MEMORANDUM OF UNDERSTANDING
ESTABLISHING THE
WASHINGTON MOTOR VEHICLE MERCURY SWITCH REMOVAL PROGRAM

This Memorandum of Understanding ("MOU or Understanding") is entered into between the State of Washington, Department of Ecology, the Automotive Recyclers of Washington, and the End-of-Life Vehicle Solutions Corporation ("Parties") to establish a Washington Motor Vehicle Mercury Switch Removal Program ("Program") for end of life vehicles. The purpose of the Program is to obtain the voluntary participation of all vehicle recyclers and scrap processors operating in Washington State and the above Parties to collect and recycle mercury switches from motor vehicles before vehicles are shredded, crushed or smelted and to prevent mercury release into the environment. This Understanding outlines the goals of this Program and the responsibilities of the Parties. It does not create a joint venture, partnership or similar arrangement among the three Parties.

I. Parties:

1. The Washington State Department of Ecology (Ecology).

2. The Automotive Recyclers of Washington, Inc. (AROW) is a trade association of licensed auto recyclers in Washington State.

3. The End-of-Life Vehicle Solutions Corporation (ELVS) is a 501(c)(4) nonprofit social welfare corporation created by the automotive industry to promote the industry's environmental efforts in the areas of vehicle recyclability, education and outreach, and the proper management of substances of concern. Initial members are BMW, DaimlerChrysler, Ford Motor Company, General Motors, Mitsubishi, Nissan, Subaru, and Volkswagen.

II. Definitions:

1. "Vehicle Recycler"means motor vehicle facility in Washington that purchases or receives annually six or more uncrushed motor vehicles for the purpose of selling parts and /or processing into scrap metal.

2. "Washington Motor Vehicle Mercury Switch Removal Program" or "Program" refers to the initiatives established under this Understanding for motor vehicle mercury switch or mercury switch assembly removal, collection, recycling or disposal, education outreach, bounty payment, quality assurance and evaluation.

3. "Mercury Switch" means each mercury-containing capsule, commonly known as a "bullet" that is part of a motor vehicle convenience light switch or anti-lock brake system (ABS).

4. "Mercury Switch Assemblies" means convenience light and anti-lock brake system assemblies that contain Mercury Switches. Mercury Switch Assemblies include the housing, a socket for a light bulb and other attached components such as wires.

5. "Collection Point" means locations established by county and city governments in Washington for collection of Mercury Switches and Mercury Switch Assemblies. Vehicle recyclers are not required to deliver mercury switches or mercury switch assemblies they remove from motor vehicles to collection points.

6. "Bounty" means a fee paid for Mercury Switches or Mercury Switch Assemblies collected by vehicle recyclers or others pursuant to the Program.

III. Roles and responsibilities:

1. Ecology agrees to:

a. In cooperation with AROW and ELVS conduct an education outreach program to encourage Vehicle Recyclers to participate in this Program. The outreach program shall include, but not be limited to, direct mailings, workshops and site visits. Ecology's duties will include but are not limited to:

1) Developing a mailing list of all businesses likely to be engaged in vehicle recycling
2) Scheduling and locating workshops
3) Providing ELVS with a mailing list of invitees
4) Conducting the workshops
5) Conducting the site visits

b. Work with AROW and ELVS to develop, produce, and distribute educational materials (brochure(s), fact sheet(s), video(s) to Vehicle Recyclers. These materials will include procedures for locating and removing Mercury Switches and Mercury Switch Assemblies.

c. Work with AROW and ELVS to identify and address barriers to implementation of the Program. Establish and maintain a Program website that displays Program information including participating Vehicle Recyclers and success data.

d. Provide for a bounty of $3.00 to participating Vehicle Recyclers for each Mercury Switch or Mercury Switch Assembly removed from a motor vehicle and submitted pursuant to this Program. Payment shall be made within 15 business days of receipt of evidence of collected switches or assemblies.

e. Provide a list of participating Vehicle Recyclers and collection points to ELVS.

f. Develop a written receipt form to be agreed to by Ecology and AROW that provides for the reporting of the Mercury Switches and Mercury Switch Assemblies collected pursuant to this Program.

g. Develop a bounty payment program in cooperation with AROW and participating county/city governments.

h. Collect and quality assure data on the number of vehicles processed and the number of Mercury Switches or Mercury Switch Assemblies recovered by Vehicle Recyclers.

i. Serve as a point of contact and source of information for interested stakeholders.

j. Prepare a report by December 15, 2006, and each year thereafter, on the number of Vehicle Recyclers, and Collection Points participating in this Program, the number of vehicles processed by these persons/entities and the number of Mercury Switches or Mercury Switch Assemblies recovered, and the number of pounds of mercury recycled or otherwise properly managed. The annual report shall also address whether any additional strategies should be recommended to achieve the goal(s) described in Section IV.

2. **AROW agrees to:**

a. Provide a Manager to establish, implement and oversee this Program on behalf of AROW for the duration of this Understanding.

b. Encourage AROW members and all other vehicle recyclers in Washington to participate in this Program.

c. Include information about Mercury Switch and Mercury Switch Assemblies recycling with other items sent to AROW members in the normal course of business such as in newsletters, mailers, etc. and include Program information on AROW's web site, which is currently "YouAutoRecycle.com".

d. Share with Ecology and ELVS for dissemination to others, technical information that assists with Mercury Switch and Mercury Switch Assemblies removal.

e. Work with Ecology and ELVS to identify and suggest ways to address barriers to Program operation.

f. In cooperation with Ecology and ELVS conduct an education outreach program to encourage voluntary participation by vehicle recyclers in this Program. The outreach program should include, but not be limited to, direct mailings, workshops and site visits. AROW's duties should include, but not be limited to, presentations by AROW's Manager to encourage participation in the switch or assembly removal program at the workshops conducted by Ecology.

g. Develop, as provided in Article III(1)(f), a written receipt form to be agreed to by Ecology and AROW that provides for the reporting of Mercury Switches and Mercury Switch Assemblies collected pursuant to this Program.

h. Participate with Ecology in the development of a written Bounty program that provides for the payment to Vehicle Recyclers for removed and collected Mercury Switches and Mercury Switch Assemblies. The Bounty should be paid within fifteen days of receipt of evidence of the amount due under the Program.

i. Participate in joint evaluation of the project including an assessment of the reliability and accuracy of reported switch or assembly recovery efforts.

j. Collect data from AROW members agreed by Ecology, AROW and the ELVS as necessary by the Parties for Program evaluation.

3. **ELVS agrees to:**

a. Provide a Program contact to establish, implement and oversee this Program on behalf of ELVS for the duration of the Understanding.

b. Within 60 days of the commencement of this Understanding, provide guidance to Ecology as to which vehicles may contain Mercury Switch Assemblies, where they are located and recommended procedures for removing the Assemblies.

c. In cooperation with AROW and Ecology participate in and partially fund an education outreach program to encourage the participation of vehicle recyclers in this Program. The outreach program shall include, but not be limited to, direct mailings, workshops and site visits.

d. Within 90 days of the effective date of this Understanding:

1. Provide collection containers to participating Vehicle Recyclers, and Collection Points for Mercury Switches and Mercury Switch Assemblies to be collected pursuant to this Program.

2. Provide a collection/transporting system to periodically collect and replace filled containers from Vehicle Recycler, and Collection Points when notified that the container is full, or on a predetermined schedule established by ELVS. ELVS or its designated representative shall provide, at the time of collection, a signed receipt in a form agreed to in writing by Ecology, AROW and the ELVS showing the number of Mercury Switches and Mercury Switch Assemblies collected and provide a copy of the receipt to Ecology.

e. Engage a qualified hazardous waste management contractor to carry out ELVS activities under this Understanding. Such contractor shall be required to have at least $24 million in pollution liability insurance coverage.

f. Within a month of first placing a collection container at a Vehicle Recycler or Collection Point, provide Ecology with a report identifying the Vehicle Recyclers, and Collection Points, which have a collection container at their facility.

g. Provide Ecology an annual report of the quantity of mercury recycled pursuant to this Program.

h. Participate in a joint evaluation of the Program, including providing data deemed necessary by the Parties for the Program evaluation.

IV. Goals, Evaluation and Timelines:

1. The goal of this Program is to remove on an annual basis 90 percent of Mercury Switches and Mercury Switch Assemblies from motor vehicles processed by Vehicle Recyclers in Washington. Ecology, AROW and ELVS recognize that full participation by all vehicle recyclers will be necessary to achieve this goal. All Parties recognize that it may take a minimum of three years for the Program to reach its goals.

2. In evaluating whether the goal is reached the tracking process will have a quality assurance plan. The Parties will determine if Vehicle Recyclers are following Program guidelines. This evaluation will be made through site visits, audits, or other appropriate means. Ecology, in consultation with AROW, ELVS and other stakeholders will calculate the annual number of Mercury Switches in the motor vehicles processed by Vehicle Recyclers in Washington and compare this total with the number of Mercury Switches or Mercury Switch Assemblies collected pursuant to the Program.

3. The Parties shall commence performing their respective duties and responsibilities at the time this Understanding is signed by all Parties and when Ecology notifies AROW and ELVS in writing that at least two-hundred and fifty thousand dollars is available from the Ecology for the Bounty payment program and that additional funding by Ecology shall be made available for the Bounty payments, as necessary and as funding is available.

V. Primary Contacts, Project Managers:

Within ten (10) days of the effective date of this MOU, Ecology, AROW and ELVS shall each designate a key representative responsible for overseeing the implementation of this Program pursuant to this MOU.

VI. Evaluation:

At the end of each calendar year, starting with 2006, Ecology, AROW and ELVS will review the performance of the Program to evaluate whether the Program is functioning as intended. If the review indicates that the Program has not achieved a reasonable measure of success in collecting and recycling Mercury Switches or Mercury Switch Assemblies, Ecology, in cooperation with AROW and ELVS, may investigate the use of additional methods to promote the removal and safe recycling or disposal of Mercury Switches or Mercury Switch Assemblies estimated to remain in motor vehicles in Washington.

VII. Term of This Agreement:

This Understanding shall be effective when signed by the Parties and continues in effect for three years from the date signed, unless terminated pursuant to Provisions XIII or XIV. After that date, the Understanding may be renewed, if agreed to by all Parties.

VIII. Complete Agreement

This document represents the complete Understanding of the Parties and supersedes all written or oral agreements or understandings between and among the Parties with respect to this Program.

IX. Assignment

None of the rights, duties or obligations of any Party provided for in this Understanding may be assigned without the express written consent of the other Parties.

X. Modifications

Any modifications to this Understanding shall be in writing and signed by all Parties to the Understanding.

XI. Execution of Documents

Each Party agrees to execute, acknowledge and deliver any and all agreements and instruments as may be necessary, expedient or proper in the opinion of the Parties to be necessary to carry out the intent and purposes of this Understanding. Each Party signing this Understanding represents that they do so with full authority to act for and on behalf of their organization.

XII. Notices

Notices shall be sent or delivered to each Party to this Understanding at the address indicated with their signature unless otherwise notified in writing to deliver notices to a different address.

XIII. Dispute Resolution

If any of the Parties is aggrieved by the actions of another party, the aggrieved Party shall notify the other Parties in writing of the dispute and propose a resolution thereto. The other Parties shall either: (1) accept the proposed resolution in writing, (2) provide all Parties with written objections to the proposed resolution, or (3) provide alternative resolutions to the dispute, within ten business days. The Parties shall have forty business days after receipt of objections and/or proposed resolutions to resolve the dispute. Resolution of the dispute shall be in writing and signed by all Parties. If the dispute is not resolved, the termination provisions of Section XIV shall be implemented.

XIV. Termination

1. This Understanding may be terminated for any reason by 30-day advance written notice from any Party to the other Parties. The Party terminating the Understanding shall provide a written explanation for the termination to the other parties. The obligation to pay any bounty already earned but not yet paid shall survive the termination of this Understanding and remain a continuing obligation of the obligated party until fully satisfied.

2. The Department of Ecology shall immediately notify the Governor, the President of the Senate and the Speaker of the House of Representatives of the receipt of a termination notice. The Governor, President of the Senate or the Speaker of the House may call a meeting of the Parties within 30 days of receiving the notice in an attempt to stop the termination of this Understanding. If the Governor, President of the Senate or Speaker of the House does not call such a meeting or, having had the meeting, the terminating party does not agree to end the termination process, the Understanding is terminated at the end of the 30-day period unless said period is extended by a written agreement of the Parties.

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12/29/05
Date

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1/5/06
Date

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1/10/06
Date