

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") except that no opinion is expressed concerning the status of interest on any Bond for any period that such Bond is held by a "substantial user" of facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of calculating federal individual or corporate alternative minimum taxable income, nor is it included in adjusted current income for purposes of calculating federal corporate alternative minimum taxes. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."*

**\$4,850,000**  
**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**VARIABLE RATE DEMAND SOLID WASTE DISPOSAL REVENUE BONDS**  
**(Big Bear Disposal, Inc. Project)**  
**Series 2010**  
**CUSIP: 130536 PY5**

**Dated: Delivery Date**

Price: 100%

**Due: December 1, 2040**

The California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the "Bonds") are being issued pursuant to an Indenture, dated as of December 1, 2010 (the "Indenture"), between the California Pollution Control Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Ownership interests in the Bonds may initially be purchased, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, in book-entry only form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Upon receipt of payments of principal of, interest and premium, if any, on and purchase price for the Bonds, DTC will in turn remit such principal, interest, premium, if any, or purchase price to the participants in DTC for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX C—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bonds will bear interest initially at a Weekly Interest Rate, determined by Westhoff, Cone & Holmstedt, who will serve as the Remarketing Agent for the Bonds. As long as the Bonds bear interest at a Weekly Interest Rate, interest on such Bonds will be payable on the first Wednesday of each month (or the next Business Day if such Wednesday is not a Business Day), commencing January 5, 2011.

**The Bonds are subject to optional and mandatory redemption and mandatory tender for purchase prior to maturity as described herein.** See "THE BONDS—Redemption Provisions" and "—Mandatory Tender for Purchase of Bonds."

The proceeds of the sale of the Bonds will be loaned by the Authority to Big Bear Disposal, Inc., a California corporation (the "Borrower"), pursuant to a Loan Agreement, dated as of December 1, 2010 (the "Loan Agreement"), between the Authority and the Borrower. Such proceeds, together with other available funds, will be used to (i) finance and/or refinance the costs of acquiring, constructing, installing and equipping certain solid waste disposal facilities of the Borrower in the State of California; and (ii) pay certain costs of issuance of the Bonds.

**The Bonds are limited obligations of the Authority payable solely from, and separately secured by a pledge and lien on, certain revenues, consisting of loan repayments made by the Borrower under the Loan Agreement and funds drawn under an irrevocable direct pay letter of credit (the "Letter of Credit") issued by:**

**UNION BANK, N.A.**

The Letter of Credit with respect to the Bonds will be in effect from the date of issuance of the Bonds through December 22, 2015, unless extended or terminated sooner as a result of certain circumstances described herein or of substitution therefor of a credit facility meeting the requirements described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Letter of Credit" and "—Alternate Letter of Credit and Alternate Credit Facility."

During any Weekly Interest Rate Period, Owners of the Bonds will have the option to demand purchase of their Bonds upon no less than seven days' notice to the Trustee, acting as the initial tender agent, at a price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of purchase.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER**

**This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.**

The Bonds are offered when, as and if issued by the Authority, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by the Honorable Edmund G. Brown Jr., Attorney General of the State of California, for the Borrower by Jensen & Jensen, LLP, Newport Beach, California, and Shackelford, Melton & McKinley, LLP, Austin, Texas, for the Bank by Procopio, Cory, Hargreaves & Savitch LLP, San Diego, California. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about December 22, 2010.

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*Honorable Bill Lockyer*  
*Treasurer of the State of California*

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**WESTHOFF, CONE & HOLMSTEDT**

Certain of the information set forth herein has been obtained from the Authority, the Borrower, the Bank and other sources, which are believed to be reliable. Such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Borrower or the Bank since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Borrower, the Bank or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Borrower or the Bank since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The descriptions of the terms and conditions of the agreements contained in the Official Statement are brief summaries of certain provisions of such agreements. They do not purport to be complete and are qualified in their entirety by reference to the complete and final text of such agreements and should be reviewed carefully before a decision is made to purchase the Bonds. Copies of all such agreements are available to prospective purchasers of the Bonds during the period of the offering and may be obtained, upon written request, from Westhoff, Cone & Holmstedt, 500 Ygnacio Valley Road, Suite 380, Walnut Creek, California 94596, and thereafter, from The Bank of New York Mellon Trust Company, N.A., 700 South Flower Street, Suite 500, Los Angeles, California 90017.

The Underwriter has provided the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(A)(2) OF SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
General; Authorization .....	1
Purpose .....	1
Security and Sources of Payment .....	1
The Bonds .....	2
Limited Obligations .....	3
Continuing Disclosure .....	3
Additional Information .....	3
THE BONDS .....	4
Description .....	4
Remarketing .....	4
Weekly Interest Rate .....	5
Term Interest Rate .....	6
Purchase of Bonds on Demand of Owner .....	7
Mandatory Tender for Purchase of Bonds .....	9
Purchase and Remarketing of Bonds .....	10
Redemption Provisions .....	11
Selection of Bonds for Redemption .....	14
Notice of Redemption .....	14
Effect of Redemption .....	15
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....	15
Pledge and Assignment of Revenues .....	15
Letter of Credit .....	16
Alternate Letter of Credit and Alternate Credit Facility .....	16
Limited Obligations .....	18
LETTER OF CREDIT AND CREDIT AGREEMENT .....	18
Letter of Credit .....	18
Credit Agreement .....	19
THE BANK .....	23
THE AUTHORITY .....	24
THE BORROWER .....	24
Management .....	25
PLAN OF FINANCE .....	26
The Project .....	26

	<u>Page</u>
ESTIMATED SOURCES AND USES OF FUNDS .....	26
ABSENCE OF MATERIAL LITIGATION .....	27
UNDERWRITING .....	27
RATING .....	27
TAX MATTERS .....	27
APPROVAL OF LEGAL PROCEEDINGS .....	29
CONTINUING DISCLOSURE .....	29
MISCELLANEOUS .....	30
APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS .....	A-1
APPENDIX B – PROPOSED FORM OF OPINION OF BOND COUNSEL .....	B-1
APPENDIX C – DTC AND THE BOOK-ENTRY ONLY SYSTEM .....	C-1
APPENDIX D – FORM OF LETTER OF CREDIT .....	D-1
APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE .....	E-1

## OFFICIAL STATEMENT

**\$4,850,000**

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
VARIABLE RATE DEMAND SOLID WASTE DISPOSAL REVENUE BONDS  
(BIG BEAR DISPOSAL, INC. PROJECT)  
SERIES 2010**

### INTRODUCTION

*This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of the Official Statement, and a full review should be made of the entire Official Statement, including the cover page and the Appendices. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") or any other documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.*

#### **General; Authorization**

This Official Statement contains certain information relating to the original issuance and delivery of the California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010, in the aggregate principal amount of \$4,850,000 (the "Bonds"), as described further under the heading "THE BONDS." The Bonds are being issued pursuant to the provisions of the California Pollution Control Financing Authority Act (Chapter 1 (commencing with Section 44500) of Division 27 of the California Health and Safety Code, as amended and supplemented) (the "Act").

The Bonds will be issued under, and secured by an Indenture, dated as of December 1, 2010 (the "Indenture"), between the California Pollution Control Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

#### **Purpose**

The proceeds of the sale of the Bonds will be loaned by the Authority to Big Bear Disposal, Inc., a California corporation (the "Borrower"), pursuant to a Loan Agreement, dated as of December 1, 2010 (the "Loan Agreement"), between the Authority and the Borrower. Such proceeds, together with other available funds, will be used to (i) finance and/or refinance the costs of acquiring, constructing, installing and equipping certain solid waste disposal facilities the Borrower in the State of California (the "Project"); and (ii) pay certain costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

#### **Security and Sources of Payment**

The Bonds are limited obligations of the Authority payable solely from, and separately secured by a pledge and lien on, certain revenues and other income derived by the Authority or paid to the Trustee with respect to the Bonds (collectively, the "Revenues"), including without

limitation, (i) certain loan repayments (collectively, the “Loan Repayments”) and other payments made by the Borrower pursuant to the Loan Agreement, (ii) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture (except certain administrative fees and expenses and amounts deposited into the Rebate Fund and the Authority Subaccount of the Costs of Issuance Fund), and (iii) funds drawn under an irrevocable direct pay letter of credit (the “Letter of Credit”), issued by Union Bank, N.A. (the “Bank”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge and Assignment of Revenues.” Bondholders will not have any deed of trust on or other security interest in any of the real or personal property comprising the Project.

Upon delivery of the Bonds, the Bank will deliver the Letter of Credit to the Trustee. Pursuant to the Letter of Credit, the Trustee may draw (whether at maturity, or upon earlier redemption, mandatory purchase, purchase on demand or acceleration) up to an amount equal to the then outstanding principal amount of the Bonds to pay the unpaid principal thereof, and 45 days’ accrued interest on the Bonds calculated at an assumed rate of 12% per annum on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed. The Letter of Credit will be in effect from the date the Bonds are issued through December 22, 2015, unless extended by the Bank in its sole discretion, or upon earlier termination in the event of full payment under such Letter of Credit as a result of full redemption of the Bonds or acceleration of the Bonds due to an event of default, in the event the Bonds convert to a Term Interest Rate Period and the Bank does not agree to increase the amount of the Letter of Credit and to continue to maintain such Letter of Credit in effect, or in the event an Alternate Letter of Credit or Alternate Credit Facility is substituted for such Letter of Credit. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Letter of Credit,” and “—Alternate Letter of Credit and Alternate Credit Facility.” Under certain circumstances, the Bank may cause payment of the Bonds to be accelerated by failing to reinstate interest drawn under the Letter of Credit upon the occurrence of an event of default under the Credit Agreement, dated as of December 1, 2010 (the “Credit Agreement”), by and among the Borrower, the Bank as agent, and the other lenders from time to time party thereto, as it may be amended or supplemented from time to time. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Letter of Credit,” “LETTER OF CREDIT AND CREDIT AGREEMENT,” and APPENDIX A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Events of Default; Acceleration; Waiver of Default.”

**While the Indenture and the Loan Agreement obligate the Borrower to make payments sufficient to pay principal, interest and premium, if any, on the Bonds, no assurances can be given that the Borrower will have sufficient funds available for such purposes. In determining whether to purchase, sell, hold or tender the Bonds, investors should make their investment decision based solely upon the Letter of Credit and the credit of the Bank and should not rely upon the ability of the Borrower to pay the principal of, interest on, or premium, if any, of the Bonds. As a result, no financial information or operating data with respect to the Borrower has been included in this Official Statement. See “LETTER OF CREDIT AND CREDIT AGREEMENT,” “THE BANK” AND “RATING.”**

## **The Bonds**

The Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds

may be purchased in book-entry form only in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 during any Weekly Interest Rate Period or Term Interest Rate Period of less than one year, or \$5,000 or any integral multiple thereof during any Term Interest Rate Period of one year or longer. See “THE BONDS—Description” and APPENDIX C—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**The Bonds are subject to optional and mandatory redemption and mandatory tender for purchase prior to maturity, as described in the Credit Agreement. See “THE BONDS—Redemption Provisions” and “—Mandatory Tender for Purchase of Bonds.”**

### **Limited Obligations**

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN REVENUES AND OTHER INCOME PLEDGED UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

### **Continuing Disclosure**

The Borrower has covenanted for the benefit of the registered Owners and Beneficial Holders of the Bonds to provide certain information relating to the Bonds on a date which is the latter of the end of the Borrower’s Fiscal Year or January 15 following the end of such Fiscal Year, and to provide notices of the occurrence of enumerated events. See “CONTINUING DISCLOSURE” herein and APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” **The Authority shall have no liability to Holders of the Bonds or any other person with respect to such continuing disclosure.**

### **Additional Information**

The brief descriptions of the Borrower, the Bank, the Authority, the Project, the Bonds, the Indenture, the Loan Agreement, the Letter of Credit, the Credit Agreement, the Remarketing Agreement and other documents, statutes, reports and other instruments included in this Official Statement do not purport to be complete, comprehensive or definitive. All references to the Indenture, the Loan Agreement, the Letter of Credit, the Credit Agreement, the Remarketing Agreement and any other documents, statutes, reports and other instruments are qualified in their entirety by reference to such document, statute, report or instrument, and all references to the Bonds are qualified in their entirety by reference to the form of bond set forth in the Indenture.

During the period of the offering, copies of the Indenture, the Loan Agreement, the Letter of Credit and the Remarketing Agreement may be obtained, upon written request, from Westhoff, Cone & Holmstedt, 500 Ygnacio Valley Road, Suite 380, Walnut Creek, California 94596, and, thereafter, from the Trustee, The Bank of New York Mellon Trust Company, N.A., 700 South Flower Street, Suite 500, Los Angeles, California 90017.

All capitalized terms used in this Official Statement and not otherwise defined herein (including by reference to other agreements) shall have the same meanings as in the Indenture

and if not defined in the Indenture, as set forth in the applicable document from which such term is referenced. See APPENDIX A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions.”

## **THE BONDS**

### **Description**

The Bonds when issued will be delivered in fully registered form only and, when issued, will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., payment of principal of, premium, if any, and interest on, including the Purchase Price of, the Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX C—“DTC AND THE BOOK- ENTRY ONLY SYSTEM.”

The principal of and premium, if any, on each Bond will be payable upon the presentation and surrender of such Bond, when due, at the principal corporate trust office of the Trustee or the Paying Agent if a paying agent has been appointed. During a Weekly Interest Rate Period, interest on the Bonds will be payable on the first Wednesday of each month, commencing January 5, 2011, or the next succeeding Business Day if such Wednesday is not a Business Day; during a Term Interest Rate Period of less than one year, the last Business Day of such Term Interest Rate Period; and during a Term Interest Rate Period of one year or more, on each June 1 and December 1. Except during a Term Interest Rate Period of one year or more, interest on the Bonds shall be computed upon the basis of a 365-day year or 366-day year, as applicable, for the number of days actually elapsed. During any Term Interest Rate Period of one year or more, interest on the Bonds shall be computed upon the basis of a 360-day year of twelve 30-day months. Payment of interest on the Bonds shall be made to the person appearing on the bond registration books of the Bond Registrar as the Owner thereof on the applicable Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to such Owner’s address as it appears on the registration books or at such other address furnished to the Bond Registrar in writing by such Owner not later than the Record Date. Upon written request of an Owner of at least \$1,000,000 principal amount of Bonds, such notice to be given at least three Business Days prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds at such wire address within the United States as such Owner shall specify in its written notice. If and to the extent there shall be a default in the payment of the interest due on an Interest Payment Date, such defaulted interest rate shall be the rate on the Bonds on the day before such default occurred, and such defaulted interest shall be paid to the Owners in whose name any such Bonds are registered at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest.

The Bonds will initially bear interest at the Weekly Interest Rate.

### **Remarketing**

Pursuant to a Remarketing Agreement, dated as of December 1, 2010 (the “Remarketing Agreement”), by and between Westhoff, Cone & Holmstedt, as Remarketing Agent (the



“Remarketing Agent”) and the Borrower, the Remarketing Agent will determine the Weekly Interest Rate on the Bonds. Westhoff, Cone & Holmstedt, as Underwriter, will determine the initial Weekly Interest Rate for the Bonds. See APPENDIX A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—The Remarketing Agent.” The determination of the interest rate on the Bonds by the Remarketing Agent as provided in the Indenture shall be conclusive and binding upon the Owners of the Bonds, the Authority, the Trustee, the Tender Agent, the Remarketing Agent and the Bank.

### **Weekly Interest Rate**

*Determination of Weekly Interest Rate.* During each Weekly Interest Rate Period, the Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent not later than 5:00 p.m. (New York City time) on Tuesday of each week (or by 12:00 noon (New York City time) on the next succeeding Business Day if such Tuesday is not a Business Day) during such Weekly Interest Rate Period for the week commencing on the next succeeding Wednesday (unless such Weekly Interest Rate is determined on a Wednesday in which case it shall be effective on such day); provided, however, that if the then current Interest Rate Period is a Term Interest Rate Period, the Weekly Interest Rate for the Weekly Interest Rate Period succeeding such Term Interest Rate Period shall be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on such day at a price equal to the principal amount thereof plus interest accrued thereon; provided, however, that if for any reason the Weekly Interest Rate cannot be determined, the Weekly Interest Rate for the next succeeding week shall remain at the then existing rate, and thereafter the Weekly Interest Rate shall be a percentage per annum equal to the “Variable Index” as that term is defined in the Indenture. See APPENDIX A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions.” The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Wednesday and ending on the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on such last day.

*Adjustment to Weekly Interest Rate Period.* The Borrower, by written direction to the Authority, the Trustee and the Remarketing Agent, and with the written consent of the Bank, may elect to adjust the Interest Rate Period for the Bonds to a Weekly Interest Rate Period. Such direction shall specify the effective date of such adjustment to a Weekly Interest Rate Period, which shall be: (i) the Interest Payment Date which is the day next succeeding the last day of the then current Term Interest Rate Period (or the Business Day next succeeding such Interest Payment Date if the adjustment is from a Term Interest Rate Period of one year or more and such Interest Payment Date is not a Business Day) not less than 40 days following the date of receipt by the Trustee of such direction; or (ii) any date on which the Bonds may be optionally redeemed as set forth in the Indenture, which is not less than 40 days following the date of receipt by the

Trustee of such direction; and (b) identify the Letter of Credit or Alternate Credit Facility, if any, which will be in place after the effective date of the adjustment. Such written direction shall also be accompanied by an Approving Opinion (which shall be reconfirmed as of the effective date of the adjustment) and written confirmation from each Rating Agency of the rating which will apply to the Bonds after the effective date of the adjustment. See “THE BONDS—Redemption Provisions—Optional Redemption.”

*Notice of Adjustment to Weekly Interest Rate Period.* The Trustee shall give notice by first class mail of an adjustment to a Weekly Interest Rate Period to the Owners of the Bonds, the Bank, the Remarketing Agent, the Authority and the Borrower not less than 30 days prior to the effective date of such Weekly Interest Rate Period. Such notice shall state: (i) that the interest rate on such Bonds will be adjusted to a Weekly Interest Rate; (ii) the effective date of such Weekly Interest Rate Period; (iii) that such Bonds will be subject to mandatory tender for purchase on such effective date; and (iv) the procedures for such purchase as provided in the Indenture.

### **Term Interest Rate**

*Determination of the Term Interest Rate.* During each Term Interest Rate Period, the Bonds shall bear interest at the Term Interest Rate, which shall be determined by the Remarketing Agent not later than 4:00 p.m. (New York City time) on the Business Day preceding the first day of such Term Interest Rate Period. The Term Interest Rate shall be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on such Business Day at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Interest Rate cannot be determined for any Term Interest Rate Period, the interest rate on the Bonds shall convert to a Weekly Interest Rate.

*Adjustment to Term Interest Rate Period.* The Borrower, by written direction to the Trustee and the Remarketing Agent, and with the written consent of the Authority and the Bank, may elect that the Interest Rate Period for the Bonds shall be a Term Interest Rate Period, and shall determine the duration of the Term Interest Rate Period (which may be any period which is a multiple of one month (taking into account variations in Interest Payment Dates, up to and including the period of time remaining to the final maturity of the Bonds). Such direction (i) shall specify the effective date of such Term Interest Rate Period which shall be: (a) an Interest Payment Date not less than 40 days following the date of receipt by the Trustee of such direction, (b) the Interest Payment Date which is the day next succeeding the last day of then current Term Interest Rate Period (or the Business Day next succeeding such Interest Payment Date if the adjustment is from a Term Interest Rate Period of one year or more and such Interest Payment Date is not a Business Day) not less than 40 days following the date of receipt by the Trustee of such direction, or (c) any date on which the Bonds may be optionally redeemed as set forth in the Indenture, which date is not less than 40 days following the date of receipt by the Trustee of such direction (see “THE BONDS—Redemption Provisions—Optional Redemption”); (ii) shall specify the last day thereof or shall state that Borrower will determine the last day prior to the effective date of the conversion, which shall be a day immediately preceding an Interest Payment Date; (iii) shall, if applicable, direct the Trustee to send notice to Bondholders of

mandatory tender for purchase of such Bonds on the effective date of adjustment pursuant to the Indenture; and (iv) shall identify the Letter of Credit or Alternate Credit Facility, if any, which will be in place after the effective date. Such written direction shall also be accompanied by an Approving Opinion (which shall be reconfirmed as of the effective date of the adjustment) and written confirmation from each Rating Agency of the rating which will apply to the Bonds after the effective date of the adjustment. If, at least 40 days prior to the last day of any Term Interest Rate Period, the Borrower shall not have elected that the Bonds bear interest at a Weekly Interest Rate or a Term Interest Rate during the next succeeding Interest Rate Period, the next succeeding Interest Rate Period shall be a Term Interest Rate Period of the same duration as the immediately preceding Term Interest Rate Period.

The Borrower shall not adjust to a Term Interest Rate Period unless the Letter of Credit has been modified to provide interest coverage sufficient to maintain the rating on such Bonds; provided, however, that no Letter of Credit shall be required if the Borrower furnish to the Trustee not less than 40 days prior to the last day of any Term Interest Rate Period (i) written evidence from each Rating Agency then rating such Bonds that effective upon the commencement of the immediately succeeding Term Interest Rate Period that, if the Bonds then have a long-term rating, that the Bonds will be rated Fitch “A-” (or equivalent) or higher or if the Bonds only have a short-term rating, that such Bonds will be in the highest short-term rating category (without regard to “+”s or “-”s); and (ii) the written consent of the Authority.

*Notice of Adjustment of Term Interest Rate Period.* The Trustee shall give notice by first class mail of each Term Interest Rate Period to the Owners of the Bonds, the Bank, the Remarketing Agent, the Authority and the Borrower not less than 30 days prior to the effective date of such Term Interest Rate Period. Such notice shall state: (i) that the interest rate on the Bonds will be adjusted to or continue to be a Term Interest Rate; (ii) the effective date of such Term Interest Rate Period; (iii) the day by which the Term Interest Rate for such Term Interest Rate Period shall be determined; (iv) the manner by which such Term Interest Rate may be obtained; (v) the Interest Payment Dates after such effective date; (vi) that, during such Term Interest Rate Period the Bondholders of the Bonds or the Direct Participants with respect to Book-Entry Bonds, as applicable, will have the right to demand purchase of the Bonds; (vii) the date by which such Bondholders or Direct Participants must give notice to the Trustee in order to have their Bonds purchased, if applicable; (viii) the procedures for doing so; (ix) if the then current Interest Rate Period is a Weekly Interest Rate Period or a Term Interest Rate Period of a different duration than the succeeding Term Interest Rate Period, that the Bonds shall be subject to mandatory tender for purchase on such effective date pursuant to the Indenture; (x) the procedures of such purchase; (xi) the redemption provisions that will pertain to the Bonds during such Term Interest Rate Period; (xii) the ratings which are expected to be assigned to the Bonds on such date; and (xiii) whether a Letter of Credit or Alternate Credit Facility will be in place after the effective date of adjustment, and, if so, a description of the credit facility that will be in place.

### **Purchase of Bonds on Demand of Owner**

During any Weekly Interest Rate Period, any Bonds or portions thereof in Authorized Denominations shall be purchased at the option of the Owner thereof, or with respect to Book-Entry Bonds, at the option of the Direct Participant with an ownership interest in Book-Entry Bonds, on any Business Day, at a price of 100% of the principal amount thereof, plus

accrued interest to the Purchase Date, upon: (i) delivery to the Trustee, if such Bonds are Book-Entry Bonds, or otherwise to the Tender Agent at its corporate trust office of an irrevocable notice in writing (the “Tender Notice”) by 5:00 p.m. (New York City time) on any Business Day, which states the name of the Owner or Direct Participant for such Bond, such Direct Participant’s account number, payment instructions with respect to the Purchase Price of such Bond, the principal amount of such Bond, the CUSIP number of such Bond, and the date on which the same shall be redeemed or purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Trustee or Tender Agent; and (ii) (a) if such Bonds are not Book-Entry Bonds, delivery of such Bond to the Tender Agent at its corporate trust office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Owner thereof with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs at or prior to 12:30 p.m. (New York City time), on the date specified in such notice, or (b) if the Bonds are Book-Entry Bonds, upon confirmation by DTC to the Trustee that a Direct Participant with respect to Book-Entry Bonds being purchased has an ownership interest in such Book-Entry Bond at least equal to the amount specified in the Tender Notice, the transfer on the registration books of DTC, of the beneficial ownership interest such Book-Entry Bond tendered for purchase to the account of the Trustee, or the account of a Direct Participant acting on behalf of such Trustee.

On the first day of each Term Interest Rate Period which is of the same duration as the immediately preceding Term Interest Rate Period, any Bonds or portions thereof in Authorized Denominations shall be purchased at the option of the Owner thereof, or with respect to Book-Entry Bonds, at the option of the Direct Participant with an ownership interest in Book-Entry Bonds, at a price of 100% of the principal amount thereof, plus accrued interest to the Purchase Date, upon (i) delivery to the Trustee, if such Bonds are Book-Entry Bonds, or otherwise to the Tender Agent, at its Corporate Trust Office of an irrevocable written notice which states the name of the Owner of such Bond or the Direct Participant for such Bond, as applicable, such Direct Participant’s account number, payment instructions with respect to the Purchase Price of such Bond, the principal amount, CUSIP number and Series of such Bond and the date on which the same shall be purchased, and (ii) (a) if such Bonds are not Book-Entry Bonds, delivery of such Bond and an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Owner thereof with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs, at or prior to 12:30 p.m. (New York City time), on the date specified in such notice (or, if the then-current Interest Rate Period is a Term Interest Rate Period of one year or more, by 5:00 p.m. (New York City time) two Business Days prior to such date, except that investment companies registered under the Investment Company Act of 1940 may deliver such Bonds by 12:30 p.m. (New York City time) on the date so specified) or (b) if such Bonds are Book-Entry Bonds, upon confirmation by the Trustee that a Direct Participant with respect to Book-Entry Bonds being purchased has an ownership interest in such Book-Entry Bond at least equal to the amount specified in such Tender Notice, the transfer, on the registration books of DTC, of the beneficial ownership interest in such Book-Entry Bond tendered for purchase to the account of the Trustee, or to the account of a Direct Participant acting on behalf of such Trustee. The notice required in clause (i) of this paragraph shall be delivered to the Trustee or Tender Agent at or prior to 5:00 p.m. (New York City time) not later than (x) the 7th day prior to the effective date of such Term Interest Rate Period if it is of a duration less than one year or (y) the 15th day prior to the effective date of such Term Interest Rate Period if it is of a duration of one year or more.

If moneys sufficient to pay the Purchase Price of Bonds to be purchased pursuant to the Indenture shall be held by the Trustee on the date such Bonds are to be purchased, any Bonds to be so purchased which are not delivered by the Owners thereof to the Tender Agent or transferred on the registration books of DTC, as applicable, on the date specified for purchase thereof will be deemed to have been delivered for purchase or transferred on the registration books of DTC, as applicable, on such date and to have been purchased. The former Owners of such Bonds, or the Direct Participant with respect to Book-Entry Bonds will thereafter have no rights with respect to such Bonds except to receive payment of the Purchase Price thereof upon surrender of such Bonds to the Tender Agent or the transfer, on the registration books of DTC, of the beneficial ownership interest in such Book-Entry Bonds.

### **Mandatory Tender for Purchase of Bonds**

(i) On the first day of each new Interest Rate Period<sup>\*</sup>, including a renewal of a Term Interest Rate Period, or

(ii) During a Weekly Interest Rate Period, on the effective date of any Alternate Letter of Credit or Alternate Credit Facility (each as defined in the Indenture, see APPENDIX A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions”) complying with the requirements of the Loan Agreement, or

(iii) On the second Business Day following the day on which the Trustee receives written notice from the Bank that an Event of Default has occurred under (and as defined in) the Credit Agreement and directing the Trustee to purchase the Bonds, in which event the Trustee shall promptly give notice to each Bondholder of the mandatory tender of the Bonds and that interest will cease to accrue to the Bondholder on such Bonds after the date of mandatory tender (each, a “Purchase Date”),

the Owner or Direct Participant of such Bond shall tender such Bond for purchase as described in the Indenture at a price equal to the principal amount thereof plus accrued and unpaid interest thereon (the “Purchase Price”). Except as provided below under “Purchase and Remarketing of Bonds—Unclaimed Moneys”, payment of the Purchase Price of such Bonds shall be made to the Owner of record or Direct Participant with respect to Book-Entry Bonds on the Record Date by 4:30 p.m. (New York City time), in the same manner as payment of interest on the Bonds. If the Bonds are not Book-Entry Bonds, the Holder shall deliver such Bonds by no later than 12:30 p.m. (New York City time), on the Purchase Date to the Tender Agent at its Corporate Trust Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, with the signature guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs. If the Bonds are Book-Entry Bonds, the tendering Direct Participant shall transfer, on the registration books of DTC, the beneficial ownership interest in such Bonds tendered for purchase to the account of the Trustee or a Direct Participant acting on behalf of the Trustee.

Any instrument delivered to the Trustee or Tender Agent in accordance with the Indenture shall be irrevocable with respect to the mandatory purchase for which such instrument was delivered and shall be binding upon any subsequent Owner or Direct Participant of the Bond

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<sup>\*</sup> The Bonds will be in the Weekly Interest Rate Period from and after their initial issuance and will not be subject to mandatory tender under this provision unless and until the interest rate converts to a Term Interest Rate.

to which it relates, including any Bond issued in exchange thereof or upon the registration of transfer therefor and as of the date of such instrument, the Owner or Direct Participant of the Bonds specified therein shall not have any right to tender for purchase such Bonds prior to such Purchase Date.

### **Purchase and Remarketing of Bonds**

*Purchase of the Bonds.* While the Bonds are Book-Entry Bonds, all references in this section to the Tender Agent's action relative to the Bonds shall instead mean the Trustee, as the context may require.

The Tender Agent shall purchase, but only from the sources listed below, Bonds which are required to be purchased or which are tendered pursuant to the Indenture from Owners thereof by 4:30 p.m. (New York City time) on the date such Bonds are required to be purchased at the Purchase Price. Funds for the payment of such Purchase Price shall be derived from the following sources, at the following times and in order of priority indicated below:

(a) from the proceeds of the remarketing of the Bonds (but only such remarketing proceeds as are received from purchasers of the Bonds) which have been furnished to the Tender Agent by no later than 11:00 a.m. (New York City time) on the Purchase Date by the Trustee, which shall have received such funds from the Remarketing Agent; provided, however, that such proceeds shall not have been derived from the Authority, the Borrower, any Guarantor, any affiliate or any shareholder of the Borrower, and provided further that remarketing proceeds may not be applied in the case of mandatory tender under subsection (iii) of the section entitled "Mandatory Tender for Purchase of Bonds"; and

(b) from moneys which have been furnished to the Tender Agent by no later than 2:30 p.m. (New York City time) on the Purchase Date, representing the proceeds of a draw under any Letter of Credit enhancing the Bonds.

*Remarketing of the Bonds.* The Remarketing Agent shall determine the rate of interest to be borne by the Bonds and shall furnish to the Trustee, the Bank, and the Tender Agent in a timely manner all information necessary for the Trustee and the Tender Agent to carry out their respective duties under the Indenture, including, but not limited to, the interest rates applicable to all Bonds.

The Remarketing Agent shall, pursuant to the Remarketing Agreement, use its best efforts to sell any Bonds tendered for purchase (except Bonds tendered pursuant to subsection (iii) of the section entitled "Mandatory Tender for Purchase of Bonds") to new purchasers.

If any Bond is tendered after a notice of redemption is given for such Bond, the Remarketing Agent will give the redemption notice to any purchaser of such Bond or to DTC, if a Book-Entry Bond and the purchaser or Direct Participant shall acknowledge receipt of such redemption notice.

*Delivery of Proceeds of Sale.* The proceeds of the remarketing by the Remarketing Agent of any Bonds shall be transferred on the Purchase Date by the Remarketing Agent to the

Trustee and from the Trustee to the Tender Agent, as applicable, by 11:00 a.m. (New York City time), and such proceeds shall be held in trust and applied by the Trustee or the Tender Agent, as applicable, to the payment on the Purchase Date of the Purchase Price of Bonds to the Owners (or Beneficial Owners) thereof pursuant to the Indenture. The Trustee or the Tender Agent, as applicable, shall make the Bonds available for delivery to the Remarketing Agent which are registered pursuant to the instructions of the Remarketing Agent or shall direct the transfer on the registration books of DTC pursuant to the instructions of the Remarketing Agent or, in the case of remarketing of the Bonds which constitute Bank Bonds, as provided in the Indenture.

*No Remarketing After Default.* Notwithstanding any other provision of the Indenture, the Bonds shall not be remarketed after the occurrence and during the continuance of an Event of Default under the Indenture. See APPENDIX A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE—Events of Default; Acceleration; Waiver of Default.”

*Unclaimed Moneys.* The Tender Agent shall, at the end of the fifth Business Day after a Purchase Date, transfer all funds then held on hand by virtue of the fact that the Bonds deemed tendered on such date were not presented for purchase to the Tender Agent to the Trustee to be held in a segregated account for the Bonds and to hold the same in trust for the payment of the Purchase Price thereof to the former Owners of such Bonds. The Trustee shall pay such Purchase Price from such amounts by check or draft of the Trustee or one of its affiliates made payable to the party entitled to such payment as soon as practicable after such party surrenders the Bond or Bonds so deemed purchased to the Trustee. Any such moneys so held in trust by the Trustee shall be held uninvested until paid to the person entitled thereto or disposed of as provided by law.

*Conditions to Remarketing Upon Expiration of Letter of Credit.* If a commitment to renew the Letter of Credit or to provide an Alternate Letter of Credit or Alternate Credit Facility shall not be provided prior to the 40th day before the scheduled expiration date of the Letter of Credit then the Bonds shall not be remarketed after the 15th day prior to such expiration.

*Notices Upon Delivery of Alternate Letter of Credit or Alternate Credit Facility.* Whenever the Borrower have delivered to the Trustee a notice of the expected delivery of an Alternate Letter of Credit or a notice of the expected delivery of an Alternate Credit Facility (either of such instruments referred to hereafter as the “Alternate Instrument”) pursuant to the Loan Agreement, the Trustee shall mail a notice to all Holders of the Bonds stating: (i) the name of the issuer of the Alternate Instrument; (ii) the date on which the Alternate Instrument will become effective, which date shall be at least 20 calendar days prior to the expiration date of the existing Letter of Credit or Alternate Credit Facility; (iii) the rating expected to apply to the Bonds after the Alternate Instrument is delivered; and (iv) if during a Weekly Interest Rate Period, notice that the Bonds will be subject to mandatory tender for purchase on the date of delivery of the Alternate Instrument, and information on where such Bonds are to be delivered. Such notices shall be mailed at least 20 days prior to the effective date of the Alternate Instrument.

## **Redemption Provisions**

The Bonds are subject to redemption in Authorized Denominations (and only with Available Moneys if the Letter of Credit is in effect) prior to maturity as set forth below:

### *No Sinking Fund Redemption*

The Bonds shall not be subject to mandatory sinking fund redemptions.

### *Mandatory Redemption*

#### Mandatory Redemption of the Bonds Upon Invalidity or a Determination of Taxability.

In the event of a prepayment pursuant to the Loan Agreement as a result of the invalidity of the Loan Agreement or as a result of a Determination of Taxability, as defined in the Indenture, the Bonds then Outstanding on such date are subject to mandatory redemption in whole at any time within 30 days thereafter, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption. See APPENDIX A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE LOAN AGREEMENT—Mandatory Prepayment.”

Mandatory Redemption Upon Failure to Renew Letter of Credit. The Bonds shall be redeemed in whole, at a redemption price equal to the 100% of principal amount thereof, without premium, plus accrued interest to the redemption date, in the event that the Letter of Credit then in effect is not renewed or an Alternate Letter of Credit or Alternate Credit Facility enhancing the Bonds is not delivered to the Trustee at least 20 days prior to the scheduled expiration date of the then current Letter of Credit on a redemption date selected by the Trustee not less than five calendar days preceding the expiration date of the then current Letter of Credit; provided, however, that there shall be no mandatory redemption of Bonds pursuant to this Section if the termination of the Letter of Credit takes place in connection with an event which results in a mandatory tender of the Bonds pursuant to the Indenture. See “THE BONDS—Mandatory Tender for Purchase of Bonds.”

### *Optional Redemption*

Optional Redemption During Weekly Interest Rate. On any date during a Weekly Interest Rate Period and on the effective date of any Term Interest Rate Period, the Bonds are subject to redemption, at the option of the Authority upon direction of the Borrower as provided in the Loan Agreement, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date of redemption.

In accordance therewith, as part of its statement of expectations included in a Tax Certificate signed by the Borrower at the time of delivery of the Bonds, the Borrower has indicated its intent to optionally redeem Bonds on the December Interest Payment Date of each year, commencing with the Interest Payment Date in December 2040. The principal amount of Bonds expected to be redeemed on each respective December Interest Payment Date is set forth below.



December Interest <u>Payment Date</u>	Principal Amount <u>Redeemed</u>	December Interest <u>Payment Date</u>	Principal Amount <u>Redeemed</u>
2012	\$200,000	2020	\$320,000
2013	225,000	2021	335,000
2014	250,000	2022	355,000
2015	275,000	2023	380,000
2016	280,000	2024	410,000
2017	285,000	2025	445,000
2018	295,000	2026	490,000
2019	305,000		

The schedule above is an estimate only and may vary depending upon a number of factors, including without limitation, the timing of disbursements of Bond proceeds by the Trustee and the use of such proceeds by the Borrower. The Borrower may modify this schedule in its sole discretion, provided that it obtains an approving opinion from Bond Counsel that any revised amortization schedule remains consistent with federal tax law requirements.

Optional Redemption During Term Interest Rate Period. During any Term Interest Rate Period, the Bonds also shall be subject to redemption in whole or from time to time in part, at the option of the Authority upon direction of the Borrower as provided in the Loan Agreement, at the times (measured from the first day of the applicable Term Interest Rate Period), and at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued interest, if any, to the redemption date:

(Lesser of) <u>Length of Term Interest Rate Period or Length of Time to Maturity</u>	<u>Redemption Dates and Prices</u>
Greater than 10 years	At any time on or after the 5th anniversary of the effective date of such Interest Rate Period at 102% declining 1/2% annually to 100%
Greater than 8 and less than or equal to 10 years	At any time on or after the 5th anniversary of the effective date of such Interest Rate Period at 101-1/2% declining 1/2% annually to 100%
Greater than 4 and less than or equal to 6 years	At any time on or after the 2nd anniversary of the effective date of such Interest Rate Period at 101% declining 1/2% annually to 100%
Greater than 3 and less than or equal to 4 years	At any time on or after the 2nd anniversary of the effective date of such Interest Rate Period at 100-1/2% declining 1/2% annually to 100%

(Lesser of)  
Length of Term Interest Rate  
Period or Length of Time to Maturity

Redemption Dates and Prices

Greater than 2 and less than or equal  
to 3 years

At any time on or after the 1st anniversary of the  
effective date commencing such Interest Rate  
Period at 100-1/2% declining 1/2% annually to  
100%

Greater than 1 and less than or equal  
to 2 years

At any time on or after the 1st anniversary of the  
effective date of such Interest Rate Period at  
100%

Less than or equal to 1 year

On the Interest Payment Date which is six  
months after the effective date of such Interest  
Rate Period at 100%

Optional Redemption Upon Occurrence of Extraordinary Events. The Bonds may be redeemed in whole on any date or in part on any Interest Payment Date, at the option of the Authority, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, upon receipt by the Trustee of a written notice from the Borrower or the Bank stating that any of the following events has occurred:

(i) All of the Project or a portion thereof shall have been damaged, destroyed, condemned or taken by eminent domain to such extent that, in the opinion of an independent engineer evidenced by a certificate provided to the Authority and the Trustee that: (a) it is not practicable or desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage, destruction or condemnation, and the Borrower is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of at least six consecutive months; or (b) the cost of restoration of the Project or such portion thereof would substantially exceed the Net Proceeds of insurance carried thereon; or

(ii) The continued operation of such Project is enjoined or prevented or is otherwise prohibited by, or conflicts with, any order, decree, rule or regulation of any court or federal, state or local regulatory body, administrative agency or governmental body.

**Selection of Bonds for Redemption**

In the case of the redemption of less than all of the Bonds, such Bonds to be redeemed shall be selected by the Trustee by lot, in any manner as the Trustee in its sole discretion may determine to be appropriate and fair; provided, however, that Bonds pledged or held for the account of the Bank shall be redeemed first.

**Notice of Redemption**

Notice of redemption shall be mailed by the Trustee by first class mail not less than 30 days (or 15 days in the case of redemption under the circumstances described under

“Redemption Provisions—Mandatory Redemption Upon Failure to Renew Letter of Credit” above) nor more than 60 days prior to the redemption date, to the respective Holders of any Bond designated for redemption at the address shown on the registration books maintained by the Bond Registrar. Each notice of redemption shall state the redemption date, the place or places of redemption, if less than all of the Bonds are to be redeemed, the distinctive number(s) to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amounts thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof in the case of the Bonds to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered and, with regard to optional redemption described above under “—Optional Redemption—Optional Redemption During Weekly Interest Rate Period” or “—Optional Redemption—Optional Redemption During Term Interest Rate Period,” in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date. Neither failure to receive such notice nor any defect therein shall affect the sufficiency of such redemption.

### **Effect of Redemption**

Notice of redemption having been duly given as described above, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption are held by the Trustee, the Bonds (or portions thereof) so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds (or portions thereof) so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under the Indenture (except for payment of particular Bonds for which moneys are being held by the Trustee which moneys shall be pledged to such payment), and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said principal and interest accrued to the date fixed for redemption.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Pledge and Assignment of Revenues**

The Indenture provides that the Bonds are payable from, and separately secured by, a first and exclusive lien on and pledge of: (i) subject to the provisions of the Indenture governing certain funds and accounts, the Revenues, consisting of all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Loan Agreement or the Letter of Credit, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Authority Subaccount of the Costs of Issuance Fund), excluding, however, certain payments to the Authority, the Trustee or other parties of expenses or indemnification costs, as described in the Loan Agreement, including without limitation any Administration Fees and Expenses and Tender Proceeds; and

(ii) subject to the provisions of the Indenture governing certain funds and accounts, any other amounts held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Authority Subaccount of the Costs of Issuance Fund). See APPENDIX A—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions” and “—THE INDENTURE—Pledge and Assignment; Revenue Fund.”

Pursuant to the Indenture, all Revenues (except as otherwise permitted under the Indenture) are irrevocably pledged to the punctual payment of the principal of, interest, and premium, if any, on the Bonds. The Revenues will not be used for any other purpose while any of the Bonds remain outstanding. The pledge of the Revenues constitutes a first and exclusive lien on the Revenues for the payment of the Bonds, in accordance with the terms of the Indenture and thereafter to secure the payment of moneys owing to the Bank under the Credit Agreement; provided that the benefits under the Letter of Credit will apply only to the Bonds and Tender Proceeds shall be held in trust as provided in the Indenture.

Pursuant to Loan Agreement, the Borrower agrees to make payments to the Trustee which, in the aggregate, will be in an amount sufficient for the payment in full of all amounts payable with respect to the Bonds including all principal (whether at maturity or upon redemption or acceleration) of, premium, if any, and interest on the Bonds, and certain other fees and expenses (consisting generally of the annual fee of the Trustee and the reasonable expenses of the Trustee and the Authority related to the Project, less any amounts available for such payment as provided in the Loan Agreement and the Indenture).

Under the Indenture, the Authority has assigned to the Trustee, as security for the repayment of the Bonds, all rights and privileges of the Authority with respect to the Bonds and under the Loan Agreement (except the right to receive certain fees and expenses payable to the Authority and certain rights of indemnification, inspection, consent and enforcement and to receive notices, certificates and opinions), including without limitation, the right to receive directly the Revenues and to enforce any security interest. Although a security interest in various collateral has been given by the Borrower to the Bank as security for the payment of the Borrower’s obligations under the Credit Agreement (see “LETTER OF CREDIT AND CREDIT AGREEMENT”), such security interest has not been given to the Trustee or the Holders of the Bonds and such additional collateral does not secure the Bonds.

### **Letter of Credit**

The Bonds are further enhanced by an irrevocable direct pay Letter of Credit which has been issued in favor of the Trustee. See “LETTER OF CREDIT AND CREDIT AGREEMENT.”

### **Alternate Letter of Credit and Alternate Credit Facility**

*General.* Under the Loan Agreement, the Borrower is required to maintain or cause to be maintained so long as the Bonds remain outstanding a Letter of Credit or an Alternate Letter of Credit or Alternate Credit Facility. Notwithstanding the foregoing, a Letter of Credit, Alternate Letter of Credit or Alternate Credit Facility shall not be required to be in effect under the conditions set forth, and as provided, in the Indenture. See “THE BONDS—Term Interest Rate—Adjustment to Term Interest Rate Period.” At any time the Borrower may, at its option, and shall at least 20 days prior to the expiration date of any existing Letter of Credit or Alternate Credit

Facility (unless otherwise permitted by the Indenture or any existing Alternate Credit Facility) cause to be delivered an Alternate Letter of Credit or Alternate Credit Facility. In lieu of keeping the Letter of Credit in place as required under the Loan Agreement, the Borrower may deposit with the Trustee an Alternate Credit Facility for the Bonds.

*Alternate Letter of Credit.* The Loan Agreement specifies certain requirements that apply to any Alternate Letter of Credit, including without limitation, the following:

The Alternate Letter of Credit shall be an irrevocable letter of credit or other irrevocable credit facility (including, if applicable, a confirming letter of credit), issued by a commercial bank or other financial institution, the terms of which shall in all material respects be the same as the initial Letter of Credit; provided that the expiration date of such Alternate Letter of Credit shall be a date not earlier than 364 days from its date of issuance, subject to earlier termination upon payment in full of all Bonds or provision for such payment in accordance with the Indenture.

Not less than 30 days prior to the delivery of an Alternate Letter of Credit, the Borrower shall: (i) deliver to the Trustee a written notice of the expected delivery of such Alternate Letter of Credit; (ii) inform the Trustee of the date on which the Alternate Letter of Credit will become effective, which date shall not be less than 20 calendar days prior to the stated expiration date of the existing Letter of Credit; and (iii) inform the Trustee of the rating expected to apply to the Bonds after the Alternate Letter of Credit is delivered. On or prior to the date of delivery of the Alternate Letter of Credit, the Borrower shall cause to be furnished to the Trustee: (i) an opinion of Bond Counsel stating that the delivery of such Alternate Letter of Credit to the Trustee is authorized under and complies with the terms of the Indenture and will not adversely affect the Tax-exempt status of the Bonds; (ii) an opinion of counsel to the issuer of the Alternate Letter of Credit that such Alternate Letter of Credit is enforceable in accordance with its terms (except to the extent that enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies); and (iii) written evidence from a Rating Agency to the effect that such rating agency has reviewed the proposed Alternate Letter of Credit and if the Bonds then have a long-term rating, that the Bonds will be rated Fitch "A-" (or equivalent) or higher or, if the Bonds only have a short-term rating, will be in the highest short-term rating category. Notwithstanding any other provision of the Loan Agreement, a Letter of Credit or Alternate Letter of Credit shall not be required to be in effect under the conditions set forth, and as provided, in the Indenture. See "THE BONDS—Term Interest Rate—Adjustment to Term Interest Rate Period."

*Alternate Credit Facility.* The Loan Agreement also specifies certain requirements that apply to any Alternate Credit Facility, including without limitation, the following:

- (i) The Alternate Credit Facility must be approved by the Authority;
- (ii) Provisions of the Alternate Credit Facility must be acceptable to the Trustee;

(iii) The term of the Alternate Credit Facility must extend at least 364 days or to at least the first date on which the Bonds are subject to redemption pursuant to the Indenture, whichever is longer; and

(iv) The Alternate Credit Facility must be in an amount sufficient to pay principal of, interest, Purchase Price and any redemption premium payable upon optional redemption of the Bonds.

Not less than 30 days prior to the delivery of an Alternate Credit Facility, the Borrower shall: (i) deliver to the Trustee a written notice of the expected delivery of such Alternate Credit Facility; (ii) inform the Trustee of the date on which the Alternate Credit Facility will become effective, which date shall not be less than 20 calendar days prior to the stated expiration date of the existing Letter of Credit or Alternate Credit Facility; and (iii) inform the Trustee of the rating expected to apply to the Bonds after the Alternate Credit Facility is delivered. On or prior to the date of delivery of an Alternate Credit Facility, the Borrower shall furnish to the Trustee: (i) an opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under and complies with the terms of the Indenture and will not adversely affect the Tax-exempt status of the Bonds; (ii) an opinion of counsel to the Alternate Credit Facility provider to the effect that such Alternate Credit Facility is enforceable in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable rights; and (iii) written evidence from a Rating Agency to the effect that such rating agency has reviewed the proposed Alternate Credit Facility and if the Bonds then have a long-term rating, that the Bonds will be rated Fitch "A-" (or equivalent) or higher or, if the Bonds only have a short-term rating, will be in the highest short-term rating category. Notwithstanding any other provision of the Loan Agreement, a Letter of Credit or an Alternate Credit Facility shall not be required to be in effect under the conditions set forth, and as provided, in the Indenture. See "THE BONDS—Term Interest Rate—Adjustment to Term Interest Rate Period."

### **Limited Obligations**

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN REVENUES AND OTHER INCOME PLEDGED UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

## **LETTER OF CREDIT AND CREDIT AGREEMENT**

### **Letter of Credit**

On the date of issuance of the Bonds, the Bank will issue in favor of the Trustee a Letter of Credit for the account of the Borrower (the "Letter of Credit") in an original stated amount equal to the aggregate principal amount of the Bonds plus 45 days' interest thereon calculated at 12% per annum, on the basis of a 365-day year (as from time to time reduced and reinstated as provided in the Letter of Credit). The Letter of Credit will permit the Trustee to draw up to an

amount equal to the then-outstanding principal amount of the Bonds to pay the unpaid principal and accrued interest on the Bonds. All drawings under the Letter of Credit will be paid with the Bank's immediately available funds without any requirement that the Trustee, the Holders of the Bonds or the Bank make any prior claims against the Borrower or obtain any funds from the Borrower.

The Letter of Credit, unless extended, will automatically expire on the earliest to occur of the following dates (collectively, the "Expiration Date"): (i) December 22, 2015 (the "Scheduled Expiration Date"); (ii) the date that the Bank receives notice from the Trustee that the issuance of an Alternate Letter of Credit or Alternate Credit Facility meeting the requirements described in the Indenture in substitution for the Letter of Credit has occurred and is effective; (iii) the date that the Bank receives notice from the Trustee that the interest rate on the Bonds has been converted to an interest rate other than a Weekly Interest Rate; or (iv) the date that the Bank receives notice from the Trustee that no Bonds remain Outstanding under the Indenture.

Each drawing honored by the Bank under the Letter of Credit will immediately reduce the amount of the Letter of Credit by the amount of such drawing.

To the extent consistent with the express provisions of the Letter of Credit, the Letter of Credit is governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce, Publication No. 600, and as to matters not covered thereby, by the Uniform Commercial Code as in effect in the State.

### **Credit Agreement**

*General.* The Letter of Credit is being issued by the Bank pursuant to the terms of that certain Credit Agreement, dated as of December 1, 2010 (the "Credit Agreement"), by and among the Borrower, the lenders named therein, including the Bank (collectively, the "Lenders"), and Union Bank, N.A., as agent for the Lenders (in such capacity, "Agent"). The obligations of the Borrower under the Credit Agreement are (i) guaranteed by certain affiliates of the Borrower (such affiliates are referred to in this subsection as the "Guarantors" and individually as a "Guarantor"); (ii) secured by a blanket lien on all of the personal property of the Borrower and one of the Guarantors, Oso Grande Properties, LLC, a California limited liability company ("Oso Grande"). In addition, no later than February 28, 2011, the Borrower is required to cause Oso Grande to execute and record a deed of trust in favor of the Bank (the "Deed of Trust"), and satisfy other related conditions in order to grant to the Bank a first priority lien on Oso Grande's leasehold interest in the real property on which the Project is located (the "Real Property Collateral"). Capitalized terms which are used herein and are not otherwise defined are used as defined in the Credit Agreement.

*Other Covenants.* Under the Credit Agreement, the Borrower agrees to comply with various covenants, including but not limited to, covenants to: maintain its existence; comply with applicable laws; maintain insurance; pay claims and indebtedness when due; provide financial statements and other operating reports to the Agent from time to time; and satisfy certain financial covenants. The Borrower has also agreed to certain restrictions on its investments, acquisitions and capital expenditures.

**The Credit Agreement and the other documents, agreements or instruments which have been executed by the Borrower in favor of the Lenders and which secure the Borrower's obligations to the Lenders do not secure or otherwise provide any collateral for the Trustee, the Holders of the Bonds or the Bonds.**

*Certain Bank Notices Resulting in an Event of Default Under the Indenture.* Pursuant to the Indenture, there shall be an Event of Default thereunder in the event the Bank delivers a notice to the Trustee that either: (i) the interest component of the Letter of Credit will not be reinstated, upon which the Trustee will accelerate the Bonds; or (ii) an "event of default" has occurred under the Credit Agreement and directing the Trustee to accelerate the Bonds. See Appendix A—Summary of Principal Legal Documents—The Indenture—Events of Default; Acceleration; Waiver of Default. The Agent may deliver the notice referred to in clause (ii) above at any time that an "event of default" under the Credit Agreement has occurred and is continuing; provided, however, that at the Bank's option, the Agent may instead direct the Trustee to cause the Bonds to be mandatorily tendered pursuant to the provisions of the Indenture.

**The Borrower and the Lenders may amend the Credit Agreement at any time without the consent of the Trustee, the Authority, the Holders of the Bonds or any other person and any such amendment could amend the conditions under which the Borrower would be in default thereunder and thereby increase the ability of the Agent to give the notices described in the preceding paragraph which would result in, among other things, an Event of Default under the Indenture.**

*Events of Default under the Credit Agreement.* The following is a summary of certain actions, each of which constitutes an event of default under the Credit Agreement:

(a) The Borrower shall fail to pay within five (5) days after the same becomes due under the terms of the Credit Agreement or any of the other Credit Documents any principal of or interest on any Loan, any Reimbursement Obligation, any fees or any other amount required under the terms of the Credit Agreement or any of the other Credit Documents; or

(b) The Borrower shall fail to observe or perform any covenant, obligation, condition or agreement set forth in the sections of the Credit Agreement relating to (i) the execution and recordation of the Deed of Trust and the delivery of certain other agreements and documents related to the Real Property Collateral on or before the due date specified in the Credit Agreement, (ii) limitations on capital expenditures and (iii) compliance with certain financial covenants; or

(c) The Borrower shall fail to observe or perform any other covenant, obligation, condition or agreement contained in the Credit Agreement or any of the other Credit Documents and such failure shall remain unremedied for thirty (30) days after the Borrower is notified of such failure; provided, however, that any such failure that is not impossible to cure but is not reasonably susceptible of cure within a 30-day period shall not constitute an Event of Default under the Credit Agreement unless either (A) the Borrower fails to initiate such cure within such 30-day period and thereafter diligently pursue all action necessary to remedy such failure, or (B) such failure is not remedied within sixty (60) days after such notification; or



(d) Any representation, warranty, certificate, information or other statement (financial or otherwise) other than projections, forecasts or other forward-looking information made or furnished by or on behalf of the Borrower or any of its Subsidiaries to the Agent or any Lender in connection with the Credit Agreement or any of the other Credit Documents, or as an inducement to the Agent or any Lender to enter into the Credit Agreement or any of the other Credit Documents, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; or

(e) the Borrower or any of its Subsidiaries shall fail to make any payment when due on account of any Indebtedness of such Person (excluding the Obligations under the Credit Documents) and such failure shall continue beyond any period of grace or period to cure or remedy provided with respect thereto, if the amount of such Indebtedness exceeds One Hundred Thousand Dollars (\$100,000) or the effect of such failure is to cause, or permit the holder or holders thereof to cause, such Indebtedness of the Borrower and its Subsidiaries (excluding the Obligations under the Credit Documents) in an aggregate amount exceeding One Hundred Thousand Dollars (\$100,000) to become due, or (ii) the Borrower or any of its Subsidiaries shall otherwise fail to observe or perform any agreement, term or condition contained in any agreement or instrument relating to any Indebtedness of such Person (excluding the Obligations under the Credit Documents) and such failure shall continue beyond any period of grace or period to cure or remedy provided with respect thereto, or any other event shall occur or condition shall exist, if the effect of such failure, event or condition is to cause, or permit the holder or holders thereof to cause, Indebtedness of the Borrower and its Subsidiaries (excluding the Obligations under the Credit Documents) in an aggregate amount exceeding One Hundred Thousand Dollars (\$100,000) to become due (and/or to be secured by cash collateral); or

(f) the Borrowers or any of its Subsidiaries shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian for itself or for all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated in full or in part, (v) become insolvent (as such term may be defined or interpreted under any applicable statute), (vi) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vii) take any action for the purpose of effecting any of the foregoing; or

(g) proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Borrower or any of its Subsidiaries of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Borrower or any of its Subsidiaries or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within sixty (60) days of commencement; or

(h) (i) one or more judgments, orders, decrees or arbitration awards which (alone or in the aggregate) is/are reasonably likely to have a Material Adverse Effect shall be rendered against the Borrower and/or any of its Subsidiaries in connection with any single or related series

of transactions, incidents or circumstances and the same shall not be released, vacated, stayed or otherwise dismissed for a period of thirty (30) days after being rendered; (ii) any judgment, writ, assessment, warrant of attachment, tax lien or execution or similar process which (alone or in the aggregate) is/are reasonably likely to have a Material Adverse Effect shall be issued or levied against property of the Borrower or any of its Subsidiaries and the same shall not be released, stayed, vacated or otherwise dismissed within thirty (30) days after issue or levy; or (iii) any other judgments, orders, decrees, arbitration awards, writs, assessments, warrants of attachment, tax liens or executions or similar processes which (alone or in the aggregate) is/are reasonably likely to have a Material Adverse Effect are rendered, issued or levied and the same shall not be released, stayed, vacated or otherwise dismissed within thirty (30) days after being rendered, issued or levied; or

(i) the Credit Agreement, any Note, any Security Document or any other Credit Document or any material term thereof shall cease to be, or be asserted by the Borrower or any of its Subsidiaries or any Guarantor not to be, a legal, valid and binding obligation of any the Borrower or any such Subsidiaries or any such Guarantor, enforceable in accordance with its terms and the happening of the events heretofore set forth in this subparagraph (i) shall materially and adversely affect the rights of the Agent or the Lenders under the Credit Agreement; or

(j) any Reportable Event which constitutes grounds for the termination of any Employee Benefit Plan by the PBGC or for the appointment of a trustee by the PBGC to administer any Employee Benefit Plan shall occur, or any Employee Benefit Plan shall be terminated within the meaning of Title IV of ERISA or a trustee shall be appointed by the PBGC to administer any Employee Benefit Plan, if any such event (either alone or in the aggregate) is/are reasonably likely to have a Material Adverse Effect; or

(k) any Change of Control shall occur; or

(l) Any of the events or conditions referred to in clauses (c), (d), (e), (f), (g) or (h) shall occur with respect to Guarantor; or

(m) An Event of Default (as defined in any Bond Indenture) shall occur under such Bond Indenture (after giving effect to any applicable cure period), or an Event of Default (as defined in any Loan Agreement) shall occur under such Loan Agreement (after giving effect to any applicable cure period); or

(n) Any event(s) or condition(s) which is (are) reasonably likely to have a Material Adverse Effect shall occur or exist and the Borrower shall fail to remedy such event or condition to the satisfaction of the Agent within five (5) days after receipt by the Borrower of written notice that such event(s) or condition(s) exist.

*Remedies Upon Occurrence of an Event of Default.* If any Event of Default occurs and is continuing, the Agent shall, at the request of, or may, with the consent of, Lenders, take any or all of the following actions in addition to any other remedies in the Credit Agreement or by law provided:

(a) At any time after the occurrence and during the continuance of any Event of Default (other than an Event of Default referred to in subparagraph (f) or (g) above), the Agent

may, by written notice to the Borrower, (i) terminate the Commitments and the obligations of the Lenders to make Loans and issue Letters of Credit, and/or (ii) declare all outstanding Obligations payable by the Borrower to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding.

(b) Upon the occurrence or existence of any Event of Default described in subparagraph (f) or (g), immediately and without notice, (i) the Commitments and the obligations of the Lenders to make Loans and issue Letters of Credit shall automatically terminate and (ii) all outstanding Obligations payable by the Borrower shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding.

(c) At any time after the occurrence and during the continuance of any Event of Default, the Agent may, by written notice to the Borrower, direct the Borrower to deliver to the Agent funds in an amount equal to the aggregate stated amount of all outstanding Letters of Credit, plus all unpaid Reimbursement Obligations. The Borrower immediately shall deliver to the Agent all funds directed by the Agent pursuant to the Credit Agreement and the Agent shall hold such funds in a noninterest bearing account as collateral for the Obligations.

(d) If an Event of Default shall have occurred and be continuing, the Borrower agrees that the Agent and the Lenders shall be subrogated to any and all rights of the Borrower against the beneficiaries of the Letters of Credit, and the Borrower agrees that, upon request of the Agent, the Borrower will promptly do such further acts and execute, acknowledge and deliver such documents as the Agent may reasonably request in order to implement the assignment to the Agent of such rights of the Borrower against the beneficiaries of the Letters of Credit.

(e) In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Agent may exercise any other right, power or remedy available to it under any of the Credit Documents or otherwise available at law or in equity.

(f) In addition to the foregoing remedies, upon the occurrence of an Event of Default, or at any time thereafter while such Event of Default continues, the Agent, in its sole discretion, may send notice to the Trustee of the occurrence of such Event of Default and direct the Trustee either (i) to purchase the Bonds as provided in the Indenture; or (ii) to accelerate the Bonds under the Indenture (and, in such case, certifying that it has not directed the Trustee to give notice of mandatory tender for the Bonds pursuant to the Indenture).

## **THE BANK**

*The information under this heading has been provided solely by the Bank and is believed to be reliable. This information has not been verified independently by the Authority, the Borrower or the Underwriter. The Authority, the Borrower and the Underwriter make no representation whatsoever as to the accuracy, adequacy or completeness of such information.*

Union Bank, N.A. (the “Bank”) is a commercial bank and a wholly-owned subsidiary of UnionBanCal Corporation (“UNBC”), a California-based financial holding company and bank holding company. UNBC had consolidated assets of approximately \$80.0 billion at

September 30, 2010, and is a wholly-owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is a subsidiary of Mitsubishi UFJ Financial Group, Inc.

The assets of the Bank were approximately \$78.2 billion as of September 30, 2010.

The Bank will provide to any person, upon written request, a copy of the most recent Quarterly Report on Form 10-Q and the most recent Annual Report on Form 10-K, each with respect to UNBC. Written requests should be directed to UnionBanCal Corporation, 400 California Street, San Francisco, California 94104, Attention: Investor Relations.

## THE AUTHORITY

The Authority is a political subdivision and public instrumentality of the State of California created pursuant to Division 27 of the Health and Safety Code of the State of California, commencing at Section 44500 (the "Act"), for the purpose of providing industry within the state with an alternative method of financing in providing, enlarging, and establishing pollution control facilities to the mutual benefit of the people of the State and to protect their health and welfare. In furtherance of such purposes, the Authority is authorized to issue revenue bonds and to construct, replace, lease, enter into contracts for the sale of pollution control facilities and make loans to lend financial assistance in the acquisition, construction or installation of pollution control facilities. The Authority consists of three public officials who hold office ex officio: the State Treasurer, the State Controller, and the State Director of Finance. Pursuant to the Act, the Authority authorized the issuance of the Bonds, the loan of the proceeds of the Bonds to the Borrower pursuant to the Loan Agreement and the securing of the Bonds by a pledge and assignment to the Trustee of Revenues pursuant to the Indenture. The Authority's principal offices are located at 915 Capitol Mall, Room 457, Sacramento, California 95814.

## THE BORROWER

*The information provided in this section has been provided by the Borrower and no representation is made by the Authority, the Bank or the Underwriter as to its accuracy or completeness.*

**In determining whether to purchase, sell, hold or tender the Bonds, investors should make their investment decision based solely upon the Letter of Credit and the credit of the Bank and should not rely upon the ability of the Borrower to pay the principal of, interest on, or premium, if any, of the Bonds. As a result, no financial information or operating data with respect to the Borrower has been included in this Official Statement. See "LETTER OF CREDIT AND CREDIT AGREEMENT," "THE BANK" AND "RATING."**

Big Bear Disposal, Inc. (the "Borrower") is a commercial and residential waste collection and recycling company with franchised operations in the City of Big Bear Lake, California. The Borrower has served the Big Bear area for twenty years pursuant to a series of franchise agreements. The current owners acquired the Borrower from its founder in 1991 and incorporated it in 1996 in California. Thomas Blackman and Gino Scopesi each own one third of the Borrower and the remaining third is split equally between Kris Kazarian and Gary Kazarian. Kazarian family members and Mr. Blackman hold ownership interests in five other companies in the waste collection, processing and recycling industries, including Mottra

Corporation, its wholly owned subsidiary, CalMet Services, Inc., as well as Tierra Verde Industries, Paramount Resource Recycling, E-Recycling of California and Medical Waste Services, LLC.

As a privately-held entity, the Borrower is not required to and does not make public its financial statements.

## **Management**

Senior management is given the necessary authority and responsibility to operate the Borrower's business in all of its daily activities. Certain information regarding the Borrower's principal officers is described below.

*Gino Scopesi, COO/Director.* Mr. Scopesi has been involved in the solid waste industry as owner or manager of various entities since the early 1960's. Mr. Scopesi sold his first company, Palm Desert Disposal, to SCA Services where he remained as manager, and then managed the Phoenix operations of SCA Services. SCA Services was ultimately purchased by Waste Management Inc. Mr. Scopesi remained at Waste Management as Vice President in the Northern California, Oregon and Washington region. Mr. Scopesi joined Mr. Blackman and Mr. Kazarian a few years after their acquisition of the Borrower. Mr. Scopesi has been an owner and manager of the Borrower since he joined the Borrower.

*Thomas K. Blackman, President / Director:* Mr. Blackman has approximately forty years of experience in the solid waste industry. Before co-founding CalMet Services, Inc., he began his career with Great Western Reclamation, a family-owned business. Great Western Reclamation was the contract refuse collector for the City of Santa Ana in Orange County, California until it was acquired by Waste Management, Inc., the largest solid waste management company in the world in 1984. Mr. Blackman was formerly the Regional Manager and Vice President of the Western Region, overseeing one hundred companies with revenues in excess of \$600 million.

*Arthur Kazarian, Vice President/Director.* Mr. Kazarian has been in the solid waste recycling business since 1952. In 1960 he formed Sunset Fiber Industries Inc., a waste paper recycling business. Over a span of twenty years, Mr. Kazarian helped to expand the company from its base in California to include facilities in the states of Oregon, Washington, Arizona, Colorado, Texas and Hawaii. Although those facilities have since been divested, Mr. Kazarian remains active in the waste industry. Mr. Kazarian founded or co-founded the companies listed in the description of the Borrower above.

*Harry Gruhn, Chief Financial Officer.* Mr. Gruhn is a Certified Public Accountant and has provided accounting and management advisory services to numerous companies in the solid waste and recycling industries for over twenty years. Prior to joining the Mottra/CalMet group of companies, which includes the Borrower, in 1994, Mr. Gruhn was a partner in the accounting firm of Alder, Green and Hasson (currently named Green, Hasson & Janks), where he was a key member of the firm's Environmental Services Practice Group.

## PLAN OF FINANCE

*The information provided in this section has been provided by the Borrower and no representation is made by the Authority, the Bank or the Underwriter as to its accuracy or completeness.*

### The Project

The Project consists of the financing and refinancing of the construction of a Material Recovery Facility, vehicle maintenance shop, related offices, site improvements and the equipping thereof on a leased site in the Cities of Big Bear Lake and Big Bear City, California which will process comingled recyclables collected from local residential and commercial accounts in the area and which are currently transferred 55 miles to another processing facility. The Project also consists of the financing and refinancing of the reconstruction and reorganization of a customer drop-off facility which receives various recyclable items located at a separate site in Big Bear Lake on parcels owned by an affiliated entity, Oso Grande Properties. The drop-off facility will include site and building improvements. The Project is expected to allow more efficient management of the Borrower's collection and recycling operations so as to better comply with its recycling obligations under its franchise agreement with the city of Big Bear Lake.

The Project will commence January 2011 and is expected to be substantially completed by April 2012. Any costs of the Project which exceed the amount available pursuant to the 2010 Indenture will be provided by the Borrower.

### ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Project, including certain funds contributed by the Borrower.

#### *Estimated Sources of Funds:*

Bond Proceeds.....	\$4,850,000.00
Authority Contribution.....	<u>207,600.00</u>
Total Estimated Sources of Funds.....	<u>\$5,057,600.00</u>

#### *Estimated Uses of Funds:*

Project Costs <sup>(1)</sup> .....	\$4,721,641.66
Costs of Issuance <sup>(2)</sup> .....	259,637.50
Letter of Credit Fees and Costs <sup>(3)</sup> .....	<u>76,320.84</u>
Total Estimated Uses of Funds .....	<u>\$5,057,600.00</u>

(1) See "PLAN OF FINANCE."

(2) Costs of Issuance include Bond Counsel fee, Underwriter's fee, Financial Advisor's fee, Trustee fees, Trustee's Counsel fee, Borrower's Counsel fees, Bank Counsel's fee, rating agency fee, printing costs and other miscellaneous costs of issuance.

(3) Letter of Credit fees and costs include the upfront fee and title, recording and other costs.

## **ABSENCE OF MATERIAL LITIGATION**

There is no litigation now pending, with service of process having been accomplished against the Authority or the Borrower, or to the knowledge of their respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or seeking to affect the validity of the Bonds, any proceedings of the Authority or the Borrower taken concerning the issuance or sale thereof, the pledge and application of any moneys or security provided for payment of the Bonds, the use of proceeds of the Bonds or the existence or powers of the Authority or the Borrower relating to the issuance, sale and delivery of the Bonds.

## **UNDERWRITING**

The initial offering price set forth on the cover page of this Official Statement may be changed by the Underwriter from time to time without notice.

The Bonds will be purchased from the Authority by the Underwriter, Westhoff, Cone & Holmstedt, pursuant to a purchase contract. The purchase contract provides that the Underwriter will purchase all of the Bonds, if any Bonds are issued and delivered. The Underwriter has agreed to purchase the Bonds from the Authority at a purchase price equal to the principal amount of the Bonds. The Underwriter expects to be paid a fee in the amount of \$67,900.00 in connection with the offering and sale of the Bonds.

## **RATING**

Fitch, doing business as Fitch Ratings (“Fitch”), has assigned a rating of “A/F1” to the Bonds based on assurances that the payment of principal of and interest on the Bonds will be payable from drawings under the Letter of Credit.

The rating reflects only the views of Fitch and any explanation of the significance of such rating should be obtained from Fitch. No application was made to any other rating agency for the purpose of obtaining an additional rating thereon. There is no assurance that any rating will continue for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency establishing the rating, circumstances so warrant. Neither the Underwriter nor the Authority has taken any responsibility either to bring to the attention of the Holders of the Bonds any proposed downward revision in the rating of the Bonds or to oppose any such proposed revision. Any change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the status of interest on any Bond for any period that such Bond is held by a “substantial user” of the facilities financed or refinanced by the Bonds or by a “related person” within the meaning of Section 147(a) of the Code. In the

further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Borrower have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Borrower, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Borrower have covenanted, however, to comply with the requirements of the Code.



Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Borrower or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority or the Borrower and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Borrower legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Borrower or the Beneficial Owners to incur significant expense.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### **APPROVAL OF LEGAL PROCEEDINGS**

The validity of the bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix B hereto. Certain legal matters will be passed upon for the Authority by the Honorable Edmund G. Brown Jr., Attorney General of the State of California ("Authority Counsel"), for the Borrower by Jensen & Jensen, LLP, Newport Beach, California and Shackelford, Melton & McKinley, LLP, Austin, Texas (collectively, "Borrower's Counsel"), and for the Bank by Procopio, Cory, Hargreaves & Savitch LLP, San Diego, California. Bond Counsel and Authority Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

### **CONTINUING DISCLOSURE**

No financial or operating data concerning the Authority is being included or incorporated by reference in this Official Statement, and the Authority has not agreed to provide any such financial or operating data either currently or on an on-going basis. The Borrower has covenanted for the benefit of the registered Owners and beneficial owners of the Bonds to provide certain information relating to the Bonds on a date which is the latter of the end of the Borrower's Fiscal Year or January 15 following the end of such Fiscal Year, and to provide notices of the occurrence of enumerated events. The Annual Report and the notices of events will be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) System. The specific nature of the information to be contained in the Annual Report and in the notice of events is summarized in "APPENDIX E – FORM OF

CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The Borrower has not previously undertaken to comply with any previous undertaking with regard to the Rule to provide annual reports or notices of events.

#### **MISCELLANEOUS**

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Indenture, the Loan Agreement, the Letter of Credit, the Credit Agreement, the Remarketing Agreement and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and statements herein are qualified in their entirety by reference to said documents for full and complete statements of their provisions.

The execution and delivery of this Official Statement have been approved by the Authority. The Authority has not provided any of the information in this Official Statement except for the information under the caption "The Authority" and the information under the caption "Absence of Material Litigation" as it pertains to the Authority, and makes no representation or warranty, express or implied, as to the accuracy or completeness of any other information in this Official Statement.

CALIFORNIA POLLUTION CONTROL  
FINANCING AUTHORITY

By: /s/ Michael Papanian  
Executive Director

APPROVED:

BIG BEAR DISPOSAL, INC.

By: /s/ Thomas R. Blackman  
Authorized Representative

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## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following are brief summaries of certain provisions of the Indenture and the Loan Agreement, each dated as of December 1, 2010, pertaining to the issuance of the Bonds. These summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the full terms of the respective documents listed below. Capitalized terms not otherwise defined herein have the meaning specified in the respective document.*

### DEFINITIONS

“Act” means the California Pollution Control Financing Authority Act (Chapter 1 (commencing with Section 44500) of Division 27 of the California Health and Safety Code), as now in effect and as it may from time to time hereafter be amended or supplemented.

“Additional Payments” means the payments so designated and required to be made by the Borrower pursuant to the Agreement.

“Administrative Fees and Expenses” means the reasonable and necessary expenses incurred by the Authority pursuant to the Agreement or the Indenture and the compensation and expenses paid to or incurred by the Trustee, the Tender Agent, the Bond Registrar, the Remarketing Agent and/or any Paying Agent under the Agreement or the Indenture, which include but are not limited to printing of Bonds, accomplishing transfers or new registration of Bonds, or other charges and other disbursements including those of their respective officers, directors, members, attorneys, agents and employees incurred in and about the administration and execution of the Loan Agreement and the Indenture.

“Agreement” or “Loan Agreement” means that certain loan agreement by and between the Authority and the Borrower, dated as of December 1, 2010, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

“Alternate Credit Facility” means bond insurance or other similar credit enhancement meeting the requirements of the Agreement.

“Alternate Letter of Credit” means an alternate irrevocable letter of credit, including, if applicable, a confirming letter of credit, or similar credit facility issued by a commercial bank, savings institution or other financial institution, the terms of which shall in all material respects be the same as those of the initial Letter of Credit, delivered to the Trustee pursuant to the Agreement.

“Approving Opinion” means an opinion of Bond Counsel (addressed and delivered to the Authority and the Trustee) that an action being taken (i) is authorized by the Act and the Indenture and complies with the terms of the Agreement, if applicable, and (ii) will not, in and of itself, adversely affect the Tax exempt status of the Bonds.

“Authority Subaccount” means all of the subaccounts by that name established pursuant to the Indenture.

“Authorized Denomination” means (i) during any Variable Interest Rate Period or Term Interest Rate Period of less than one year, \$100,000 or any integral multiple of \$5,000 in excess thereof and (ii) during any Term Interest Rate Period of one year or more, \$5,000 or any integral multiple thereof.

“Available Moneys” means (1) moneys derived from drawings under the Letter of Credit that are not commingled with any other moneys or (2) moneys held by the Trustee (other than in the Rebate Fund, the Letter of Credit Account or the account described in the Indenture for unclaimed moneys for Bonds deemed tendered but not presented for purchase) and subject to the lien of the Indenture for a period of at least 123 days and not commingled with any moneys so held for less than said period and during and prior to which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against the Borrower, the Authority, or any Guarantor, provided however, if a Guarantor exists such period shall be at least 370 days; or (3) investment income derived from the investment of moneys described in clause (2) so long as (A) investments of such moneys are in Investment Securities rated by the Rating Agency, in (i) any of the two highest long term rating categories; or (ii) if applicable, the highest short term rating category; and (B) with respect to such investment earnings there has been delivered to the Trustee an opinion of nationally recognized bankruptcy counsel to the effect that the use of such amounts for such purpose would not constitute a voidable preference under Section 547 of the United States Bankruptcy Code should the Borrower, the Authority or any Guarantor be the debtor in a case under the Bankruptcy Code.

“Bank” means Union Bank, N.A. acting in its capacity as issuer of the Letter of Credit then in effect or as administrative agent pursuant to the Credit Agreement, as the context may require, or any successor thereto.

“Bank Bonds” means Bonds purchased with a drawing on the Letter of Credit.

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Direct Participants have caused DTC to hold Book-Entry Bonds.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, and acceptable to the Authority; but shall not include counsel for the Borrower.

“Bond Payment Date” means any date upon which any amounts payable with respect to the Bonds shall become due, whether upon redemption (including without limitation sinking fund redemption), acceleration, maturity or otherwise.

“Bond Registrar” or “Registrar” means the entity or entities performing the duties of the bond registrar pursuant to the Indenture.

“Bonds” or “Bond” means all revenue bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with the Indenture.

“Book–Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for such Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Borrower” means Big Bear Disposal, Inc., a corporation organized and existing under the laws of the State of California, or any entity which is the surviving, resulting or transferee entity in any merger, consolidation or transfer of assets permitted under the Agreement and also means, unless the context otherwise requires, an assignee of the Agreement as permitted by the Agreement, but does not mean any affiliate of the Borrower.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday in the State of California, (ii) a day on which commercial banks in Los Angeles, California, or the city or cities in which the Corporate Trust Office of the Trustee or the Tender Agent or the office of the Bank at which demands for payment under the Letter of Credit are to be presented are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange is closed.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Completion Date” means the earlier of the date of completion of the Project or final disbursement from the Project Fund as that date shall be certified as provided in the Agreement.

“Corporate Trust Office” means with respect to the Trustee, the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of the Indenture is located in Los Angeles, California and with respect to the Tender Agent, the office of the Tender Agent at which at any particular time its corporate trust business shall be principally administered, which office at the date of the Indenture is located in Los Angeles, California; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee, underwriting fees, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee incurred in connection with the original issuance of the Bonds which constitutes a “cost of issuance” within the meaning of Section 147(g) of the Code.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Costs of the Project” means the sum of the items, or any such item, authorized to be paid from the Project Fund pursuant to the provisions of the Agreement, but shall not include any Costs of Issuance.

“Credit Agreement” means the Credit Agreement, dated as of December 1, 2010, by and between the Borrower, the financial institutions party thereto as lenders and/or and the Bank, as it may be amended or supplemented from time to time, or any other similar agreement entered into in connection with the issuance of the Letter of Credit or of any Alternate Letter of Credit.

“Date of Delivery” means December 22, 2010, the date of initial issuance and delivery of the Bonds.

“Depository Bank” means Union Bank, N.A. or any other financial institution designated by the Borrower with the approval of the Bank to hold proceeds of the Bonds pending disbursement pursuant to the Indenture.

“Direct Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Bonds as securities depository.

“Event of Default” means any of the events specified as such in the Indenture.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, doing business as Fitch Ratings, its successors and their assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated by the Authority, with the approval of the Borrower by notice to the Bank, the Trustee, the Remarketing Agent and the Tender Agent.

“Guarantor” means any Person that has guaranteed the obligations of the Borrower under the Reimbursement Agreement or the Loan Agreement.

“Holder” or “Bondholder,” or “Owner,” whenever used with respect to a Bond, means the Person in whose name such Bond is registered.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Interest Payment Date” means December 1, 2040, and (i) the first Wednesday of each month commencing January 5, 2011 (or the next succeeding Business Day if such Wednesday is not a Business Day) during a Weekly Interest Rate Period or the last Business Day of a Term Interest Rate Period of less than one year or (ii) June 1 and December 1 during a Term Interest Rate Period of one year or more.

“Interest Period” means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, except that the first Interest Period shall be the period from and including the date of the first authentication and delivery of the Bonds to and including the day immediately preceding the first Interest Payment Date relating to such Bonds.



“Interest Rate Period” means either a Weekly Interest Rate Period or a Term Interest Rate Period.

“Investment Securities” means any of the following securities (other than those issued by the Authority, the Borrower or any Guarantor):

(i) Commercial paper issued by corporations that are organized and operating within the United States and that at the time of investment are rated by Moody’s or S & P (a) “A -2” or “P -2” or higher if such commercial paper has a maturity of seven days or less, and (b) “A -1” or “P -1” if such commercial paper has a maturity of greater than seven days;

(ii) United States Treasury notes, bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the full and timely payment of principal and interest, not subject to prepayment or call;

(iii) Negotiable certificates of deposit issued by or deposit accounts with a nationally or state-chartered bank, including the Trustee, its parent company and their affiliates, or by a state licensed branch of a foreign bank, provided that the senior debt issued by such bank and/or its holding company shall be rated “A” by Moody’s and S&P, respectively, and the commercial paper issued by such holding company or branch of a foreign bank shall be rated “P-1” and “A-1” by Moody’s and S&P, respectively;

(iv) Bonds, notes or other obligations of any state, municipality or political subdivision the interest on which is excluded from gross income for federal income tax purposes, which are rated “A” or higher by Moody’s, S&P, or Fitch;

(v) Investments in or shares of any “regulated investment company” within the meaning of Section 851(a) of the Code, the assets of which are securities or investments described in (i) -- (iv) above, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(vi) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation (including, but not limited to the Trustee or any of its affiliates), or with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York, which agreements are fully and continuously secured by a valid and perfected security interest in obligations described in paragraph (ii) of this definition or obligations which are rated “Aaa” by Moody’s or “AAA” by S&P;

(vii) Money market funds with a rating of at least “A” or which invest solely in securities rated at least “A”, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services; and

(viii) Collateralized or uncollateralized investment agreements or other contractual arrangements with domestic or foreign corporations, financial institutions or national associations, provided that the senior long term debt of such corporations, institutions or associations is rated within the highest three Rating Categories by S&P, Moody’s and Fitch, if

rated by Fitch; and (ix) any other investment designated by the Borrower and approved in writing by the Bank.

“Letter of Credit” means, as applicable, (i) that certain irrevocable letter of credit issued by the Bank naming the Trustee as beneficiary and delivered on the Date of Delivery of the Bonds, pursuant to a Reimbursement Agreement and (ii) in the event of delivery of an Alternate Letter of Credit, such Alternate Letter of Credit.

“Letter of Credit Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Loan Default Event” means any one or more of the events specified as such in the Loan Agreement.

“Loan Repayments” means the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement.

“Maximum Rate” means 12% per annum.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the Authority, with the approval of the Borrower by notice to the Bank, the Trustee, the Remarketing Agent and the Tender Agent.

“Net Proceeds” means the proceeds from insurance or from actual or threatened condemnation or eminent domain actions with respect to all or any portion of the Project, less any costs reasonably expended by the Borrower to receive such proceeds.

“Opinion of Counsel” means a written opinion (addressed and delivered to the Authority and the Trustee) of counsel (who may be counsel for the Authority) selected by the Authority.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) referred to in the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Participating Affiliate” means, with respect to the Borrower, each Person (i) that directly or indirectly, through one or more intermediaries or other Persons, controls, or is controlled by, or is under common control with, the Borrower, and (ii) that is itself, or with its affiliates described in clause (i), a “participating party” within the meaning of the Act. For purposes of this definition, a “Person” who is an individual includes the spouse, children or parents of such Person (collectively, “relatives”), and includes any trust of which such Person or his or her relatives is the trustee or a

beneficiary. For the purpose of this definition, the “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of a majority of voting securities or membership interests, as trustee, by contract or otherwise.

“Paying Agent” means the Paying Agent as described in the Indenture. The Trustee is the initial Paying Agent.

“Person” means an individual, corporation, firm, association, limited liability company, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Principal Payment Date” means December 1, 2040.

“Proceeds Account” means all of the accounts by that name established pursuant to the Indenture.

“Project” shall mean the Project, as described in Exhibit A to the Loan Agreement, as it may be amended pursuant to the terms of the Agreement.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Purchase Date” means the date on which any Bond is required to be purchased pursuant to the Indenture.

“Purchase Price” means that amount equal to 100% of the principal amount of any Bond purchased pursuant to the demand purchase and mandatory tender provisions of the Indenture, plus accrued and unpaid interest thereon to but not including the Purchase Date or the date on which such Bond is deemed purchased in accordance with the Indenture.

“Rating Agency” means Moody’s, if Moody’s is then rating the Bonds, S&P, if S&P is then rating the Bonds and/or Fitch, if Fitch is then rating the Bonds, or such other nationally recognized rating agency then rating the Bonds..

“Rebate Fund” means the fund by that name created pursuant to the Indenture.

“Record Date” means (i) the Business Day immediately preceding the applicable Interest Payment Date during a Weekly Interest Rate Period or any Term Interest Rate Period of less than one year, and (ii) the day, whether or not a Business Day, which is the fifteenth day of the month prior to an Interest Payment Date during any Term Interest Rate Period of one year or greater.

“Redemption Account” means the account by that name established in the Revenue Fund pursuant to the Indenture.

“Refunding Proceeds Fund” means the fund by that name established pursuant to the Indenture.

“Remarketing Agent” means the Remarketing Agent appointed pursuant to the Indenture and its successors in such office under the Indenture.

“Remarketing Agreement” means the Remarketing Agreement, dated as of December 1, 2010, between the Borrower and the Remarketing Agent or the agreement or instrument pursuant to which a successor to the Remarketing Agent shall perform its services.

“Retained Rights” means the right of the Authority to receive certain payments, if any, with respect to fees, expenses and indemnification under the Loan Agreement, or to enforce its rights under certain provisions of the Loan Agreement and the rights expressly granted to the Authority under the Loan Agreement to indemnification, inspection, consent and receipt of certificates, notices and opinions.

“Revenue Fund” means the fund by that name established pursuant to the Indenture.

“Revenues” means all amounts received by the Authority or the Trustee for the account of the Authority pursuant or with respect to the Agreement or the Letter of Credit, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and paid from whatever source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture (except as provided below), but not including Additional Payments, including without limitation any Administrative Fees and Expenses, Tender Proceeds, or any moneys paid for deposit into the Rebate Fund or the Authority Subaccount of the Costs of Issuance Fund and investment earnings on any moneys held in such account(s) or Fund.

“Series,” whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or Fitch) designated by the Authority, with the approval of the Borrower, by notice to the Bank, the Trustee, the Remarketing Agent and the Tender Agent.

“Supplemental Indenture” means any indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Surplus Account” means the account by that name established within the Revenue Fund pursuant to the Indenture.

“Tax Certificate” means the Tax Certificate and Agreement of the Borrower and the Authority dated the Date of Delivery relating to the Bonds.

“Tax exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes (other than in the case of a Holder of any Bonds who is a substantial user of any component of the Project or a related Person within the meaning of Section 147(a) of the Code) whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Tender Agent” means initially the Trustee and any successor tender agent appointed pursuant to the Indenture.

“Tender Proceeds” means moneys paid to the Tender Agent from the sources set forth in the Indenture to purchase Bonds which have been tendered pursuant to the Indenture.

“Term Interest Rate” means a non-variable interest rate on a Series of the Bonds established in accordance with the Indenture.

“Term Interest Rate Period” means each period during which a Term Interest Rate is in effect.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under and by virtue of the laws of the State of California, having Corporate Trust Offices in Los Angeles, California, or its successor as Trustee pursuant to the Indenture.

“Variable Index” means either (i) the Thompson Reuters Municipal Market Data Variable Rate Demand (“VRD”) Averages as published by Thompson Municipal Market Monitor or (ii) the Securities Industry and Financial Markets Association Municipal Swap Index provided by Municipal Market Data (“MMD”), a seven-day high grade market index comprised of tax-exempt variable rate demand bonds from MMD’s data base. If for any reason the Variable Index for any rate determination date cannot be established as provided above or is held to be invalid or unenforceable by a court of law, the Variable Index for such rate determination date shall be either (i) any national index created by an average of at least 1000 outstanding variable rate demand bonds guaranteed by a direct-pay letter of credit, rated at least “A-”, with a weekly (7-day) weekly interest rate reset or (ii) an index computed by the Remarketing Agent and shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to such rate determination date.

“Weekly Interest Rate” means a variable interest rate on a Series of the Bonds established weekly in accordance with the Indenture.

“Weekly Interest Rate Period” means each period during which Weekly Interest Rates are in effect.

## THE INDENTURE

Certain provisions of the Indenture are summarized below. Other provisions are summarized in this Official Statement under the caption “THE BONDS.” THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND ARE QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE INDENTURE, A COPY OF WHICH IS ON FILE WITH THE TRUSTEE.

### **Project Fund**

Under the Indenture, the Trustee establishes the Big Bear Disposal, Inc. Project Fund for which proceeds of the Bonds will be applied to the payment of the Costs of the Project. The moneys in the Big Bear Disposal, Inc. Project Fund shall be held by the Trustee in trust and applied to the payment of the Costs of the Project, in the manner set forth in the Indenture.

Upon delivery of the Bonds, and after any initial disbursement from the Big Bear Disposal, Inc. Project Fund submitted to the Trustee at closing of the Bonds, the Borrower may submit to the Trustee a written direction in the form attached to the Indenture. Upon receipt of such direction, the Trustee shall transfer the remaining moneys in the Big Bear Disposal, Inc. Project Fund to the Depository Bank(s) and the Depository Bank(s) shall each establish the “Big Bear Disposal, Inc. Project Fund” (the “Depository Bank Project Fund”). Upon confirmation of receipt of the wire transfer of such moneys in the Project Fund to the Depository Bank(s), the Trustee’s responsibilities with regard to the use or disbursement of moneys in the Project Fund shall cease. The moneys in the Depository Banks’ Project Fund shall be held by the Depository Bank(s) and applied to the payment of the Costs of the Project.

Upon the receipt by the Trustee of a certificate conforming with the requirements of the Agreement, and after payment of costs payable from the Project Fund or provision having been made for payment of such costs not yet due by retaining such costs in the Project Fund or otherwise as directed in such certificate, the Trustee shall transfer any remaining balance in the Project Fund into a separate account within the Revenue Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the “Surplus Account.” A separate Surplus Account shall be established for the Bonds. If the Depository Bank still holds unspent proceeds of the Bonds, the Trustee shall request the Bank to arrange for such moneys to be returned to the Trustee for deposit in the Surplus Account. The moneys in any Surplus Account shall be used and applied (subject to the provisions of the Indenture) at the written direction of the Borrower (unless some other application of such moneys permitted by the Indenture and the Loan Agreement is requested by the Borrower and would not, in the opinion of Bond Counsel, cause interest on the Bonds to become no longer Tax exempt) for the following purposes in the following order: (i) for transfer to the Bank to pay the redemption price of any Bank Bonds then outstanding; (ii) to reimburse the Bank with respect to any draw on the Letter of Credit made for the redemption of Bonds in Authorized Denominations, to the maximum degree permissible, and at the earliest possible dates at which the Bonds can be redeemed pursuant to the Indenture; or (iii) to redeem Bonds in Authorized Denominations, to the maximum degree permissible, and at the earliest possible dates at which the Bonds can be redeemed pursuant to the Indenture. Notwithstanding certain provisions of the Indenture, the moneys in the Surplus Account shall be invested at the written instruction of the Borrower at a yield no higher than the yield on the Outstanding Bonds

(unless in the opinion of Bond Counsel investment at a higher yield would not cause interest on the Bonds to become no longer Tax exempt), and all such investment income shall be deposited in the Surplus Account and expended or reinvested as provided above.

In the event of redemption of all the Bonds pursuant to the provisions of the Indenture or an Event of Default which causes acceleration of the Bonds, any moneys then remaining in the account within the Project Fund relating to such Bonds shall be transferred to the Surplus Account within the Revenue Fund and all moneys in the Revenue Fund relating to such Bonds shall be used to reimburse the Bank for draws on the Letter of Credit used to redeem Bonds or used to redeem Bonds if there is no Letter of Credit or there is a default under the Letter of Credit.

### **Costs of Issuance Fund**

Under the Indenture, the Trustee shall establish the Costs of Issuance Fund. The Trustee shall also create separate accounts in the Costs of Issuance Fund designated the “Proceeds Account” and the “Authority Subaccount” which will be funded as provided in the Indenture. The moneys in each account of the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance for the Bonds. Any amounts remaining in a Proceeds Account of the Costs of Issuance Fund six months following the Date of Delivery of the Bonds shall be transferred to the related Project Fund for such Bonds. Any amounts remaining in the Authority Subaccount of the Costs of Issuance Fund three months following the Date of Delivery of the Bonds shall be returned to the Authority. Upon such transfers, the Trustee shall close the Costs of Issuance Fund.

### **Pledge and Assignment; Revenue Fund**

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Authority Subaccount of the Costs of Issuance Fund) are pledged to secure the full payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and thereafter to secure the Bank to the extent of its interest in such Revenues and certain other funds or accounts established under the Indenture. Notwithstanding any other provision of the Indenture, the benefits under any Letter of Credit or Alternate Credit Facility shall apply only to the Bonds for which such Letter of Credit or Alternate Credit Facility was issued; moneys in the account established under the Indenture for unclaimed moneys held for the Bonds deemed tendered but not presented for purchase shall be held solely for the benefit of the former holders of Bonds as provided in the Indenture; and the Tender Proceeds shall be held in trust as provided in the Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act.

The Authority shall transfer in trust, and assign to the Trustee, for the benefit of the Holders from time to time of the Bonds and the Bank, to the extent its interest in the Indenture, all of the Revenues and other assets pledged in the foregoing subparagraph of this section and all of the right, title and interest of the Authority in the Agreement (except for the Retained Rights). Such

assignment to the Trustee is solely in its capacity as Trustee under the Indenture subject to the protections, immunities and limitations from liability afforded the Trustee under the Indenture. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and subject to the provisions of the Indenture, shall forthwith be paid by the Authority to the Trustee. Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than the Retained Rights) under the Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under the Loan Agreement.

All Revenues (except investment earnings which shall be deposited as provided in the Indenture) shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the Revenue Fund which the Trustee shall establish, maintain and hold in trust; except as otherwise provided in the Indenture, all moneys received by the Trustee and required to be deposited in the Redemption Account, if any, shall be promptly deposited in the Redemption Account, which the Trustee shall establish, maintain and hold in trust as provided in the Indenture. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

On the third Business Day following the Bond Payment Date of each December, any amount held by the Trustee in the Revenue Fund on the due date for a Loan Repayment under the Loan Agreement will be credited against the installment due on such date to the extent available for such purpose under the terms of the Indenture.

### **Allocation of Revenues**

On or before any date on which interest or principal (whether at maturity, or by redemption or acceleration) is due, the Trustee shall transfer funds from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee is directed and agrees to establish and maintain within the Revenue Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date or date of redemption of all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest.

Second: to the Principal Account, the amount paid by the Borrower and designated as or attributable to principal on the Bonds in the most recent Loan Repayment equal to the aggregate amount of principal due on the Principal Payment Date, pursuant to the Indenture.



Third: to the Redemption Account, the aggregate amount of principal and premium next coming due by acceleration or by redemption permitted or required under the Indenture, or any portion thereof paid by the Borrower.

### **Priority of Moneys in Revenue Fund**

Funds for the payment of the principal or redemption price (including premium, if any) of and interest on the Bonds shall be derived from the following sources in the order of priority indicated below from each of the accounts in the Revenue Fund; provided however, that amounts in the respective accounts in the Revenue Fund shall be used to pay when due (whether upon redemption, acceleration, interest payment date, maturity or otherwise) the principal or redemption price (including premium, if any) of and interest on the Bonds held by Holders other than the Bank or the Borrower prior to the payment of the principal and interest on the Bonds held by the Bank or the Borrower:

(i) moneys paid into the Letter of Credit Account of the Revenue Fund from a draw by the Trustee under the Letter of Credit;

(ii) moneys paid into the Interest Account, if any, representing accrued interest received at the initial sale of any Bonds and proceeds from the investment thereof which shall be applied to the payment of interest on such Bonds;

(iii) moneys paid into the Revenue Fund pursuant to the Indenture and proceeds from the investment thereof, which shall constitute Available Moneys if a Letter of Credit is in effect;

(iv) any other moneys (other than from draws on the Letter of Credit) paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof, which shall constitute Available Moneys if a Letter of Credit is in effect; and

(v) any other moneys paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof, which are not Available Moneys.

### **Letter of Credit Account and Letter of Credit**

The Trustee shall create within the Revenue Fund a separate account called the “Letter of Credit Account,” into which all moneys drawn under the Letter of Credit for the Bonds shall be deposited and disbursed. Neither the Borrower, nor the Authority nor any Guarantor shall have any rights to or interest in the Letter of Credit Account. Each Letter of Credit Account shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under the Indenture or otherwise, and over which the Trustee shall have the exclusive and sole right of withdrawal for the exclusive benefit of the Holders of the Bonds with respect to which such drawing was made. No moneys from any Letter of Credit Account may in any circumstance be used to pay principal or redemption price (including premium, if any, to the extent draws therefore are permitted under the Letter of Credit) of or interest on any Bank Bonds.

The Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof in an amount necessary to make timely payments of principal of, premium, if any, to the extent draws therefor are permitted under the Letter of Credit and interest on the Bonds enhanced

by such Letter of Credit, other than Bonds owned by or for the account of the Borrower or the Bank, when due whether at maturity, interest payment date, redemption, acceleration or otherwise. In addition, the Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof to the extent necessary to make timely payments required to be made pursuant to, and in accordance with the Indenture.

Immediately after making a drawing under the Letter of Credit which has been honored, the Trustee shall reimburse the Bank for the amount of the drawing using moneys, if any, contained in:

(A) the Interest Account for such Bonds, if the drawing was to pay interest on the Bonds enhanced by such Letter of Credit;

(B) the Principal Account for such Bonds, if the drawing was to pay principal on the Bonds enhanced by such Letter of Credit; and

(C) the Redemption Account for such Bonds, if the drawing was to redeem Bonds enhanced by such Letter of Credit.

If at any time there shall have been delivered to the Trustee an Alternate Letter of Credit or Alternate Credit Facility pursuant to the Agreement, then the Trustee shall accept such Alternate Letter of Credit or Alternate Credit Facility and promptly surrender the previously held Letter of Credit to the Bank, in accordance with the terms of such Letter of Credit, for cancellation, provided that the Trustee shall not surrender the previously held Letter of Credit until all draws on such Letter of Credit have been paid as required thereby. If at any time there shall cease to be any Bonds Outstanding under the Indenture, the Trustee shall promptly surrender the Letter of Credit to the Bank, in accordance with the terms of the Letter of Credit, for cancellation. The Trustee shall comply with the procedures set forth in the Letter of Credit relating to the termination thereof.

The Trustee shall hold and maintain the Letter of Credit for the benefit of the Bondholders whose Bonds are enhanced by such Letter of Credit until the Letter of Credit expires in accordance with its terms. The Trustee shall diligently enforce all terms, covenants and conditions of the Letter of Credit, including payment when due of any draws on the Letter of Credit, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Letter of Credit, and will not consent to, agree to or permit any amendment or modification of the Letter of Credit which would materially adversely affect the rights or security of the Holders of the Bonds enhanced by such Letter of Credit. If at any time during the term of the Letter of Credit any successor Trustee shall be appointed and qualified under the Indenture, the resigning or removed Trustee shall request that the Bank transfer the Letter of Credit to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment. When the Letter of Credit expires in accordance with its terms or is replaced by an Alternate Letter of Credit, the Trustee shall immediately surrender the Letter of Credit to the Bank.

### **Investment of Moneys**

All moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Trustee or the Depository Bank, as applicable, as directed in writing by the Borrower or its agent, solely in Investment Securities. Notwithstanding any other provision in the

Indenture, in the absence of written investment instructions directing the Trustee or the Depository Bank, as applicable, by noon of the second Business Day preceding the day when investments are to be made, the Trustee or the Depository Bank, as applicable, is directed to invest available funds in Investment Securities described in paragraph (vii) of the definition thereof. The Trustee or the Depository Bank, as applicable, shall not be liable for any losses resulting from any investments made pursuant to the Indenture.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which such moneys will be required for the purposes specified in the Indenture. Notwithstanding anything else in the Indenture, any moneys in the Interest Account, Principal Account or Redemption Account held for the payment of particular Bonds shall be invested at the written direction of the Borrower in direct obligations of the United States or bonds or other obligations guaranteed by the United States government or for which the full faith and credit of the United States is pledged for the full and timely payment of principal and interest thereof (or money market funds consisting solely of such investments), rated in the highest rating category applicable to such investments which mature not later than the date on which it is estimated that such moneys will be required to pay such Bonds (but in any event maturing in not more than thirty days). Moneys in the Letter of Credit Account, Tender Proceeds, moneys held for non-presented Bonds and moneys held by the Trustee for the payment of the Purchase Price of the Bonds deemed tendered but not presented for purchase to the Tender Agent in accordance with the Indenture shall be held uninvested.

All interest, profits and other income received or losses incurred from the investment of moneys in any fund established pursuant to the Indenture shall be deposited or booked in the fund or account which gave rise to the investment earnings or losses. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund from which such accrued interest was paid. To the extent that any Investment Securities are registrable, such Securities shall be registered in the name of the Trustee or its nominee.

For the purpose of determining the amount in any fund, all Investment Securities credited to such fund shall be valued at the lesser of cost or par value plus, prior to the first payment of interest following purchase, the amount of accrued interest, if any, paid as a part of the purchase price.

Subject to the provisions of the Indenture, investments in any and all funds and accounts held by the Trustee under the Indenture (other than moneys representing the proceeds of a draw on the Letter of Credit or held in the Letter of Credit Account or the Authority Subaccount of the Costs of Issuance Fund, Tender Proceeds, Available Moneys, moneys being aged to become Available Moneys, or moneys held for the payment of particular Bonds (including moneys held for non-presented Bonds or held by the Trustee under the Indenture) may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions of the Indenture for transfer to or holding in particular funds and accounts, the amounts received or held by the Trustee or the Depository Bank, as applicable, thereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture. Subject to the provisions of the Indenture, any

moneys invested in accordance with this section may be invested in a pooled investment account consisting solely of funds held by the Trustee as a fiduciary.

The Trustee or the Depository Bank, as applicable, may act as principal or agent in the making or disposing of any investment. The Trustee or the Depository Bank, as applicable, may sell or present for redemption any Investment Securities whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Investment Security is credited, and the Trustee or the Depository Bank, as applicable, shall not be liable or responsible for any loss resulting from such investment.

### **Events of Default; Acceleration; Waiver of Default**

Each of the following events which has occurred and is continuing shall constitute an "Event of Default" under the Indenture:

(a) default in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on, or the Purchase Price of, any Bond, when and as the same shall become due and payable;

(c) failure by the Authority to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such failure for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority, the Bank, and the Borrower by the Trustee, or to the Authority, the Bank, the Borrower and the Trustee by the Holders of not less than 66 2/3 % in aggregate principal amount of the Bonds at the time Outstanding;

(d) the occurrence and continuance of a Loan Default Event described in the Agreement; or

(e) receipt by the Trustee of notice from the Bank, that either (i) an Event of Default (as defined in the Reimbursement Agreement) has occurred under the Reimbursement Agreement and directing the Trustee to accelerate the Bonds (and certifying that the Bank has not directed the Trustee to give notice of mandatory tender for the Bonds pursuant to the Indenture), or (ii) the Bank will not reinstate the interest portion of the Letter of Credit.

No default specified in (c) above shall constitute an Event of Default unless the Authority and the Borrower shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the Borrower (or the Bank on its behalf) within the applicable period and diligently pursued in the sole determination of the Bank. With regard to any alleged default concerning which notice is given to the Borrower under the provisions of the Indenture, the Borrower (or the Bank on its behalf) shall have full authority to perform any covenant or obligation the non performance of which is alleged

in said notice to constitute a default with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts.

During the continuance of an Event of Default described in (a), (b), (c) or (d) above, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, and upon the written request of the Holders of not less than 66 2/3 % in aggregate principal amount of the Bonds at the time Outstanding, or upon the occurrence of an Event of Default described in (e) above, the Trustee shall, unless the Bank has directed mandatory tender of the Bonds pursuant to the Indenture, promptly upon such occurrence, by notice in writing to the Authority, the Borrower and the Bank, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration the Trustee shall promptly draw upon any then existing Letter of Credit, in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds enhanced by such Letter of Credit so declared to be due and payable. Interest on the Bonds shall cease to accrue as of the date of declaration of acceleration. The Trustee shall promptly notify the Bondholders of the date of declaration of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Indenture, and before the Letter of Credit has been drawn upon in accordance with its terms and honored, there shall have been deposited with the Trustee a sum sufficient to pay (with Available Moneys if a Letter of Credit is in effect) all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided in the Agreement, and the reasonable fees and expenses of the Trustee, including reasonable fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; provided the Trustee shall have received written notice from the Bank that the Letter of Credit has been reinstated in full; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. Notwithstanding any other provision of the Indenture except as provided in the following sentence, the Trustee may not exercise any remedy in the event of a default under (a), (b) or (d) above without the written consent of the Bank, so long as the Letter of Credit is in effect and the Bank has not wrongfully failed to make a payment thereunder. The Trustee may exercise any and all remedies under the Indenture and the Agreement (except acceleration) to collect any fees, expenses and indemnification from the Borrower without obtaining the consent of the Bank.

## **Institution of Legal Proceedings by Trustee**

Pursuant to the Indenture, if one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of two thirds in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction pursuant to the Indenture shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Act or under the Indenture or the Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture or the Agreement, or in aid of the execution of any power in the Indenture or the Agreement granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture.

## **Application of Revenues and Other Funds After Default**

If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (subject to certain provisions of the Indenture) shall be promptly applied by the Trustee as follows and in the following order:

(i) To the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture (provided, however, that no moneys in the Letter of Credit Account of the Revenue Fund or in the Purchase Fund may be used to pay such expenses);

(ii) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(a) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

Third: To reimburse the Bank for any unreimbursed obligations owed under the Credit Agreement.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(iii) To the payment of any amounts owing to the Bank or any other provider of credit under the Reimbursement Agreement or any related documents;

provided, however, that in no event shall moneys derived from drawings under a Letter of Credit, moneys set aside to pay principal or interest on any particular Bonds (including moneys held for non-presented Bonds or held by the Trustee under the Indenture), or Tender Proceeds be used to pay any of the items listed in clause (1) of this section and Available Moneys and moneys being aged to become Available Moneys shall not be used to pay any of the items listed in clause (1) of this section until all amounts have been paid under clause (2) of this section; provided further that proceeds of a draw on a Letter of Credit and Tender Proceeds shall be used solely to pay principal, interest, premium, or Purchase Price of the Bonds as otherwise provided in the Indenture.

### **Trustee to Represent Bondholders**

The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Agreement, the Act and applicable provisions of any other law. Subject to the section above entitled “Events of Default; Acceleration; Waiver of Default” above, upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Agreement, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

## **Bondholders' Direction of Proceedings**

Anything in the Indenture to the contrary notwithstanding, but subject thereto, the Holders of 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction or for which it has not been provided adequate indemnity.

## **Limitation on Bondholders' Right to Sue**

Subject to the section above entitled "Events of Default; Acceleration; Waiver of Default" above, no Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Agreement, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name; (3) subject to the Indenture, such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy thereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holders' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Agreement, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

## **Consent to Defaults**

Notwithstanding any other provisions of the Indenture, but subject thereto, so long as the Bank is not continuing wrongfully to dishonor drawings under the Letter of Credit, no Event of Default shall be declared pursuant to subsections (a), (b) or (d) of the events of default section of the Indenture (see "Events of Default; Acceleration; Waiver of Default" of this Appendix A above) (except in a case resulting from the failure of the Borrower to pay the Trustee's fees and expenses or to indemnify the Trustee), nor any remedies exercised with respect to any Event of Default other than an Event of Default declared pursuant to subsection (e) of the events of default section of the



Indenture (see “Events of Default; Acceleration; Waiver of Default” of this Appendix A above) by the Trustee or by the Bondholders (except in a case resulting from the failure of the Borrower to pay the Trustee’s fees and expenses or to indemnify the Trustee) and no Event of Default under the Indenture shall be waived by the Trustee or the Bondholders to the extent they may otherwise be permitted thereunder, without, in any case, the prior written consent of the Bank. So long as any Letter of Credit is in place and the Bank is not continuing wrongfully to dishonor drawings under any Letter of Credit, no Event of Default can be waived, in any circumstance, unless the Trustee has received written notice from the Bank that the Letter of Credit, if any, has been fully reinstated and is in full force and effect and that the notice from the Bank declaring an Event of Default (as defined under the Reimbursement Agreement) under the Reimbursement Agreement has been rescinded by the Bank. Nothing in this Section shall be deemed to limit in any respect the right of the Authority to enforce or waive any of its Retained Rights under the Loan Agreement.

### **The Remarketing Agent**

The Authority, with the advice of the Borrower, appoints the Remarketing Agent for the Bonds. The Remarketing Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed on it by the Indenture by a written instrument of acceptance under which the Remarketing Agent will agree to perform the obligations of the Remarketing Agent set forth in the Indenture, including setting interest rates on the Bonds and remarketing the Bonds as provided in the Indenture. Any Remarketing Agent shall be a bank, trust company or member of the National Association of Securities Dealers, Inc. organized and doing business under the laws of the United States or any state or the District of Columbia and shall be on the State Treasurer’s list of underwriters approved for negotiated offerings pursuant to California Government Code Section 5703. The initial Remarketing Agent shall be Westhoff, Cone & Holmstedt. If the Letter of Credit is terminated for any reason, or an Event of Default occurs under the Indenture, then the Remarketing Agent shall have the right to resign immediately. The appointment of any Remarketing Agent pursuant to the Indenture shall terminate (subject to renewal by the Borrower, with the consent of the Authority and the Bank, or replacement by a successor Remarketing Agent) fifteen days prior to the commencement of any Term Interest Rate Period of three years or longer duration of the Bonds.

### **The Tender Agent**

The Authority appoints the Trustee as initial Tender Agent, provided that if the Bonds are no longer Book-Entry Bonds, the Authority, with the advice of the Borrower, shall appoint a successor Tender Agent, subject to the conditions of the Indenture. Any successor Tender Agent shall designate its Corporate Trust Office and signify its acceptance of all of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the Authority, the Trustee, the Bank and the Remarketing Agent. The Tender Agent shall perform the duties provided for in the Indenture and in exercising such duties shall be subject to the same standards and entitled to the same rights and immunities applicable to the Trustee as set forth in the Indenture. The Tender Agent shall be a bank, association, corporation or trust company organized and doing business under the laws of the United States or any state, and shall either (i) have a combined capital and surplus of at least fifty million dollars (\$50,000,000) and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, association, trust company or bank holding company meeting, on an aggregate basis, the

tests set out in clause (i). If such bank, association, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank, association, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. At all times when the Bonds are not Book-Entry Bonds, the Tender Agent shall have an office for servicing the Bonds in New York, New York. The Tender Agent or the bank, association, trust company or bank holding company of which the Tender Agent is a wholly-owned subsidiary shall have a rating of at least Moody's "Baa3/P-3" or Fitch "BBB/F3" or an equivalent rating from another Rating Agency, or be approved by the Rating Agency.

### **The Bond Registrar**

The Authority appoints the Trustee as initial Bond Registrar provided that the Tender Agent shall act as co Bond Registrar with respect to Bonds tendered pursuant to a demand by the Holder or a mandatory tender for purchase pursuant to the Indenture. The Bond Registrar shall be a corporation or association organized and doing business under the laws of the United States or any state or the District of Columbia, be subject to supervision or examination by federal or state authority, and shall either (i) have a combined capital and surplus of at least fifty million dollars (\$50,000,000) and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, association, trust company or bank holding company meeting, on an aggregate basis, the tests set out in clause (i). If such bank, association, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank, association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Bond Registrar or the bank, association, trust company or bank holding company of which the Bond Registrar is a wholly-owned subsidiary shall have a rating of at least Moody's "Baa3/P-3" or Fitch "BBB-/F3" or an equivalent rating from another Rating Agency, or be approved by the Rating Agency.

### **Modification with Consent of Holders**

The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consent of the Holders of 66 2/3% in aggregate principal amount of all Bonds then Outstanding, and the Bank, shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary

for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this provision, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency then rating the Bonds and the Holders of the Bonds at the address shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

### **Modification without Consent of Holders**

The Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into without the consent of any Bondholders, but with the consent of the Bank and only to the extent permitted by law and after receipt of an Opinion of Counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Holders of the Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(4) to conform to the terms and provisions of any Alternate Letter of Credit or Alternate Credit Facility or to obtain a rating on the Bonds;

(5) to modify, amend or supplement the Indenture in such a manner to permit the Authority, the Trustee, the Borrower or any other responsible party to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time be amended or supplemented, with respect to the Bonds; or

(6) to modify, alter, amend or supplement the Indenture or the Agreement in any other respect, including amendments which would otherwise be described in the “Modification with Consent of Holders” section of this Appendix A above, if the effective date of such supplemental indenture or agreement is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the Indenture or if notice by first class mail, postage prepaid, of the proposed supplemental indenture or agreement is given to Holders of the affected

Bonds at least 30 days before the effective date thereof and, on or before such effective date, such Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture.

### **Discharge of Indenture**

Bonds that bear interest at a Term Interest Rate to the maturity of the Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable thereunder by the Authority and related to the Bonds:

- (a) paying or causing to be paid (with Available Moneys) the principal of, interest and premium, if any, on the Bonds Outstanding, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem (with Available Moneys) all Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority, and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied except only as provided in the “Discharge of Liability on Bonds” section of this Appendix A below, and thereupon the Trustee shall forthwith execute proper instruments acknowledging satisfaction of and discharging the Indenture.

### **Discharge of Liability on Bonds**

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that the Holder thereof shall thereafter be entitled to payment of the principal of, premium, if any, and interest on such Bond by the Authority, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment and such money or securities shall be pledged to such payment, provided further, however, that the provisions of the Indenture regarding payment of Bonds after discharge of Indenture obligations, shall apply in all events.

### **Deposit of Money or Securities with Trustee**

Whenever it is provided or permitted in the Indenture that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture (exclusive of the Rebate Fund, the

Letter of Credit Account and the account described in the Indenture for unclaimed moneys for Bonds deemed tendered but not presented for purchase) and shall be:

(a) Moneys (which shall be Available Moneys if a Letter of Credit is in effect), in an equal amount to the principal amount of such Bonds, and all unpaid interest thereon to maturity except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Investment Securities of the type described in clause (ii) (including funds described in clause (v) rated Fitch “AAA” or equivalent which consist solely of securities described in clause (ii)) of the definition of Investment Securities which are purchased with moneys (which shall be Available Moneys if a Letter of Credit is in effect) and which are nonredeemable and noncallable, the principal of and interest on which when due and without reinvestment will provide money sufficient to pay the principal of, premium, if any, all unpaid interest to maturity, or to the redemption date on the Bonds to be paid or redeemed, as such principal and interest become due, with maturities no longer than 30 days or as may be necessary to make the required payment on the Bonds provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by a request of the Authority) to apply such money or Investment Securities to the payment of such principal, premium, if any, and interest with respect to such Bonds and provided further that each Rating Agency then rating such Bonds, the Authority and the Trustee shall have received a report from a firm of nationally recognized independent certified public accountants that the moneys or Investment Securities on deposit are sufficient to pay the principal, premium, if any, and interest on the Bonds to maturity or the redemption date, and a legal opinion from a nationally recognized firm in bankruptcy law that payment of the Bonds from such moneys will not be a voidable preference in the event of the bankruptcy of the Borrower, any Guarantor or the Authority.

### **Liability of Authority Limited to Revenues**

Notwithstanding anything in the Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR ANY LOCAL AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason

of or in connection with the Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

### **Limitation of Rights to Parties and Bondholders**

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Bank, the Borrower, Direct Participants (as provided in the Indenture) and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision in the Bonds or the Indenture contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the Bank, the Borrower, Direct Participants (as provided in the Indenture) and the Holders of the Bonds.

### **Effect of Bank Default**

If the Bank wrongfully dishonors a drawing under the Letter of Credit, then, so long as such wrongful dishonor continues, any provision in this Indenture requiring the Bank's approval or consent shall be of no effect.

## **THE LOAN AGREEMENT**

The following is a summary of certain provisions of the Loan Agreement. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE LOAN AGREEMENT, A COPY OF WHICH IS ON FILE WITH THE TRUSTEE.

### **Loan of Proceeds**

Under the Loan Agreement, the Authority agrees to make a loan to the Borrower of the proceeds of the Bonds (conditioned on the receipt thereof by the Authority) for the purpose of financing the costs of the Project and financing the Costs of Issuance.

### **Agreement to Construct the Project; Modifications of the Project**

To provide funds to finance and refinance the Project, the Authority agrees that it will issue under the Indenture, sell and cause to be delivered to the purchasers thereof, the Bonds. The Authority will thereupon apply the proceeds received from the sale of the Bonds as provided in the Indenture. The Borrower agrees that it or one or more of its Participating Affiliates has or will acquire, construct, renovate, install and equip, or complete the acquisition, construction, renovation, installation and equipping of, the Project, and will acquire, construct, install, renovate and equip all other facilities and real and personal property deemed necessary for the operation of the Project, in accordance with the description of the Project prepared by the Borrower and approved by the Authority, including any and all supplements, amendments and additions or deletions thereto or therefrom. The Borrower further agrees to proceed with due diligence to complete the Project, and reasonably expects to do so within three years. Except as otherwise permitted pursuant to the Loan Agreement, the Borrower also agrees that it or a Participating Affiliate will own the Project during the term of this Loan Agreement or, if shorter,

the useful life of any component of the Project. The Borrower also agrees that it or a Participating Affiliate will operate the Project (except such portion that is transferred to a Person other than a Participating Affiliate in accordance with the Loan Agreement) during the term of this Loan Agreement or, if shorter, the useful life of any component of the Project.

In the event that the Borrower desires to alter or change the Project described in the Loan Agreement, the Borrower must first obtain the consent of the Authority (which consent shall not be unreasonably withheld) to such changes. If the Authority consents to the proposed amendment or supplement to the description of the Project, it will instruct the Trustee in writing to consent to, such amendment or supplement as shall be required to reflect such alteration or change to the Project upon receipt of:

- (i) a Certificate of the Borrower describing in detail the proposed changes and stating that they will not have the effect of disqualifying the Project as facilities that may be financed pursuant to the Act;
- (ii) a copy of the form of amended or supplemented description of the Project approved by the Authority;
- (iii) an Approving Opinion with respect to such proposed changes; and
- (iv) the written approval of the Bank.

### **Project Fund and Costs of Issuance Fund**

The Borrower will authorize and direct the Trustee or the Depository Bank, as applicable, upon compliance with the Indenture, to disburse the moneys in the Project Fund to or on behalf of the Borrower for the payment of the Costs of the Project (and not for Costs of Issuance), subject to the provisions of the Agreement. The Borrower will authorize and direct the Trustee, upon compliance with the Indenture, to disburse the moneys in the Costs of Issuance Fund to or on behalf of the Borrower only for Costs of Issuance, subject to the provisions of the Agreement.

### **Establishment of Completion Date; Obligation of Borrower to Complete**

Upon the final disbursement from the Project Fund, the Borrower shall evidence the completion date by providing a Final Project Account Disbursement Certificate, which shall be acknowledged by the Bank, to the Trustee and the Authority. At the time such certificate is delivered to the Trustee, moneys remaining in the Project Fund (other than moneys relating to provisional payments permitted by the Agreement), including any earnings resulting from the investment of such moneys, shall be used as provided in the Indenture.

In the event the moneys in the Project Fund available for payment of the Costs of the Project should be insufficient to pay the costs thereof in full, the Borrower agrees to pay directly, or to deposit in the Project Fund moneys sufficient to pay, any costs of completing the Project in excess of the moneys available for such purpose in the Project Fund. The Authority makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the Costs of the Project, under the provisions of the Loan Agreement, will be sufficient to pay all the amounts which may be incurred for such Costs of the Project. The Borrower agrees

that if, after exhaustion of the moneys in the Project Fund, the Borrower should pay, or deposit moneys in the Project Fund for the payment of, any portion of the Costs of the Project pursuant to the provisions of this section, it shall not be entitled to any reimbursement therefor from the Authority, the Trustee, the Bank or the Holders of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable under the Agreement.

### **Loan Repayments and Additional Payments**

On or before each Bond Payment Date (as defined below), until the principal of, premium, if any, and interest on, the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Borrower covenants and agrees to pay to the Trustee as a repayment on the loan made to the Borrower from Bond proceeds pursuant to the Agreement, a sum equal to the amount payable on the next Bond Payment Date as principal of and premium, if any, and interest on, the Bonds as provided in the Indenture (“Loan Repayments”). Such Loan Repayments shall be made in federal funds or other funds immediately available at the Corporate Trust Office of the Trustee. The term “Bond Payment Date” as used in this section shall mean any date upon which any amounts payable with respect to the Bonds shall become due, whether upon redemption, acceleration, maturity or otherwise.

Each Loan Repayment made pursuant to the Agreement shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, becoming due and payable on the Bonds on each Bond Payment Date; provided that once per year, on the third Business Day following the Bond Payment Date of each September, any amount held by the Trustee in the Revenue Fund on the due date for a Loan Repayment thereunder shall be credited against the installment due on the next Bond Payment Date to the extent available for such purpose under the terms of the Indenture; and provided further that if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on, the Bonds as such payments become due, the Borrower shall be relieved of any obligation to make any further payments under the provisions of this section of the Agreement. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on, the Bonds as such payments become due, the Borrower shall forthwith pay such deficiency as a Loan Repayment thereunder.

The obligation of the Borrower to make any Loan Repayment under the Agreement shall be deemed to have been satisfied to the extent of any corresponding payment made by the Bank to the Trustee under the Letter of Credit.

In addition, the Borrower agrees to pay certain Trustee fees and expenses, Remarketing Agent fees and expenses, Authority fees and expenses, costs of issuance and other miscellaneous amounts as provided in the Agreement (collectively, “Additional Payments”).

In the event the Borrower should fail to make any Loan Repayments or Additional Payments required by the Agreement, such payments shall continue as obligations of the Borrower until such amounts shall have been fully paid. The Borrower agrees to pay such amounts, together with interest thereon, following a delinquency of 30 days until such amount and all interest thereon



have been paid in full. Interest thereon shall be at the rate of four percent (4%) per annum or, if four percent is greater than the rate then permitted by law, at the maximum rate so permitted. Interest on overdue Loan Repayments shall be applied as provided in the Indenture.

### **Unconditional Obligation**

The obligations of the Borrower to make the payments required by the Agreement and to perform and observe the other agreements on its part contained therein shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, and during the term of the Loan Agreement, the Borrower shall pay all payments required to be made on account of the loan (which payments shall be net of any other obligations of the Borrower) as prescribed in the Agreement and all other payments required thereunder, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of, premium, if any, sinking fund installments, if any, and interest on, the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Borrower (i) will not suspend or discontinue any payments provided for in the Agreement; (ii) will perform and observe all of its other covenants contained in the Agreement; and (iii) except as provided in the Agreement, will not terminate the Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of those facilities or equipment comprising the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement or the Indenture, except to the extent permitted by the Agreement.

### **Assignment of Authority's Rights**

As security for the payment of the Bonds, the Authority assigns to the Trustee the Authority's rights under the Agreement, including the right to receive payments thereunder (except the Retained Rights), and the Authority directs the Borrower to make the payments required under the Agreement (except such payments for expenses and indemnification) directly to the Trustee. The Borrower assents to such assignment and agrees to make payments directly to the Trustee without defense or set-off by reason of any dispute between the Borrower and the Authority or the Trustee.

### **Certain Covenants of the Borrower**

The Borrower agrees to maintain and repair, or cause to be maintained and repaired, the Project, and pay all utilities, taxes, other governmental charges and assessments due from or levied against the Project. The Borrower agrees to comply with the requirements in the Tax Certificate and the Agreement which are for the benefit of the Trustee and each and every Holder of the Bonds including the Borrower's covenant not to use Bond proceeds in such a manner that should adversely affect the exclusion from gross income for federal income taxation purposes of interest on the Bonds. The Borrower agrees to keep the Project insured and free of liens to the extent provided in the Agreement. The Borrower may not dissolve or otherwise dispose of all or substantially all of its assets and will not combine or consolidate with or merge into another entity

or permit one or more other entities to consolidate with or merge into it so that the Borrower is not the resulting or surviving entity (except for merger into a wholly-owned subsidiary of the Borrower) and not sell or otherwise dispose (including operating arrangements), or permit the sale or disposal (including operating arrangements), of the Project, other than equipment that has reached the end of its useful life, without the prior written consent of the Authority and the Bank, except as otherwise permitted in the Agreement.

### **Continuing Disclosure**

The Borrower covenants and agrees, upon the adjustment to a Term Interest Rate Period with a duration of greater than nine months with respect to any series of the Bonds pursuant to the Indenture and the remarketing of the such Bonds pursuant to the Indenture, to comply with the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time be amended or supplemented. The Borrower acknowledges and agrees that the Authority shall have no liability with respect to these obligations.

### **Loan Default Events**

Any one of the following which occurs and continues shall constitute a Loan Default Event:

(a) failure of the Borrower to make any Loan Repayments required by the Agreement when due; or

(b) failure of the Borrower to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Agreement other than as provided in (a), which continues for a period of 30 days after written notice delivered to the Borrower, which notice shall specify such failure and request that it be remedied, given to the Borrower by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected, and provided further that the Bank shall be given a copy of any such notice, but failure to provide such copy shall not affect the validity of such notice; or

(c) existence of an Event of Default described in subsections (a), (b), (c) or (e) under the heading “THE INDENTURE—Events of Default; Acceleration; Waiver of Default” in this Appendix A; or

(d) any representation or warranty of the Borrower set forth in the Loan Agreement at the time made or deemed made is false in any material respect.

The provisions of subsection (b) of this section are subject to the limitation that the Borrower shall not be deemed in default if and so long as the Borrower is unable to carry out its agreements under the Agreement by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of California or any of their departments, agencies, or officials, or any civil or military authority;

insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; insurrections, wars; acts of terrorism; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Borrower; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Borrower, unfavorable to the Borrower. This limitation shall not apply to any default under subsections (a), (c) or (d) of this section.

Notwithstanding any other provision of the Agreement to the contrary, so long as the Bank is not in default under the Letter of Credit, the Trustee shall not without the prior written consent or direction of the Bank exercise any remedies under the Agreement in the case of any Loan Default Event described in subsections (a), (b), (c) or (d) above; provided, however, that no consent of the Bank shall be required with respect to the Authority's exercise of any remedy provided in the Loan Agreement seeking enforcement of the Retained Rights. The Trustee may exercise any and all remedies under the Indenture and the Agreement (except acceleration) to collect any fees, expenses and indemnification from the Borrower without obtaining the consent of the Bank.

### **Remedies on Default**

Subject to the Loan Default Events provision of the Agreement, whenever any Loan Default Event shall have occurred and shall be continuing,

(a) The Trustee, by written notice to the Authority, the Borrower and the Bank, shall declare the unpaid balance of the Loan Repayments payable under the Agreement to be due and payable immediately, provided that concurrently with or prior to such notice the unpaid principal amount of the Bonds shall have been declared to be due and payable under the Indenture. Upon any such declaration such amount shall become and shall be immediately due and payable as determined in accordance with the Indenture, and the Trustee shall immediately draw upon the Letter of Credit, if permitted by its terms and required by the terms of the Indenture, and apply the amount so drawn in accordance with the Indenture.

(b) The Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrower; provided that the Trustee shall be obligated to protect the confidentiality of such information to the extent provided by State and federal law and prevent its disclosure to the public, except the Authority.

(c) The Authority or the Trustee may take whatever other action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Agreement; provided, however, that acceleration of the unpaid balance of the loan payments is not a remedy available to the Authority.

In case the Trustee or the Authority shall have proceeded to enforce its rights under the Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then, and in every such case, the Borrower, the Trustee and the Authority shall be restored respectively to their several positions and rights under the Agreement, and all rights, remedies and powers of the Borrower, the Trustee and the Authority shall continue as though no such action had been taken.

The Borrower covenants that, in case a Loan Default Event shall occur with respect to the payment of any Loan Repayment payable under the Agreement, then, upon demand of the Trustee, the Borrower will pay to the Trustee the whole amount that then shall have become due and payable under the Agreement, with interest on the amount then overdue at the rate of four percent (4%) per annum, or, if four percent is greater than the rate then permitted by law, at the greatest rate then permitted. Such overdue rate shall be in effect following a delinquency of 30 days and shall remain in effect until such overdue amount has been paid.

In case the Borrower shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrower and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses permitted by the Indenture. Any receiver, assignee or trustee in bankruptcy or reorganization is authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by it up to the date of such distribution.

### **Options to Prepay Installments**

Under the Agreement, the Borrower shall have the option to prepay the Loan Repayments by paying to the Trustee, for deposit in the Revenue Fund, the amount set forth therein, under the circumstances (as such circumstances may apply to any Bonds) described in the Agreement and the Indenture. See the captions “THE BONDS–Redemption Provisions–Optional Redemption–Optional Redemption During Weekly Interest Rate Period” and “–Optional Redemption During Term Interest Rate Period.”

## **Mandatory Prepayment**

The Borrower shall have and accepts the obligation to prepay in whole the Loan Repayments required by the Agreement, together with interest accrued, but unpaid, thereon, to be used to redeem all or a part of the Outstanding Bonds under the following circumstances:

(a) if and when as a result of any changes in the Constitution of the United States of America or the California Constitution or as a result of any legislative, judicial or administrative action, the Agreement shall have become void or unenforceable or impossible of performance in accordance with the intention and purposes of the parties thereto, or shall have been declared unlawful;

(b) if, due to the untruth or inaccuracy of any representation or warranty made by the Borrower in the Agreement or in connection with the offer and sale of the Bonds, or the breach of any covenant or warranty of the Borrower contained in the Agreement or in the Tax Certificate, interest on the Bonds, or any of them, is determined not to be Tax exempt to the Holders thereof (other than a Holder who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) by a final administrative determination of the Internal Revenue Service or judicial decision of a court of competent jurisdiction in a proceeding of which the Borrower received notice and was afforded an opportunity to participate in to the full extent permitted by law. A determination or decision will be considered final for this purpose when all periods for administrative and judicial review have expired; or

(c) if mandatory redemption is required by the Indenture (see “THE BONDS—Redemption Provisions—Mandatory Redemption”) or by any Supplemental Indenture.

## **Non-Liability of Authority**

The Authority shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues. The Borrower acknowledges that the Authority’s sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower pursuant to the Agreement, together with other Revenues, including investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Agreement shall ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Authority or any third party.

## **Amendments, Changes and Modifications**

Except as otherwise provided in the Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, the Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and the Bank, given in accordance with the Indenture.

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## APPENDIX B

### PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

California Pollution Control  
Financing Authority  
Sacramento, California

California Pollution Control Financing Authority  
Variable Rate Demand Solid Waste Disposal Revenue Bonds  
(Big Bear Disposal, Inc. Project) Series 2010  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Pollution Control Financing Authority (the "Authority") in connection with the issuance of \$4,850,000 aggregate principal amount of California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the "Bonds"), issued pursuant to an indenture, dated as of December 1, 2010 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). The Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Big Bear Disposal, Inc., a corporation organized and existing under the laws of the State of California (the "Borrower"), pursuant to a loan agreement, dated as of December 1, 2010 (the "Loan Agreement"), between the Authority and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), between the Authority and the Borrower, opinions of counsel to the Borrower, the Trustee and the Authority, certificates of the Authority, the Trustee, the Borrower and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update

this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against authorities of the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Authority Subaccount of the Costs of Issuance Fund) subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.
4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof or any local agency is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California and said State is not liable for the payment thereof.



5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a “substantial user” of any facilities financed or refinanced by the Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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## APPENDIX C

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, “NSCC”, “GSCC”, “MBSCC”, and “EMCC”, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant,

either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant’s interest in the Bonds on DTC’s records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Bonds to the Trustee’s DTC account.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture and the Loan Agreement. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Bonds for the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Indenture and will not be conducted by the Authority or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**NONE OF THE AUTHORITY, THE BORROWER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.**

None of the Authority, the Borrower or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner,

or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and none of the Authority or the Trustee take any responsibility for the accuracy thereof.

None of the Authority, the Borrower or the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the Authority, the Borrower or the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

**APPENDIX D**

**FORM OF LETTER OF CREDIT**

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December 22, 2010

Irrevocable Letter of Credit No. \_\_\_\_\_

The Bank of New York Mellon Trust Company, N.A.,  
as Trustee under Indenture, dated as of December 1, 2010  
700 South Flower Street, Suite 500  
Los Angeles, CA 90017  
Attn: Corporate Trust Department

Ladies and Gentlemen:

At the request and on the instructions of our customer, Big Bear Disposal, Inc., a California corporation (the "Borrower"), we hereby establish this Letter of Credit in your favor as Trustee and we hereby irrevocably authorize you to draw on us on any Business Day (as defined below) on or before the Expiration Date (as defined below), in accordance with the terms and conditions hereinafter set forth, by sight drafts in an aggregate amount not exceeding Four Million Nine Hundred Twenty One Thousand Seven Hundred Fifty Four Dollars (\$4,921,754) (as reduced and reinstated from time to time in accordance with the provisions hereof, the "Stated Amount"), of which Stated Amount (i) not more than Four Million Eight Hundred Fifty Thousand Dollars (\$4,850,000) (the "Principal Portion") may be designated by you on a duly completed certificate in the form of either Exhibit 1 or Exhibit 2 hereto as being drawn under the Principal Portion of this Letter of Credit and (ii) not more than Seventy One Thousand Seven Hundred Fifty Four Dollars (\$71,754) (the "Interest Portion") (calculated as 45 days interest on the Principal Portion at the annual rate of 12%, based on a year of 365 days) may be designated by you on a duly completed certificate in the form of either Exhibit 1 or Exhibit 2 hereto as being drawn under the Interest Portion of this Letter of Credit. As used herein, the term "Business Day" means any day other than Saturday, Sunday or a day on which commercial banks in the State of California are authorized or required by law to close.

Funds under this Letter of Credit are available to you against your sight draft(s) accompanied by your executed and completed certificate(s) dated the date of presentation in the form of either Exhibit 1 or Exhibit 2 hereto. Each sight draft presented hereunder shall be in the form attached hereto as Exhibit 7, duly completed by you, and must be dated the date of presentation to us.

Demand for payment may be made by you under this Letter of Credit on or before the Expiration Date by presentation to us at our office at 1980 Saturn Street, Monterey Park, California 91755-7417 or at such other address in the County of Los Angeles as we may specify in a notice delivered to you (the "Payment Office"), at any time during business hours at the

Payment Office, on a Business Day. Demands for payment and the accompanying certificates may also be presented by telecommunications through telefax number (323) 720-2773, with originally executed documents to follow immediately thereafter via overnight mail or courier service. Presentations effected by telecommunications as provided above will be honored by us in the same manner as presentations effected in person, provided that your demand for payment and the documents presented in connection therewith conform to the terms and conditions of this Letter of Credit but for the requirement of original signatures. We shall have no duty to examine, and will not examine, the original documents confirming presentation by telecommunications, and our failure to receive any such original documents shall not affect or impair the validity of any presentation otherwise properly effected by telecommunications. In the event of presentation by telecommunications, the telecommunication is, and shall be considered, the sole original presentation.

If demand for payment accompanied by your duly completed certificate in the form of Exhibit 1 hereto is received by us as aforesaid at or prior to 3:00 p.m., Los Angeles time, on a Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, in immediately available funds, no later than 10:00 a.m., Los Angeles time, on the next succeeding Business Day. If demand for payment accompanied by your duly completed certificate in the form of Exhibit 1 hereto is received by us as aforesaid after 3:00 p.m., Los Angeles time, on a Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 10:00 a.m., Los Angeles time, on the second succeeding Business Day thereafter. If a demand for payment accompanied by your duly completed certificate in the form of Exhibit 2 hereto is received by us as aforesaid at or prior to 8:30 a.m., Los Angeles time, on a Business Day, and provided that such demand and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, of the amount specified, in immediately available funds, not later than 11:00 a.m., Los Angeles time, on the same Business Day or not later than 11:00 a.m., Los Angeles time, on such later Business Day as you may specify. If a demand for payment accompanied by your duly completed certificate in the form of Exhibit 2 hereto is received by us as aforesaid after 8:30 a.m., Los Angeles time, on a Business Day and provided that such demand and the documents presented in connection therewith conform to the terms and conditions hereof, payment shall be made to you, of the amount specified, in immediately available funds, not later than 11:00 a.m., Los Angeles time, on the next succeeding Business Day or not later than 11:00 a.m., Los Angeles time, on such later Business Day as you may specify. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that such demand was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we are holding any documents at your disposal or are returning the same to you, as we may elect. Upon being notified that such demand was not effected in accordance with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment if, and to the extent that, you are entitled (without regard to the provisions of this sentence) and able to do so.

Demands for payment honored hereunder shall not exceed the Stated Amount as the same may be reduced or reinstated as hereinafter provided. The Principal Portion and the Interest

Portion of the Stated Amount shall each be reduced automatically, without notice to you, by the respective amount of drawings honored under each such portion. The Interest Portion of the Stated Amount shall be automatically reinstated to the maximum amount then available under the Interest Portion effective as of our close of business in Los Angeles, California on the third Business Day after any payment in respect of any drawing under the Interest Portion unless, prior to such close of business on such third Business Day, you have received a written notice from us in the form of Exhibit 8 hereto; provided, however that, with respect to any reduction in the Stated Amount made as a result of a drawing pursuant to the Liquidity Drawing Certificate attached hereto as Exhibit 2, both the Principal Portion and the Interest Portion of such drawing shall be reinstated effective only upon our delivery to you of the written confirmation of reinstatement in the form attached hereto as Exhibit 9. Effective as of our close of business in Los Angeles, California on the date of our receipt from you of a duly completed certificate in the form of Exhibit 10 hereto, the maximum amount available to be drawn under the Interest Portion of the Letter of Credit shall be reduced to the amount specified in such certificate.

This Letter of Credit shall expire at 4:00 p.m. Los Angeles time, on the earlier to occur of the following dates (the "Expiration Date"): (i) December 22, 2015, or (ii) the date on which we receive a certificate executed by you in the form of either Exhibit 3, 4 or 5 hereto. This Letter of Credit shall be promptly surrendered to us by you upon such expiration.

This Letter of Credit sets forth in full the terms of our undertaking, and this undertaking shall not in any way be modified, amended or amplified by reference to any document, instrument or agreement referred to herein (except the UCP, as hereinafter defined, or as expressly provided herein), or in which this Letter of Credit is referred to or to which this Letter of Credit relates, and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

This Letter of Credit is transferable in its entirety (but not in part) and may be successively transferred by the presentation to us of this Letter of Credit accompanied by a certificate substantially in the form of Exhibit 6 attached hereto.

Only you (or a transferee as permitted by the terms of this Letter of Credit) may make a drawing under this Letter of Credit. Upon the payment to you or your account of the amounts specified in all sight drafts permitted to be drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit, and we shall not thereafter be obligated to make any further payments under this Letter of Credit to you or to any other person or entity who may have made to you or who makes to you a demand for payment with respect to any of the Bonds (as that term is defined in Exhibit 1 attached hereto).

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce, Publication No. 600 (the "UCP"); provided that (i) Article 32 thereof shall not limit the rights of the Trustee to make drawings in compliance with the terms hereof; (ii) anything in this Letter of Credit to the contrary notwithstanding, if we are unable to perform our obligations hereunder because of the interruption of our business for any of the reasons specified in Article 36 of the UCP and this Letter of Credit would otherwise expire during such interruption, then this Letter of Credit shall not then expire but shall be valid, binding and enforceable upon the resumption of our business

and shall continue in effect for a period of thirty days immediately following the date of such resumption; at the conclusion of such thirty day period this Letter of Credit shall expire; (iii) subsection (e) of Article 38 shall not apply to this Letter of Credit; and (iv) for purposes of Article 6(d)(ii) of the UCP, the place of presentation for payment shall be the Payment Office. As to matters not governed by the UCP, this Letter of Credit shall be governed by the Uniform Commercial Code as in effect in the State of California.

We hereby agree with you that each draft drawn in compliance with the terms of this credit shall be duly honored on presentation to us and shall be paid with our funds and not with any funds of the Borrower.

Very truly yours,

UNION BANK, N.A.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Delivery Address:

UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

Telephone: (323) 720-7957

Telecop: (323) 720-2773

SPECIMEN

DRAWING CERTIFICATE FOR PAYMENT  
OF PRINCIPAL AND/OR INTEREST

To: UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

Re: \$4,850,000 in aggregate principal amount of the Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the "Bonds") issued pursuant to an Indenture dated as of December 1, 2010 (the "Indenture") between the California Pollution Control Financing Authority (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as Trustee

The undersigned (the "Trustee"), acting by and through its duly authorized officer, hereby certifies, with reference to its concurrent presentation of a sight draft under that certain Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"), issued by Union Bank, N.A. in favor of the Trustee under the Indenture, that (i) the amount of the sight draft accompanying this Certificate is payable under the Indenture and was computed in accordance with the terms thereof and of the Letter of Credit and does not exceed the Stated Amount (as defined in the Letter of Credit); and (ii) the sight draft accompanying this certificate is in the amount of \$ \_\_\_\_\_ of which \$ \_\_\_\_\_ is being drawn under the Principal Portion of the Letter of Credit and \$ \_\_\_\_\_ is being drawn under the Interest Portion of the Letter of Credit. No portion of the amount being drawn herewith is being drawn in respect of the purchase price of Bonds tendered for purchase under the Indenture. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of \_\_\_\_\_

TRUSTEE:

[Name of Trustee]

By: \_\_\_\_\_  
Authorized Officer

LIQUIDITY DRAWING CERTIFICATE

To: UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

Re: \$4,850,000 in aggregate principal amount of the Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the "Bonds") issued pursuant to an Indenture dated as of December 1, 2010 (the "Indenture") between the California Pollution Control Financing Authority (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as Trustee

The undersigned (the "Trustee"), acting by and through its duly authorized officer, hereby certifies, with reference to its concurrent presentation of a sight draft under that certain Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"), issued by Union Bank, N.A. in favor of the Trustee under the Indenture, that (i) the amount of the sight draft accompanying this Certificate is payable under the Indenture and was computed in accordance with the terms thereof and of the Letter of Credit and does not exceed the Stated Amount (as defined in the Letter of Credit); and (ii) the sight draft accompanying this certificate is in the amount of \$ \_\_\_\_\_ of which \$ \_\_\_\_\_ is being drawn under the Principal Portion of the Letter of Credit with respect to the principal amount of Bonds being tendered for purchase under the Indenture and \$ \_\_\_\_\_ is being drawn under the Interest Portion of the Letter of Credit with respect to accrued and unpaid interest due on Bonds being tendered for purchase under the Indenture. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of \_\_\_\_\_

TRUSTEE:

[Name of Trustee]

By: \_\_\_\_\_  
Authorized Officer

ALTERNATE LETTER OF CREDIT/ALTERNATE CREDIT FACILITY  
CERTIFICATE

To: UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

Re: \$4,850,000 in aggregate principal amount of the Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the "Bonds") issued pursuant to an Indenture dated as of December 1, 2010 (the "Indenture") between the California Pollution Control Financing Authority (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as Trustee

The undersigned (the "Trustee"), acting by and through its duly authorized officer, hereby certifies, with reference to that certain Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"), issued by Union Bank, N.A. in favor of the Trustee under the Indenture, that:

- (1) The Trustee is presently Trustee under the Indenture for the owners of the Bonds.
- (2) The conditions precedent for the acceptance of an [Alternate Letter of Credit] [Alternate Credit Facility], as set forth in the Indenture, have been satisfied.
- (3) As Trustee under the Indenture, the Trustee has accepted such [Alternate Letter of Credit] [Alternate Credit Facility] and such [Alternate Letter of Credit] [Alternate Credit Facility] is effective.
- (4) Pursuant to the Indenture and the Letter of Credit, we are delivering herewith the Letter of Credit for cancellation.
- (5) The undersigned officer of the Trustee is duly authorized to execute and deliver this Certificate on behalf of the Trustee.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of \_\_\_\_\_, \_\_\_\_.

TRUSTEE:

[Name of Trustee]

By: \_\_\_\_\_  
Authorized Officer

INTEREST RATE CONVERSION  
CERTIFICATE

To: UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

Re: \$4,850,000 in aggregate principal amount of the Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the "Bonds") issued pursuant to an Indenture dated as of December 1, 2010 (the "Indenture") between the California Pollution Control Financing Authority (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as Trustee

The undersigned (the "Trustee"), acting by and through its duly authorized officer, hereby certifies, with reference to that certain Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"), issued by Union Bank, N.A. in favor of the Trustee under the Indenture, that:

- (1) The Trustee is presently Trustee under the Indenture for the owners of the Bonds.
- (2) The interest rate on the Bonds has been converted to an interest rate other than a Weekly Interest Rate, as such term is defined in the Indenture.
- (3) Pursuant to the Indenture and the Letter of Credit, we are delivering herewith the Letter of Credit for cancellation.
- (4) The undersigned officer of the Trustee is duly authorized to execute and deliver this Certificate on behalf of the Trustee.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of \_\_\_\_\_.

TRUSTEE:

[Name of Trustee]

By: \_\_\_\_\_  
Authorized Officer



DEFEASANCE OR FULL PAYMENT  
CERTIFICATE

To: UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

Re: \$4,850,000 in aggregate principal amount of the Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the "Bonds") issued pursuant to an Indenture dated as of December 1, 2010 (the "Indenture") between the California Pollution Control Financing Authority (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as Trustee

The undersigned (the "Trustee"), acting by and through its duly authorized officer, hereby certifies, with reference to that certain Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"), issued by Union Bank, N.A. in favor of the Trustee under the Indenture, that:

- (1) The Trustee is presently Trustee under the Indenture for the owners of the Bonds.
- (2) No Bonds remain outstanding under the Indenture.
- (3) Pursuant to the Indenture and the Letter of Credit, we are delivering herewith the Letter of Credit for cancellation.
- (4) The undersigned officer of the Trustee is duly authorized to execute and deliver this Certificate on behalf of the Trustee.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of \_\_\_\_\_

TRUSTEE:

[Name of Trustee]

By: \_\_\_\_\_  
Authorized Officer

UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

Re: Irrevocable Letter of Credit No. \_\_\_\_\_

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)

(Address)

all rights of the undersigned beneficiary to draw under the above Letter of Credit. The transferee has succeeded to the undersigned as Trustee under that certain Indenture dated as of December 1, 2010, between the California Pollution Control Financing Authority and the undersigned as Trustee.

By this transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The above Letter of Credit is returned herewith and, in accordance therewith, we ask that this transfer be effective and that you issue a new irrevocable letter of credit in favor of the transferee with provisions consistent with the above Letter of Credit.

Very truly yours,

[Name of Beneficiary]

By: \_\_\_\_\_  
Authorized Officer

Date: \_\_\_\_\_, \_\_\_\_\_

Drawn under Union Bank, N.A.  
Irrevocable Letter of Credit No. \_\_\_\_\_

UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

This sight draft is presented to you for the amount of \$ \_\_\_\_\_ for the purposes set forth in the accompanying Certificate.

\_\_\_\_\_ as Trustee (the  
"Trustee") under that certain Indenture dated as of  
December 1, 2010, between the Trustee and the  
California Pollution Control Financing Authority.

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

NOTICE OF NON-REINSTATEMENT OF INTEREST

To: [Insert name and address of Trustee]

Irrevocable Letter of Credit No. \_\_\_\_\_

The undersigned, a duly authorized officer of Union Bank, N.A. (the "Bank"), hereby gives notice to \_\_\_\_\_ (the "Trustee"), with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit") issued by the Bank in favor of the Trustee, that an Event of Default (as defined in the Credit Agreement referred to below) has occurred and is continuing under that certain Credit Agreement, dated as of December 1, 2010, by and between Big Bear Disposal, Inc., and Community Recycling & Resource Recovery, Inc., as borrowers, the financial institutions named therein as lenders and Union Bank, N.A., as agent for such lenders, as amended from time to time, and the Interest Portion (as defined in the Letter of Credit) will not be reinstated. Pursuant to Section 7.01(e)(i) of that certain Indenture, dated as of December 1, 2010 (the "Indenture"), between the Trustee and the California Pollution Control Finance Authority, you are now required to declare the principal of and interest on the Bonds (as defined in the Indenture) immediately due and payable and to draw upon the Letter of Credit in accordance with the terms thereof. The Bank hereby certifies that it has not directed you to give notice of mandatory tender for the Bonds pursuant to Section 4.06(a)(iii) of the Indenture.

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice as of the \_\_\_\_\_ day \_\_\_\_\_, \_\_\_\_\_.

UNION BANK, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SPECIMEN

NOTICE OF REINSTATEMENT

To: [Insert name and address of Trustee]

Irrevocable Letter of Credit No. \_\_\_\_\_

The undersigned, a duly authorized officer of Union Bank, N.A. (the "Bank"), hereby gives notice to \_\_\_\_\_ (the "Trustee"), with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"; capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Letter of Credit) issued by the Bank in favor of the Trustee, that effective as of the date of this notice, the Principal Portion of the Letter of Credit has been reinstated to the aggregate amount of [\_\_\_\_\_ Dollars] [\$\_\_\_\_\_] and the Interest Portion of the Letter of Credit has been reinstated to [\_\_\_\_\_ Dollars](\$ \_\_\_\_\_) [*insert amount equal to 45 days interest on the Principal Portion referred to above at the annual rate of 12%, based on a year of 365 days*].

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

UNION BANK, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SPECIMEN

INTEREST PORTION REDUCTION CERTIFICATE

To: UNION BANK, N.A.  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V02-906  
Monterey Park, CA 91755-7417  
Attn: Standby Letter of Credit Section

Re: \$4,850,000 in aggregate principal amount of the Variable Rate Demand Solid Waste Disposal Revenue Bonds (Big Bear Disposal, Inc. Project) Series 2010 (the "Bonds") issued pursuant to an Indenture dated as of December 1, 2010 (the "Indenture") between the California Pollution Control Financing Authority (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as Trustee

The undersigned (the "Trustee"), acting by and through its duly authorized officer, hereby certifies, with reference to that certain Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"), issued by Union Bank, N.A. in favor of the Trustee under the Indenture, that:

- (1) The Trustee is presently Trustee under the Indenture for the owners of the Bonds.
- (2) The Trustee hereby notifies you that on or prior to the date hereof \$ \_\_\_\_\_ principal amount of the Bonds has been redeemed and paid or has been defeased pursuant to the Indenture.
- (3) Following the redemption, payment or defeasance referred to in paragraph (2) above, the aggregate principal amount of all of the Bonds which are "Outstanding" within the meaning of the Indenture is \$ \_\_\_\_\_.
- (4) The maximum amount of interest, computed in accordance with the terms and conditions of the Bonds and the Indenture, which could accrue on the Bonds referred to in paragraph (3) above at the annual interest rate of twelve percent (12%) per annum for 45 days is \$ \_\_\_\_\_.
- (5) The Interest Portion available to be drawn by the Trustee under the Letter of Credit is hereby reduced to \$ \_\_\_\_\_ (such amount being equal to the amount specified in paragraph (4) above) effective as of your close of business in Los Angeles, California on the date of receipt by you of this Certificate.
- (6) The undersigned officer of the Trustee is duly authorized to execute and deliver this Certificate on behalf of the Trustee.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of \_\_\_\_\_, \_\_\_\_.

TRUSTEE:

[Name of Trustee]

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

[As of December \_\_, 2010]

**California Pollution Control Financing Authority  
Variable Rate Demand Solid Waste Disposal Revenue Bonds  
(Big Bear Disposal, Inc. Project)  
Series 2010**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Big Bear Disposal, Inc. (the “Borrower”) in connection with the issuance of the above-named bonds (the “Bonds”). The Bonds are being issued pursuant to an indenture (the “Indenture”), dated as of December 1, 2010 (the “Indenture”), by and between the California Pollution Control Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”). The Borrower covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Borrower for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean Westhoff, Cone & Holmstedt, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Borrower a written acceptance of such designation.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange

Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports.

(a) The Borrower shall, or shall cause the Dissemination Agent to, on a date which is the latter of the end of the Borrower’s Fiscal Year or January 15 following the end of such Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If the Borrower’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the Borrower shall provide the Annual Report to the Dissemination Agent (if other than the Borrower). If the Borrower is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Borrower shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Borrower) file a report with the Borrower certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Borrower’s Annual Report shall contain a statement to the effect that due to the fact that the Official Statement did not include financial or operating data of the Borrower, no such information is being provided as of the date of such Annual Report.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Borrower or related public entities, which have been made available to the public on the MSRB’s website. The Borrower shall clearly identify each such other document so included by reference.

### SECTION 5. Reporting of Significant Events.

(a) The Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2.     Unscheduled draws on debt service reserves reflecting financial difficulties;
3.     Unscheduled draws on credit enhancements reflecting financial difficulties;
4.     Substitution of credit or liquidity providers, or their failure to perform;
5.     Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6.     Tender offers;
7.     Defeasances;
8.     Rating changes; or
9.     Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b)     The Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1.     Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2.     Modifications to rights of Bond holders;
3.     Optional, unscheduled or contingent Bond calls;
4.     Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Borrower shall determine if such event would be material under applicable federal securities laws.

(d) If the Borrower learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Borrower shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Borrower shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Westhoff, Cone & Holmstedt ("WCH"), whose appointment is set forth under the Remarketing Agreement, dated as of December 1, 2010 (the "Remarketing Agreement"), by and between WCH and the Borrower.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Borrower may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises

from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Borrower shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the Borrower chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the Borrower shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the Borrower to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_.

BIG BEAR DISPOSAL, INC.

By \_\_\_\_\_  
Authorized Borrower Representative

**CONTINUING DISCLOSURE EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Borrower: Big Bear Disposal, Inc.  
Name of Bond Issue: California Pollution Control Financing Authority  
Variable Rate Demand Solid Waste Disposal Revenue Bonds  
(Big Bear Disposal, Inc. Project)  
Series 2010  
Date of Issuance: December 22, 2010

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the Borrower, dated the Date of Issuance. [The Borrower anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

BIG BEAR DISPOSAL, INC.

By \_\_\_\_\_ [to be signed only if filed]

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