur, this language will allow for a assessment of the final documents prior to the Executive Officer consenting to the transaction.

Chair Morissette suggested that an additional amendment be drafted to provide that if the Executive Officer determined that any substantive change had occurred in the final agreements, that such changes would be brought before the Council for review. The committee members agreed with the need for such an amendment.

Councilor McFarland moved the amendments contained in Resolution 98-2590A and the additional amendment proposed by the chair. The amendments and the revised resolution were unanimously adopted and the staff was directed to prepare a "B" version for consideration by the full Council.

In closing, the chair noted that Mr. Goldberg has agreed to reimburse Metro for its costs in reviewing the proposed transaction. The estimated cost of the review is \$7,360.

**EXECUTIVE SUMMARY
RESOLUTION 98-2590
JACK GRAY TRANSPORT CHANGE OF OWNERSHIP**

PROPOSED ACTION

Adoption of Resolution 98-2590A (amended by the REM Committee) would authorize Change Order No. 23 to the contract for Waste Transport Services in order to:

1. Authorize the Executive Officer to consent to and approve the assignment of the Waste Transport Services Agreement to Specialty Transportation Services, Inc (STS); and
2. Make substantive changes to the Waste Transport Services Agreement to provide assurances that the assignment of the Agreement will not have a negative impact on Metro's waste transport operations.

(See attached figure, which graphically represents the sale/purchase)

WHY NECESSARY

- The existing contract requires that the current contractor provide notice of any proposed change in ownership or assignment of assets.
- The existing contract also requires that Metro shall, within 30 days of the notice, either approve or deny the change of ownership.
- Metro can review the contractor's request based upon criteria established in the current contract and other areas, but "such approval shall not be unreasonably withheld."

ISSUES/CONCERNS

- Staff has proposed new conditions and requirements that are necessary to assure that the new owner continues to provide service and that existing assets of the current contractor are protected in case of default by the new owner. These conditions and agreements are part of the proposed Change Order No. 23 and the lending agreements. The specific new conditions are:
 1. Extend, from 90 days to 180 days, the time during which Metro has the right to operate the hauling equipment in case of default by the contractor;
 2. Ensure that Metro has the right to all material and equipment in case of default (current contract includes just the tractors, trailers, and shuttle vehicles);
 3. All financial agreements into which STS enters shall protect the assets from use or access by Aasche Transportation (the parent company of the proposed new STS) for only certain limited purposes;
 4. Improve conditions of approval (e.g. 90 days rather than the 30 days necessary for Metro Council approval); and
 5. Clarify conditions under which credit default will be reported to Metro.

BUDGET/FINANCIAL IMPACTS

- None—STS has agreed to reimburse Metro for its cost to review, negotiate, and prepare necessary documents for this assignment (about \$7,360).

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 98-2590 FOR THE PURPOSE OF AUTHORIZING CHANGE ORDER NO. 23 TO THE CONTRACT FOR WASTE TRANSPORT SERVICES

Date: December 16, 1997

Presented by: Bruce Warner

PROPOSED ACTION

Adoption of Resolution No. 98-2590 would authorize Change Order No. 23 to the Contract for Waste Transport Services in order to:

1. Approve the assignment of the Waste Transport Services Agreement to Specialty Transportation Services, Inc.; and
2. Make substantive changes to the Waste Transport Services Agreement to provide assurances that the assignment of the Agreement will not have a negative impact on Metro's waste transport operations; and

FACTUAL BACKGROUND AND ANALYSIS

In October 1997, Metro received informal, verbal notice from Gary I. Goldberg ("Goldberg") regarding a planned acquisition of the municipal solid waste transportation division of Jack Gray Transport, Inc. ("JGT") and the assignment of the Waste Transport Services Agreement to Specialty Transportation Services, Inc. ("STS").

On October 24, 1997, Metro sent a letter to Goldberg indicating that a change in control requires the prior written consent of Metro, whose consent may be based on stated criteria provided in Change Order No. 21 to the Waste Transport Services Contract between Metro and JGT. A copy of the letter and a copy of Change Order No. 21 are attached. The criteria from Change Order No. 21 are shown below.

Change Order No. 21

Change Order No. 21 to Contract No. 900848 between Metro and Jack Gray Transport, Inc. requires that "any change in control or the transfer of a controlling interest in stock ownership of Contractor shall require the prior written consent of Metro." The Change Order also requires that "Contractor shall give Metro a written request to approve the change in control prior to any change in control taking effect. If a change in controls occurs without prior written notice to Metro, such change shall constitute a material breach of the contract and Metro, in its sole discretion, may terminate this contract for such breach."

In determining whether to approve or disapprove a request by the Contractor to sell the company, Metro may take the following criteria into consideration, according to Change Order No. 21:

- (1) Whether the proposed purchaser is of sufficient size to perform the obligations required in the agreement.

- (2) Whether the proposed purchaser has sufficient financial resources to fill the operational and financial guarantees specified in the agreement.
- (3) Whether the proposed purchaser has sufficient favorable experience providing services similar to those required in the agreement.
- (4) The nature of any other commitments which the proposed purchaser may have in related solid waste disposal services either nationally or within the Metro service area.

30 Day Requirement

Change Order No. 21 provides that "Metro shall within thirty (30) days of receipt of a request to enter into the transaction either approve or disapprove the request, provided such approval shall not be unreasonably withheld. If Metro requests information regarding the above criteria the thirty (30) day approve/disapprove time period shall begin upon satisfactory response by the Contractor to Metro."

Goldberg Response

On November 14, 1997, Goldberg sent a letter to Metro stating that on September 24, 1997, he entered into an asset purchase agreement with JGT to purchase the assets and business relating to the municipal solid waste business of JGT. Under the asset purchase agreement, Goldberg had the right to assign his rights to acquire such assets and business to a funding source. On September 29, 1997, Goldberg entered into an assignment of asset purchase agreement with Aasche Transportation Services, Inc. ("Aasche"). The consent of JGT to the assignment was executed on October 15, 1997. Goldberg stated that the closing of the acquisition is expected to occur on January 2, 1997.

In his letter of November 14, 1997, Goldberg included a description of Aasche and indicated that Aasche has formed a separate subsidiary solely for the purpose of taking title to the assets relating to the waste hauling business acquired from JGT. The subsidiary, known as Specialty Transportation Services, Inc. ("STS") is a newly formed Illinois subsidiary and will be 100% owned by Aasche. The President of STS will be Goldberg. Goldberg will enter into a long term employment agreement with Aasche to direct the entire operations of STS.

The November 14, 1997 letter from Goldberg addresses the criteria provided in Change Order No. 21 and states that Goldberg and Aasche satisfies all of the criteria necessary in obtaining the consent of Metro to the assignment of the Waste Transport Services Agreement. A copy of the letter is attached.

Requests for Additional Information

On November 18, 1997, Metro sent a letter to Goldberg requesting additional information, including copies of assignment documents to assist Metro in the evaluation of the proposed change of ownership. A copy of the letter is attached.

On November 20, 1997, Goldberg sent a letter to Metro addressing the questions asked by Metro in its letter of November 18, 1997. A copy of the letter is attached.

On November 26, 1997, Metro sent another letter to Goldberg requesting additional information regarding Aasche and STS, including documents that establish the relationship between Aasche and STS. A copy of the letter is attached.

Metro received a letter dated December 2, 1997, from Joel R. Schaidler of Sachnoff & Weaver, Ltd., counsel to Aasche and STS, addressing the questions asked by Metro in its letter of November 26, 1997. Attached to Mr. Schaidler's letter was a copy of the Articles of Incorporation and Bylaws of STS and a copy of the stock certificate issued to Aasche, its sole stockholder and a copy of balance sheets and a 12-month projected operating statements of STS. A copy of Mr. Schaidler's letter is attached.

On December 2, 1997, Metro sent a letter to Goldberg requesting a 30-day extension for reviewing the proposed change in ownership of Jack Gray Transport, Inc. A copy of the letter is attached.

On December 5, 1997, Metro staff met with Goldberg to discuss the proposed assignment of the Waste Transport Services Agreement to STS.

FINDINGS

Metro's Regional Environmental Management Department, Office of Legal Counsel, and the Administrative Services Department, with assistance from Clancy, Gardiner, & Pierce, financial consultants, reviewed and analyzed various correspondence, agreements, financial reports, etc. Findings are shown below:

(1) *The proposed purchaser is of sufficient size to perform the obligations required in the Waste Transport Services Agreement.* Under the Asset Purchase Agreement, substantially all of the assets and business of the waste hauling division of JGT are being acquired, including eight truck terminal properties, waste contracts, equipment, rolling stock, inventory, parts, supplies, automobiles, computer equipment, and software at the terminal locations. After closing, almost all of the 280 employees of the waste hauling division of JGT including terminal managers, drivers, mechanics and office personnel at the Arlington terminal and other locations will be hired by STS. STS will be the same size and will consist of the same assets and personnel as the existing waste hauling division of JGT

(2) *The proposed purchaser has sufficient financial resources to fill the operational and financial guarantees specified in the agreement.* It is anticipated that several lending institutions and investors will provide financing for the acquisition as well as working capital and other financing needs associated with the waste hauling business. Mellon Bank has been JGT's lender for the past 18 years. It is anticipated that a \$7,000,000 line of credit will be established to service the ongoing financing needs of STS.

Under the Asset Purchase Agreement, the retainage deposit of \$2.5 million is being acquired. These funds will remain at STS and will not be transferred to Aasche. As additional protection for Metro, one of the conditions of approval in Resolution No. 98-2590 is that all financial agreements entered in to by STS shall expressly recognize Metro's right and priority, in the event of any default, to assume control of STS transport operations as specified in Change Order No. 23.

(3) *The proposed purchaser has sufficient favorable experience providing services similar to those required in the agreement.* The same key management personnel as well as the drivers, mechanics and office personnel presently servicing Metro under the Waste Transport Services Agreement will continue after the proposed acquisition. Most of the key individuals have been involved in the Metro project since its inception in 1989.

(4) *The proposed purchaser does not have any other commitments in related solid waste disposal services.* Neither Aasche nor Goldberg have any other commitments to provide solid waste disposal services, either nationally or within the Metro service area.

(5) *Metro has adequate control of the waste transport operations in the event of a default by the Contractor.* Metro's Office of Legal Counsel believes that the existing Waste Transport Contract gives Metro adequate protection in the event of a default by STS.

STAFF RECOMMENDATIONS

Metro's Regional Environmental Management Department recommends approval of the assignment of the Waste Transport Services Contract to Specialty Transportation Services, Inc. with the following conditions:

1. Extend the time during which Metro has the right to operate equipment in case of default by Contractor from 90 days to 180 days.
2. Ensure that Metro has the right to all material and equipment in case of default (current contract includes just tractors, trailers, and shuttle vehicles).
3. All financial agreements into which STS enters into shall protect STS assets from use or access by Aasche for any reason.
4. Improve conditions of approval (e.g. 90 rather than 30 days for Metro Council approval).
5. Clarify conditions under which a Credit Default will be reported to Metro.

BUDGET IMPACT

None

EXECUTIVE OFFICER RECOMMENDATION

The Executive Officer recommends approval of Resolution No. 98-2590.

RRB:

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WHEREAS, Metro has entered into a certain Waste Transport Services Agreement with Jack Gray Transport, Inc. ("JGT") for the transportation of mixed solid waste from the Metro Central and Metro South Transfer Stations to the Oregon Waste Systems, Inc. disposal site in Arlington, Oregon; and

WHEREAS, Change Order No. 21 to the Waste Transport Services Agreement requires the prior written consent of Metro before any assignment of the Agreement; and

WHEREAS, on September 24, 1997, JGT entered into an Asset Purchase Agreement with Gary I. Goldberg to convey the assets and business of JGT relating to the transport of municipal solid waste; and

WHEREAS, under the Asset Purchase Agreement, Goldberg obtained the right to assign his rights to acquire the assets and business of JGT; and

WHEREAS, on September 29, 1997, Goldberg entered into an Assignment of Asset Purchase Agreement with Aasche Transportation Services, Inc. ("Aasche"), and JGT has provided its consent thereto; and

WHEREAS, Aasche has formed a separate subsidiary named Specialty Transportation Services, Inc. ("STS") solely for the purpose of owning and operating the assets and solid waste transport business acquired from JGT; and

WHEREAS, Metro has received a written request from Goldberg for consent and approval of the assignment of the Waste Transport Services Agreement to Goldberg and the Aasche for operation by STS; and

WHEREAS, Metro's Regional Environmental Management Department Staff and its consultants have reviewed the stated criteria for approval of the assignment; analyzed various correspondence, agreements, and financial reports; and prepared findings; and

WHEREAS, Metro's Regional Environmental Management Department Staff, based upon such findings, has recommended approval of the assignment of the Waste Transport Services Contract to STS; and

WHEREAS, Aasche and STS have entered into certain financial agreements with lenders in which STS and its lenders expressly recognize Metro's right and priority, in the event of any default, to assume control of Specialty Transportation Services, Inc.'s, transport operations as specified in the attached Change Order No. 23; and

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WHEREAS, Change Order No. 23, attached as Exhibit "A," provides the necessary modifications to the Waste Transport Services Agreement; and

WHEREAS, The resolution was submitted to the Executive Officer for consideration and was forwarded to the Metro Council for its approval; now therefore

BE IT RESOLVED, THAT

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2. The Metro Council authorizes the Executive Officer to execute Change Order No. 23 to the Waste Transport Services Agreement, in a form substantially similar to that set forth in the attached Exhibit "A," and to obtain all final executed financial agreements with lenders within ten (10) days of their execution.

ADOPTED by the Metro Council this 22nd day of January, 1998.

Jon Kvistad, Presiding Officer

Approved as to Form:

Daniel B. Cooper, General Counsel

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BEFORE THE METRO COUNCIL

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WHEREAS, It is necessary to amend the Waste Transport Services Agreement to provide for the proposed assignment and to make other necessary modifications; and

WHEREAS, Change Order No. 23, attached as Exhibit "A," provides the necessary modifications to the Waste Transport Services Agreement; and

WHEREAS, The resolution was submitted to the Executive Officer for consideration and was forwarded to the Metro Council for its approval; now therefore

BE IT RESOLVED, THAT

1. The Metro Council consents to and approves of the assignment of the Waste Transportation Services Agreement from Jack Gray Transport, Inc. to Specialty Transportation Services, Inc., as set forth in Change Order No. 23, which is attached hereto as Exhibit "A."

2. The Metro Council authorizes the Executive Officer to execute Change Order No. 23 to the Waste Transport Services Agreement, in a form substantially similar to that set forth in the attached Exhibit "A," and to obtain all final executed financial agreements with lenders within ten (10) days of their execution.

ADOPTED by the Metro Council this 8th day of January, 1998.

, Presiding Officer

Approved as to Form:

Daniel B. Cooper, General Counsel

MDF/kaj
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MODIFICATIONS TO THE CONTRACT BETWEEN
METRO AND JACK GRAY TRANSPORT, INC.
FOR WASTE TRANSPORT SERVICES

Metro POC: Terry Petersen, Environmental Services Manager

Contractor POC: Gary Goldberg, Executive Vice President

This Agreement dated as of the last signature date below, hereby amends Metro Contract No. 900848, entitled "Waste Transport Services," dated March 1, 1989, including all prior amendments (herein collectively referred to as the "Original Contract"), as provided herein:

A. Purpose

This change order provides for the assignment of the Waste Transport Services Agreement from Jack Gray Transport, Inc. to Specialty Transportation Services, Inc. and provides assurances that the assignment of the Agreement will not have a negative impact on Metro's waste transport operations.

B. Terms

- 1) Amend the definition of "Contractor" in Specifications, Section 2.0, paragraph G, by adding the following sentence:

"Contractor' shall also include any assignee or transferee of any transport obligations, duties, and responsibilities under the Contract."

- 2) Insert the following language in General Conditions, in Article 10, paragraph C:

"Within thirty (30) days of any Contractor default under Article 9, paragraph B of the Waste Transport Services Agreement, the Contractor and Metro shall agree to a modification of Article 10, paragraph C of the Waste Transfer Services Agreement to reduce the number of days within which the Contractor is allowed to cure such a default."

- 3) Amend Change Order No. 21, Section 1, penultimate paragraph, to read as follows:

"The Metro Council shall, within ninety (90) days of receipt of a written request to enter into the transaction, either approve or disapprove the request, provided that any approval shall not be unreasonably withheld."

- 4) Amend Change Order No. 21, Section 7, to read as follows:

“If Contractor does not cure a default within the time allowed herein, and Contractor either does not have a surety or the surety elects not to exercise its option under this section, the Contract shall terminate. For 180 days from the date Contractor ceases to provide service, and continuing subsequent to termination, Contractor shall make available to Metro all tractors, trailers, shuttle vehicles, trailer tippers, and all other transport-related materials, equipment (collectively, the ‘Waste Transport Equipment’) and personnel used or available for use in carrying out the Contract at the time Contractor ceases to provide service; provided, however, that in the event such assets are the subject of a first priority security interest in favor of a senior lender of the Contractor (‘Senior Lender’), Metro shall pay the Senior Lender the monthly payment for item ‘Fixed Costs’ as set forth in General Conditions in Article 12, paragraph A. This provision shall survive termination of the Contract.”

- 5) Amend Change Order No. 21, Section 8, to replace the current language with the following:

“5. Notice of Credit Default. In the event the Senior Lender declares Contractor to be in default under its secured credit agreement as a result of Contractor’s failure to pay any of the obligations when due, and such failure remains uncured for a period of thirty (30) days after the date upon which such payment is due, Contractor shall provide Metro with a copy of such notice of default upon which Metro shall have the right to declare Contractor to be in default under this Contract, or to provide notice of Metro’s intention to terminate the Contract; provided, however, that Metro shall not exercise any rights of termination or other remedy or remedies that Metro may have under the Contract for a period of 180 days from the date of such declaration or notice.”

Except as modified herein, all other terms and conditions of the Original Contract and previous change orders remain in full force and effect.

JACK GRAY TRANSPORT, INC.

METRO

Signature

Signature

Print Name and Title

Print Name and Title

Date

Date



METRO

October 24, 1997

Gary I. Goldberg
Executive Vice President
Jack Gray Transport, Inc.
4600 East 15th Avenue
Gary, Indiana 46403

Re: Jack Gray Transport, Inc. - Proposed Change of Ownership

Dear Gary:

Thank you for organizing last week's outing and giving us an informed opportunity to become acquainted with executives from Aasche Transportation Services, Inc. I was very interested in learning more about the planned acquisition of the municipal solid waste transportation division of Jack Gray Transport, Inc.

As you know, earlier this year, the Metro Council approved a Change Order to the Waste Transport Services Contract between Metro and Jack Gray Transport which dealt particularly with the change of ownership provisions of the contract. A copy of that change order is enclosed for your review. Under those provisions, a change in control of the contractor requires the prior written consent of Metro, whose consent may be based on stated criteria.

Accordingly, I have instructed Metro Regional Environmental Management staff to prepare for review of the proposed change of ownership. I anticipate that my staff and staff members from other Metro departments will be in contact with you shortly to obtain information to evaluate the proposed change of ownership.

We look forward to working with you regarding the proposed transaction. As always, please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Warner for BWM". The signature is written in a cursive, flowing style.

Bruce Warner, Director
Regional Environmental Management

Enclosure

GARY I. GOLDBERG
7418 OAK AVENUE
GARY, INDIANA 46403

November 14, 1997

BY FACSIMILE

Mr. Bruce Warner
Regional Environmental Management
Metropolitan Service District
600 Northeast Grand Avenue
Portland
Oregon, 97727

Re: Jack Gray Transport, Inc./Gary I. Goldberg/Aasche Transportation
Services, Inc.

Dear Bruce:

Reference is made to a certain Waste Transport Services Agreement ("Waste Transport Services Agreement") dated March 1, 1989, as amended, between Metropolitan Service District ("Metro") and Jack Gray Transport, Inc. ("JGT").

On September 24, 1997 Gary I. Goldberg ("Goldberg") entered into an asset purchase agreement ("Asset Purchase Agreement") with Jack Gray Transport, Inc. to purchase the assets and business relating to the municipal solid waste business of JGT. Under the Asset Purchase Agreement, Goldberg had the right to assign his rights to acquire such assets and business to a funding source. On September 29, 1997, Goldberg entered into an Assignment of Asset Purchase Agreement with Aasche Transportation Services, Inc. ("Aasche"). The consent of JGT to the assignment was executed on October 15, 1997. The closing of the acquisition is expected to occur on January 2, 1997.

Aasche is a 58-year-old non-union, truckload carrier that operates primarily in the temperature-controlled segment of the transportation services industry. Aasche transports a variety of foods and other products that require temperature-controlled service. In 1996, Aasche had gross revenues of \$77 million. Aasche has been a publicly traded company since 1994 and its shares trade on the Nasdaq National Market.

Mr. Bruce Warner
November 14, 1997
Page 2

Aasche has formed a separate subsidiary solely for the purpose of taking title to the assets relating to the waste hauling business acquired from JGT. The subsidiary, known as Specialty Transportation Services, Inc. ("STS") is a newly formed Illinois subsidiary and will be 100%-owned by Aasche. The President of STS will be Goldberg. Goldberg will enter into a long term employment agreement with Aasche to direct the entire operations of STS. Goldberg is a presently and will continue to be a director of Aasche after the closing of the proposed acquisition.

The Waste Transport Services Agreement relates to certain of the assets and business being acquired by Goldberg and Aasche. Accordingly, request is made to Metro for the consent to the assignment of the Waste Transport Services Agreement to Goldberg and Aasche. In considering a request for consent under the Waste Transport Services Agreement, it is acknowledged that Metro may take into consideration the following criteria: (1) whether the proposed purchaser is of sufficient size to perform the obligations required in the agreement; (2) whether the proposed purchaser has sufficient financial resources to fill the operational and financial guarantees specified in the agreement; (3) whether the proposed purchaser has sufficient favorable experience providing services similar to those required in the agreement; and (4) the nature of any other commitments which the proposed purchaser may have in related solid waste disposal services either nationally or within the Metro service area.

For the reasons described below, Goldberg and Aasche satisfies all of the criteria necessary in obtaining the consent of Metro to the assignment of the Waste Transport Services Agreement.

(1) Whether the proposed purchaser is of sufficient size to perform the obligations required in the agreement.

Under the Asset Purchase Agreement, substantially all of the assets and business of the waste hauling division of JGT are being acquired, including eight terminal properties, waste contracts, equipment, rolling stock, inventory, part supplies, automobiles, and computer equipment and software at the terminal locations. After the closing, substantially all of the 280 employees of the waste hauling division of JGT including terminal managers, drivers, mechanics and office personnel at the Arlington terminal and other locations will be hired by STS. In addition to Goldberg, Dennis Gronquist, Arlington Terminal Manager, Doug DeVries, Seattle Terminal Manager and Ray Brogan, Portland Terminal Supervisor are expected to join STS. STS will be the same size and will consist of the same assets and personnel as the existing waste hauling division of JGT. Therefore, the proposed purchaser is of sufficient size to perform the obligations required in the Waste Transport Services Agreement.

Mr. Bruce Warner
November 14, 1997
Page 3

(2) *Whether the proposed purchaser has sufficient financial resources to fill the operational and financial guarantees specified in the agreement.*

It is anticipated that Mellon Bank will provide financing for the acquisition as well as working capital and other financing needs associated with the waste hauling business. Mellon Bank has been JGT's lender for the past 18 years. It is anticipated that a \$7,000,000 line of credit will be established to service the ongoing financing needs of STS.

Under the Asset Purchase Agreement, the retainage deposit of \$2.5 million is being acquired. These funds will remain at STS and will not be transferred to Aasche.

(3) *Whether the proposed purchaser has sufficient favorable experience providing services similar to those required in the agreement;*

As indicated in (1) above, the same key management personnel including Messrs. Goldberg, Gronquist, DeVries and Brogan as well as the drivers, mechanics and office personnel presently servicing Metro under the Waste Transport Services Agreement will continue after the proposed acquisition. Most of the key individuals, especially Goldberg, have been involved in the Metro project since its inception in 1989. JGT's performance during the entire contract period has been highly regarded by Metro. Therefore, the proposed purchaser has sufficient favorable experience providing the same services similar to those required in the agreement.

(4) *The nature of any other commitments which the proposed purchaser may have in related solid waste disposal services either nationally or within the Metro service area.*

Neither Aasche nor Goldberg have any commitments to provide solid waste disposal services either nationally or within the Metro Service area.

For the reasons described above, Goldberg and Aasche satisfy the criteria considered by Metro in granting the necessary consent to the proposed acquisition. If you require any further information please contact the undersigned.

Very truly yours,



Gary I. Goldberg



METRO

November 18, 1997

Gary I. Goldberg
Executive Vice President
Jack Gray Transport, Inc.
4600 East 15th Avenue
Gary, IN 46403

Re: Jack Gray Transport, Inc. - Proposed Change of Ownership

Dear Gary:

Thank you for your letter dated November 14, 1997, addressing the criteria necessary to obtain the consent of Metro to the assignment of the Waste Transport Services Agreement.

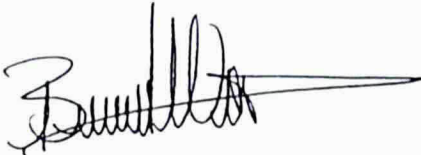
To assist us further in the evaluation of the proposed change of ownership, Metro requests the following information:

1. What is Aasche's long-term business strategy related to acquisitions of other trucking operations?
2. How is Jack Gray Transport expected to fit into Aasche from an operational and strategic perspective? Specifically, where are accounting and administrative-related functions related to Jack Gray expected to be performed?
3. What other kinds of restructuring of Jack Gray's operations are expected? Will any restructuring include reduction of either personnel or rolling stock?
4. Is there any outstanding or pending litigation that could have a material impact on Aasche's operations?
5. Are third quarter 1997 financial results available?
6. Can Aasche provide contact names for its principal lenders?
7. Please provide a copy of the Assignment of Asset Purchase Agreement with Aasche Transportation Services, Inc., entered into on September 29, 1997; a copy

of the consent of Jack Gray Transport to the assignment, executed on October 15, 1997; and, when available, a copy of the final acquisition document (the closing of the acquisition expected to occur on January 2, 1998).

We look forward to working with you regarding the proposed transaction. As always, please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Warner", with a long horizontal flourish extending to the right.

Bruce Warner
Director of Regional Environmental Management

BW: rb/ajb

S:\SHARE\BARK\LETTERS\118GOLD.LTR

GARY I. GOLDBERG
7418 OAK AVENUE
GARY, INDIANA 46403

November 20, 1997

BY FACSIMILE

Mr. Bruce Warner
Regional Environmental Management
Metropolitan Service District
600 Northeast Grand Avenue
Portland, Oregon 97727

**Re: Jack Gray Transport, Inc./Gary I. Goldberg/Aasche Transportation
Services, Inc.**

Dear Bruce:

The following is in response to your letter dated November 18, 1997:

1. At the present time, Aasche's long-term business strategy related to acquisitions of other trucking operations is to pursue acquisition opportunities to enhance Aasche's strategic, financial and operational objectives, particularly in the transportation of municipal solid waste. After completion of the acquisition of the municipal waste segment of Jack Gray Transport, Inc. ("JGT"), Aasche may seek to acquire other companies to enhance the position of the municipal waste segment as the only national and the largest for-hire carrier for municipal solid and special waste in the United States. By seeking suitable acquisitions, Aasche believes that it will have greater access to new major customers in geographic markets, in addition to those currently serviced by the municipal waste segment, by acquiring smaller independent firms or by merging with one or more of the mid-sized regional haulers. It is not Aasche's intention to engage in any other aspect of the waste services business other than transportation.

2. As a direct subsidiary of Aasche Transportation Services, Inc. ("Aasche"), the municipal waste segment of JGT is expected to fit well both from an operational and strategic perspective. As explained in my November 14, 1997 letter, upon completion of the acquisition, the municipal waste segment will be operated as a separate subsidiary of Aasche to be known as Specialty Transportation Services, Inc. ("STS"). STS will service the waste contracts from the eight terminals which are being acquired from JGT. The operations of STS will be directed by Gary Goldberg, President of STS.

Mr. Bruce Warner
November 20, 1997
Page 2

Many administrative functions will continue to be performed at the existing terminal sites including preparation of bills and payables and preparation of documents for payroll. This information will then be sent to STS's headquarters where each bill will be reviewed, audited and verified by management. STS is expected to have an administrative and accounting staff to provide billing, collection and payroll services.

Aasche expects to provide administrative and accounting support to STS on an as needed basis similar to the level of support presently being provided by JGT. Aasche has an AS400 computer system with a database management system which will be linked to STS to provide accounting and other information to STS management. The accounting related functions provided by Aasche will be under the direction of Leon Monachos, Aasche's Chief Financial Officer.

3. The operations of the eight terminals being acquired are expected to continue to be managed by their present managers, who will become employees of STS upon the closing of the acquisition. All of the tractors, trailers, tippers and other equipment located at various terminals are being acquired to service the various waste contracts and business of STS. After the closing, substantially all of the 280 employees of the waste hauling division of JGT including terminal managers, drivers, mechanics and office personnel at the Arlington terminal and other locations will be hired by STS. In addition to Mr. Goldberg, Dennis Gronquist, Arlington Terminal Manager, Doug DeVries, Seattle Terminal Manager and Ray Brogan, Portland Terminal Supervisor are expected to join STS. STS will be the same size and will consist of the same assets and personnel as the existing waste hauling segment of JGT. Accordingly, no reductions in either personnel or rolling stock are expected as a result of the acquisition.

4. As of the present time, Aasche has no outstanding or pending litigation that could have a material impact on Aasche's or STS' operations.

5. A copy of Aasche's Form 10-Q for Quarter Ended September 30, 1997 as filed with the Securities and Exchange Commission has been sent to you under separate cover.

6. The name of Aasche's principal leaders are:

LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603
Attention: Thomas G. Estey, Vice President, Commercial Banking
Telephone: (312) 904-5249

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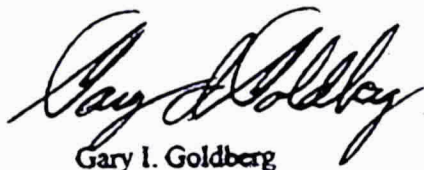
Mr. Bruce Warner
November 20, 1997
Page 3

Associates Leasing, Inc.
375 Bishop Way
Suite 320
Brookfield, Wisconsin 53005
Attention: Henry Ahlers
Telephone: (414) 789-7173

7. Copies of (i) the Assignment of Asset Purchase Agreement, (ii) the Consent of Jack Gray Transport, Inc. and (iii) Asset Purchase Agreement have been sent to you under separate cover.

If you have any questions or require further information regarding this matter, please call me.

Very truly yours,



Gary I. Goldberg



METRO

Bruce A. Warner, P.E.
TEL 503-797-1661
FAX 503-797-1795

November 26, 1997

Gary Goldberg
Jack Gray Transport
4600 East 15th Avenue
Gary, Indiana 46403

VIA FACSIMILE: 219-938-6866

Dear Mr. Goldberg:

After reviewing the information that you have provided Metro to date regarding the proposed asset purchase and assignment to Aasche Transportation Services, Inc., Metro is requesting the following additional information:

1. In your letter of November 14, 1997, you state that Aasche has formed a separate subsidiary known as Specialty Transportation Services, Inc (STS). Please provide Metro with copies of documents that establish the relationship between Aasche and STS. These would include, but not be limited to, articles of incorporation and bylaws.
2. Please provide the purchase price analysis that was used to set the purchase price of \$30 million for Jack Gray Transport assets. In addition, please provide Metro with pro forma balance sheets and 12-month projected operating statements that indicate that future revenues of STS and/or Aasche will be sufficient to meet financial obligations associated with the purchase of Jack Gray assets. The pro forma balance sheet would be as of the closing date to include acquisition of the assets, funding, and capital.
3. The Form 10-Q you submitted to Metro on November 20, 1997 states that "necessary financing must be obtained by November 30, 1997". Has such financing been obtained? If so, please provide Metro with copies of the lending agreements, including any security provisions in favor of the lender that might conflict with Section 7 of Change Order No. 21 regarding Metro's right to Jack Gray equipment for 90 days in case of default.
4. Dun and Bradstreet has classified Aasche as a firm with a failure rate that is 10.73 times higher than the national average. The November 12, 1997 Aasche press release on third quarter revenues and earnings states that Aasche's decrease in earnings was due in part to a driver shortage problem. What assurances can you provide Metro that problems like this will not have a negative impact on our transport operations?

Thank you for your response to the above requests.

Sincerely,

Bruce A. Warner, Director
Regional Environmental Management

BAW:aeY

cc: Terry Petersen, Environmental Services Manager

Marv Fjordbeck, Senior Assistant Counsel

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Sachnoff & Weaver, Ltd.

Attorneys at Law

30 South Wacker Drive • 29th Floor • Chicago, Illinois 60606-7484

Telephone (312) 207-1000

Joel R. Schaidler
(312) 207-6448

Facsimile (312) 207-6400

December 2, 1997

BY FACSIMILE

Mr. Bruce Warner
Regional Environmental Management
Metropolitan Service District
600 Northeast Grand Avenue
Portland, Oregon 97727

**Re: Jack Gray Transport, Inc./Gary I. Goldberg/Aasche Transportation
Services, Inc./Specialty Transportation Services, Inc.**

Dear Mr. Warner:

We are counsel to Aasche Transportation Services, Inc. ("Aasche") and Specialty Transportation Services, Inc. ("STS"). The following is in response to your letter dated November 26, 1997 to Gary I. Goldberg:

1. Enclosed is a copy of the Articles of Incorporation and Bylaws of STS and a copy of the stock certificate issued to Aasche, its sole stockholder.

2. The purchase price of \$30 million for the municipal solid waste assets of Jack Gray Transport, Inc. ("JGT") was determined based on arm's length negotiations between Mr. Gray and Mr. Goldberg and represented the lowest price Mr. Gray was willing to accept for the assets. Based on internal projections prepared by Mr. Goldberg, which showed the transaction to be accretive, Mr. Goldberg agreed to the \$30 million purchase price.

Enclosed are pro forma balance sheets and 12-month projected operating statements of STS which you requested.

3. As of November 30, 1997 Aasche has received, and is presently reviewing, several proposals from commercial banks, investment funds and investment banks relating to the financing necessary to acquire and operate the business. Therefore, lending documents are not yet available. However, based on preliminary discussions with its proposed lender regarding

Sachnoff & Weaver, Ltd.

Attorneys at Law

Mr. Bruce Warner
December 2, 1997
Page 2

Section 7 of Change Order No. 21, Aasche believes that such lender will not interfere with Metro's right to the equipment for 90 days in the case of default. Aasche further believes that its proposed lender will furnish you with a letter to that effect. Enclosed herewith are copies of the proposals which Aasche has received from its potential financing sources.

4. Although the Dun & Bradstreet classification is based on the recent losses reported by Aasche, the report is not reflective of Aasche's present financial condition. Aasche is a 58 year old trucking company with a long history of profitability and growth. In 1994, Aasche became a public company after completing an initial public offering and since that time, its shares have traded on the Nasdaq National Market. Since 1994, Aasche's auditors have been Ernst & Young LLP who have issued unqualified opinions to Aasche's financial statements in each year.

In 1995, Aasche acquired AG. Carriers, Inc. and Polar Express Corporation. As a result of the Polar acquisition, Aasche reported a net loss due to certain non-recurring charges relating to the acquisition and other non-operating charges. Because the transaction was accounted for as a pooling of interests, the net income previously reported by Aasche in 1994 was converted to a net loss. In 1996, Aasche again reported a net loss due principally to additional one-time, non-operating charges resulting from the Polar acquisition. These were extraordinary charges taken as a result of a complicated acquisition of a company which proved to be in poor operating condition and as a result of the unexpected restructuring that occurred shortly after the completion of the acquisition. Having completed the restructuring, however, Aasche believes that its financial picture has significantly improved and Aasche has positioned itself for future growth and profitability. Further, no additional charges are expected as a result of the Polar acquisition or the restructuring.

The poor operating results in 1995 and 1996 were also reflective of the difficulties that were generally experienced by most transportation services companies in the industry. Most trucking companies, particularly long-haul truckload carriers such as Aasche, faced a severe driver shortage problem, a sluggish economy, competitive pricing and increased fuel prices. As a result, many public transportation service companies in the industry reported either net losses or less than favorable net earnings in 1995 and 1996. However, in the latter half of 1996 and thus far in 1997, industry pricing has begun to firm, fuel prices have stabilized and the economy has improved. The positive improvements in the economy and in the transportation services industry, in particular, have translated into higher gross revenues and earnings for Aasche to date in 1997.

Although Aasche has reported net earnings in each of the three quarters this year, the shortage of qualified drivers to drive long-haul has contributed to a lower utilization of equipment and correspondingly lower net earnings. However, Aasche is addressing the driver

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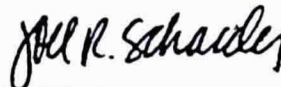
Attorneys at Law

Mr. Bruce Warner
December 2, 1997
Page 3

shortage issue by expanding its regional trucking operations which will reduce the miles drivers are required to drive, allow the drivers to be home more frequently and correspondingly decrease the rate of driver turnover. Aasche further believes that the acquisition of the municipal solid waste assets of JGT will complement Aasche's regionalization strategy by creating opportunities for Aasche to penetrate markets in the same areas where STS will have its regional hauling business. Aasche intends to continue its commitment to providing drivers with the latest model tractors equipped with satellite communications systems and other features and to offer drivers competitive wages and benefits. Aasche enjoys an excellent reputation in the temperature-controlled segment of the transportation services industry and is a "core carrier" for national shippers such as Coca-Cola, Hershey, Tropicana Foods and S.C. Johnson Wax. Aasche currently has a sufficient number of drivers and believes that it will continue to be able to attract a sufficient number of drivers, particularly as Aasche continues to move its operations toward servicing the regional markets.

If you have any questions or require further information regarding this matter, please call me.

Very truly yours,



Joel R. Schaidler
for SACHNOFF & WEAVER, LTD.

JRS/idi
ENCL

cc: Marv Fjordbeck (w/encl.)



METRO

December 2, 1997

Gary I. Goldberg
Executive Vice President
Jack Gray Transport, Inc.
4600 East 15th Avenue
Gary, Indiana 46403

VIA FAX No. (219) 938-7020

Re: Request for Extension

Dear Gary:

Metro is hereby requesting a 30-day extension for reviewing the proposed change in ownership of Jack Gray Transport, Inc.

Sincerely,

Bruce Warner, Director
Regional Environmental Management

BW:clk

cc: Marv Fjordbeck, Senior Assistant Counsel

Terry Petersen, Manager, Environmental Services

GRAY1202.LTR