

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE OF THE CITY OF PASADENA AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$25,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA WATER REVENUE BONDS, 2007 SERIES, PAYABLE OUT OF THE WATER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A SECOND SUPPLEMENT TO WATER REVENUE BOND INDENTURE AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION THEREWITH**

WHEREAS, pursuant to Article XIV of the Charter (the "Charter") of the City of Pasadena (the "City"), the City Council of the City (the "City Council") is authorized to provide for the issuance of revenue bonds for the purpose of providing moneys for the acquisition and construction of additions to, extensions, improvements, or repairs of the water system of the City by ordinance authorizing the issuance of such revenue bonds; and

WHEREAS, the City has previously issued its \$47,425,000 Water Revenue and Refunding Bonds, 2003 Series (the "2003 Bonds") pursuant to Article XIV of the Charter, a Water Revenue Bond Indenture, dated as of August 1, 2003, by and between the City and The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), as trustee (the "Trustee") (the "Master Indenture"), as supplemented by a First Supplement to Water Revenue Bond Indenture, dated as of August 1, 2003, by and between the City and the Trustee; and

WHEREAS, pursuant to Article XIV of the Charter, the City now proposes to issue on a parity basis with the 2003 Bonds its Water Revenue Bonds, 2007 Series (the "2007 Bonds") pursuant to the Master Indenture, as supplemented by a Second Supplement to Water Revenue Bond Indenture, dated as of April 1, 2007, by and between the City and the Trustee (the "Second Supplement," and together with the Master Indenture, the "Indenture"), to provide moneys (i) for the acquisition and construction of additions to, and extensions and improvements of, the Water System (ii) to make an additional deposit to the reserve fund for the 2003 Bonds, the 2007 Bonds and other parity obligations, and (iii) to pay costs of issuance of the 2007 Bonds, including the premium of a bond insurance policy, said 2007 Bonds not to constitute an indebtedness of the City but to constitute obligations which shall be payable as to both principal and interest, and any premiums upon the redemption of any thereof prior to maturity, only from the Water Fund of the City and certain other funds as provided in the Indenture; and this Ordinance is for the purpose of authorizing the issuance of such 2007 Bonds.

NOW, THEREFORE, the People of the City of Pasadena ordain as follows:

**Section 1. Authorization to Issues 2007 Bonds; Purpose; Principal Amount.**

(a) Pursuant to Article XIV of the Charter, the City Council does hereby authorize to be issued, upon the terms and conditions as hereinafter set forth, the 2007 Bonds in the aggregate principal amount of not to exceed \$25,000,000 for the acquisition and construction of additions

to, and extensions and improvements of, the Water System, including the payment of costs and expenses incidental thereto.

(b) This Ordinance shall constitute complete authority to issue the 2007 Bonds pursuant to the Indenture as provided herein.

**Section 2. Issuance of 2007 Bonds.** The 2007 Bonds shall be issued pursuant to and in accordance with the terms and conditions set forth in this Ordinance, and more specifically in the Master Indenture and the Second Supplement.

**Section 3. Date of Issuance; Maximum Interest Rates.** The 2007 Bonds shall be dated their date of delivery. The maximum interest rate to be payable on the 2007 Bonds shall not exceed an amount that will result in a true interest cost to the City of greater than five and one-half (5.5%) per annum.

**Section 4. Maturity Dates.** The maximum term for the 2007 Bonds shall be 30 years. Subject to the preceding sentence, the 2007 Bonds shall mature and be payable on such dates as specifically set forth in the Second Supplement described in Section 6 hereof.

**Section 5. Source of Payment.** The 2007 Bonds shall not constitute an indebtedness of the City but shall constitute obligations which shall be payable as to both principal and interest, and any premiums upon the redemption of any thereof prior to maturity, only from the Water Fund of the City, as provided in Article XIV of the Charter, and certain other funds as authorized by Article XIV and provided in the Indenture.

**Section 6. Approval of Second Supplement.** In order to prescribe the terms and conditions upon which the 2007 Bonds are to be issued, secured, executed, authenticated and held, the Second Supplement proposed to be executed and entered into by the City and the Trustee, in substantially the form attached hereto as Exhibit A is hereby approved, and the Director of Finance (or, in the absence of the Director of Finance, his designee) is hereby authorized and directed, for and in the name and on behalf of the City, to execute, and the City Clerk is authorized to affix the official seal of the City to, and deliver the Second Supplement to the Trustee in substantially such form, with such changes (including, without limitation, such changes as may be necessary to provide for the issuance of a municipal bond insurance policy and/or a surety bond for the reserve fund if so determined or such changes as may be requested by rating agencies providing a rating on the 2007 Bonds) as may be approved by the Director of Finance (or, in the absence of the Director of Finance, his designee), acting on behalf of the City, subject to advice of counsel, such execution thereof to constitute conclusive evidence of the approval of the City of all changes from the form of the Second Supplement presented to this meeting.

**Section 7. Continuing Disclosure Agreement.** The Continuing Disclosure Agreement, proposed to be executed and entered into by and between the City and the Trustee, in substantially the form attached hereto as Exhibit B is hereby approved, and the Director of Finance (or, in the absence of the Director of Finance, his designee) is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the trustee the Continuing Disclosure Agreement in substantially said form, with such changes as may be

approved by the Director of Finance (or, in the absence of the Director of Finance, his designee), acting on behalf of the City, subject to advice of counsel, such execution thereof to constitute conclusive evidence of the approval of the City of all changes from the form of the Continuing Disclosure Agreement presented to this meeting.

**Section 8. Official Action.** All actions heretofore taken by the officers and agents of the City with respect to the issuance of the 2007 Bonds and the negotiation and execution of said agreements are hereby approved, confirmed and ratified. The City Manager, the Director of Finance, the City Treasurer, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City to do any and all things and take any and all actions, including, without limitation, the negotiation of a municipal bond insurance policy for all or any of the 2007 Bonds and a surety bond in lieu of cash for any reserve fund, and including execution and delivery of any and all certificates, requisitions, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the issuance, sale and delivery of the 2007 Bonds pursuant to the agreements described herein.

**Section 9. Provisions Necessary and Desirable.** The provisions of this Ordinance are deemed necessary and desirable to facilitate the issuance and sale of the 2007 Bonds authorized by this Ordinance.

**Section 10. Publication.** The City Clerk shall certify to the passage and adoption of this Ordinance and shall cause this Ordinance, excepting the exhibits attached hereto, to be published once in the PASADENA STAR-NEWS, a daily newspaper of general circulation published in said City.

**Section 11. Effective Date.** This Ordinance shall take effect on the date of publication pursuant to Section 10, subject only to the right of referendum provided in Section 1413 of the City Charter.

Signed and approved this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

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Mayor of the City of Pasadena, California

**I HEREBY CERTIFY** that the foregoing Ordinance was adopted by the City Council of the City of Pasadena at its regular meeting held \_\_\_\_\_, 2007, by the following vote:

Ayes:

Noes:

Absent:

Published: Pasadena Star News

APPROVED AS TO FORM:

  
Michele Beal Bagneris  
City Attorney

\_\_\_\_\_  
Jane L. Rodriguez  
City Clerk

APPROVED AS TO FORM:

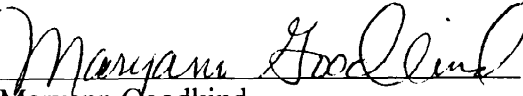
  
Maryann Goodkind  
Fulbright & Jaworski L.L.P.  
Bond Counsel

EXHIBIT A

PROPOSED FORM OF  
SECOND SUPPLEMENT TO  
WATER REVENUE BOND INDENTURE

2/14/07

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SECOND SUPPLEMENT TO  
WATER REVENUE BOND INDENTURE

by and between the

CITY OF PASADENA, CALIFORNIA

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.  
as Trustee

RELATING TO THE CITY OF PASADENA, CALIFORNIA

WATER REVENUE BONDS, SERIES 2007

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Dated as of April 1, 2007

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(Supplement to the Water Revenue  
Bond Indenture dated as of August 1, 2003)

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SECOND SUPPLEMENT  
WATER REVENUE BOND INDENTURE

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Second Supplement to Water Revenue Bond Indenture  
(Supplement to the Water Revenue Bond Indenture  
dated as of August 1, 2003)  
Authorizing the Issuance of  
\$ \_\_\_\_\_  
Aggregate Principal Amount of  
City of Pasadena, California  
Water Revenue Bonds,  
Series 2007

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This SECOND SUPPLEMENT TO WATER REVENUE BOND INDENTURE, dated as of April 1, 2007 (the "Second Supplement"), by and between the CITY OF PASADENA, CALIFORNIA (the "City"), a municipal corporation and chartered city duly organized and existing under the Constitution and laws of the State of California, and THE BANK OF NEW YORK TRUST COMPANY, as trustee (the "Trustee"),

W I T N E S S E T H :

WHEREAS, this Second Supplement is supplemental to the Water Revenue Bond Indenture, dated as of August 1, 2003 (the "Master Indenture"), by and between the City and the Trustee, providing for the issuance of City of Pasadena, California, Water Revenue Bonds (the "Bonds"); and

WHEREAS, the Master Indenture provides that the City may issue Bonds from time to time as authorized by a Supplemental Indenture; and

WHEREAS, the City has previously issued its \$47,425,000 Water Revenue and Refunding Bonds, 2003 Series (the "2003 Bonds") pursuant to Article XIV of the Charter, the Master Indenture, as supplemented by a First Supplement to Water Revenue Bond Indenture, dated as of August 1, 2003, by and between the City and the Trustee; and

WHEREAS, pursuant to Article XIV of the Charter and Ordinance No. \_\_\_\_ of the City, adopted on \_\_\_\_\_, 2007, the City proposes to issue its Water Revenue Bonds, Series 2007 (the "2007 Bonds") pursuant the Master Indenture, as supplemented by this Second Supplement, to provide moneys for the acquisition and construction of additions to, and extensions and improvements of, the Water System, said 2007 Bonds not to constitute an indebtedness of the City but to constitute obligations which shall be payable as to both principal and interest, and any premiums upon the redemption of any thereof prior to maturity, only from the revenues of the Water System; provided, however, that this shall not preclude the payment thereof from the proceeds of bonds issued to refund said bonds under said Article XIV or any other law of the State of California nor preclude the use of any sum received as premium or accrued interest on



the sale of the bonds to pay principal and interest thereof, nor payment from certain other funds or moneys as provided under said Article XIV; and

WHEREAS, the City Council has determined, that it is necessary and required that the City enter into this Second Supplement in order to establish and declare, in conjunction with the Master Indenture, the terms and conditions upon which the 2007 Bonds shall be issued; and

WHEREAS, the City Council has determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Second Supplement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Second Supplement;

NOW, THEREFORE, the parties hereto agree, as follows:

### **ARTICLE XIII**

#### **THE 2007 BONDS**

**SECTION 13.01.** Definitions. The terms defined in this Section shall, for all purposes of this Second Supplement and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Terms defined in the Master Indenture and this Second Supplement (collectively, the “Indenture”) not otherwise defined herein shall have the meanings specified in the Master Indenture.

“2007 Bonds” means the City of Pasadena, California Water Revenue Bonds, Series 2007, as described in Section 13.02(A) hereof.

[“2007 Insurance Policy” means the insurance policy issued by 2007 Insurer guaranteeing the scheduled payment of principal of and interest on the 2007 Bonds when due.]

[“2007 Insurer” means \_\_\_\_\_, or any successor thereto or assignee thereof.]

“2007 Project” means those certain facilities relating to the Water System to be acquired and constructed and financed in whole or in part with the proceeds of the 2007 Bonds.

#### **SECTION 13.02.** Authorization; Terms of the 2007 Bonds.

(A) A second Series of Bonds to be issued under the Indenture is hereby created. Such Series shall be known as the “City of Pasadena, California Water Revenue Bonds, Series 2007.” The 2007 Bonds shall be issued in the aggregate initial principal amount of \$ \_\_\_\_\_ in accordance with the law and this Indenture for the purposes of (i) paying costs of the 2007 Project, (ii) making an additional deposit to the Parity Reserve Fund, and (iii) paying the Costs of Issuance in connection with the issuance and delivery of the 2007 Bonds.

(B) The 2007 Bonds shall be issued in fully registered form and shall be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company. The 2007 Bonds shall be evidenced by one 2007 Bond maturing on each of the maturity dates as set forth in subsection 13.02(C) in a denomination corresponding to the total principal amount of the 2007 Bonds of such maturity. Each 2007 Bond may be assigned by the Trustee a distinctive number or letter and number, and a record of the same shall be maintained by the Trustee. Registered ownership of the 2007 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 13.11.

(C) The 2007 Bonds shall be dated the date of delivery, shall be bonds which are Current Interest Indebtedness, shall be issued in denominations of \$5,000 or any integral multiple thereof, and shall bear interest from the date thereof at the following rates per annum and shall mature on June 1 in the following years in the following amounts:

| <u>Maturity Date</u><br>(June 1) | <u>Principal</u><br><u>Amount</u> | <u>Interest</u><br><u>Rate</u> |
|----------------------------------|-----------------------------------|--------------------------------|
|                                  | \$                                | %                              |

The 2007 Bonds maturing on \_\_\_\_ through \_\_\_\_ inclusive, are designated Serial Bonds. The 2007 Bonds maturing on \_\_\_\_ and \_\_\_\_ are designated Term Bonds.

Interest on the 2007 Bonds shall be payable commencing on June 1, 2007 and semiannually thereafter on June 1 and December 1 of each year in lawful money of the United States of America by check mailed by first-class mail on each interest payment date to the Owner thereof as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding such interest payment date; provided, that upon the written request of an Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of 2007 Bonds received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such Owner), interest shall be paid by wire transfer in immediately available funds. Interest on the 2007 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The principal of and premium, if any, on the 2007 Bonds are payable when due upon presentation thereof at the Corporate Trust Office of the Trustee, in lawful money of the United States of America.

So long as the 2007 Bonds are maintained in book-entry form, payments of principal, premium, if any, and interest shall be made by the Trustee to the DTC by wire transfer.

The Trustee shall provide to Bondholders CUSIP number identification, with appropriate dollar amounts for each CUSIP number, on all redemption payments and interest payments, whether by check or by wire transfer.

**SECTION 13.03. Redemption of 2007 Bonds.**

(A) The 2007 Bonds maturing on or before June 1, 2016 are not subject to call or redemption prior to maturity. The 2007 Bonds maturing on or after June 1, 2017 shall be subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the City and by lot within a maturity), on or after June 1, 2016, at a redemption price equal to the principal amount of the 2007 Bonds called for redemption together with accrued interest thereon to the date of redemption, without premium.

(B) The 2007 Bonds maturing on June 1, \_\_\_\_\_ and June 1, \_\_\_\_\_ shall also be subject to redemption prior to their stated maturity, in part, by lot, from mandatory sinking fund payments as specified below, commencing on June 1, \_\_\_\_\_ and June 1, \_\_\_\_\_, respectively, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption without premium.

Term 2007 Bonds Due June 1, \_\_\_\_\_

|   |   |
|---|---|
| Mandatory<br>Sinking Fund<br>Payment Dates<br>(June 1)<br><hr style="width: 80%; margin: auto;"/> | Mandatory<br>Sinking Fund<br>Payments<br><hr style="width: 80%; margin: auto;"/> \$ |
| †   |   |
| † Final Maturity.   |   |

Term 2007 Bonds Due June 1, \_\_\_\_\_

|   |   |
|---|---|
| Mandatory<br>Sinking Fund<br>Payment Dates<br>(June 1)<br><hr style="width: 80%; margin: auto;"/> | Mandatory<br>Sinking Fund<br>Payments<br><hr style="width: 80%; margin: auto;"/> \$ |
| †   |   |
| † Final Maturity.   |   |

**SECTION 13.04.** Selection of 2007 Bonds for Redemption. Whenever provision is made in this Second Supplement for the redemption of less than all of the 2007 Bonds of any maturity (and interest rate), the Trustee shall select the 2007 Bonds to be redeemed, from all 2007 Bonds of the respective maturity (and interest rate) not previously called for redemption, in authorized denominations, by lot in any manner which the Trustee in its sole discretion shall deem appropriate. The Trustee shall promptly notify the City in writing of the 2007 Bonds so selected for redemption.

**SECTION 13.05.** Notice of Redemption of 2007 Bonds. The City shall notify the Trustee at least forty-five (45) days prior to the redemption date for 2007 Bonds pursuant to Section 13.03(A) or (B). Notice of redemption shall be given in the form and in accordance with the terms of the Indenture, provided that any notice of redemption shall be cancelled and annulled if for any reason funds are not or will not be available on the date fixed for redemption for the payment in full of the 2007 Bonds then called for redemption, and neither the lack of available funds nor such cancellation shall constitute an Event of Default hereunder. The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

**SECTION 13.06.** Partial Redemption of 2007 Bonds. Upon surrender of any 2007 Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new 2007 Bond of authorized denominations, and of the same maturity and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2007 Bond surrendered.

**SECTION 13.07.** Form of 2007 Bonds. The 2007 Bonds and the certificate of authentication and registration to be executed thereon shall be in substantially the form set forth as Exhibit A hereto. The 2007 Bond designation letters and numbers, maturity dates, principal amounts, and interest rates and yields to maturity shall be inserted therein in conformity with Section 13.01.

**SECTION 13.08.** Issuance of 2007 Bonds. At any time after the execution and delivery of this Second Supplement, the City may execute and the Trustee shall authenticate and deliver the 2007 Bonds in the aggregate principal amount of \$ \_\_\_\_\_ upon the Order of the City.

**SECTION 13.09.** Application of Proceeds of 2007 Bonds.

(A) The proceeds of the sale of the 2007 Bonds in the amount of \$ \_\_\_\_\_ (computed as \$ \_\_\_\_\_ aggregate principal amount of the 2007 Bonds, less \$ \_\_\_\_\_ Underwriter's discount, plus \$ \_\_\_\_\_ net original issue premium, [less \$ \_\_\_\_\_ directly transferred, at the request and direction of the City and on behalf of the Trustee, by the Underwriter to the 2007 Insurer, said amount representing the bond insurance premium for the 2007 Insurance Policy]) shall be received by the Trustee on behalf of the City and together with certain other amounts as described below, held in trust and set aside as follows:

(i) Immediately upon receiving the proceeds of the sale of the 2007 Bonds, the Trustee shall transfer to the City for deposit in the 2007 Construction Fund to be applied in accordance with Section 13.10 hereof.

(a) Immediately upon receiving the proceeds of the sale of the 2007 Bonds, the Director of Finance shall place in the Construction Account of the 2007 Construction Fund the amount of \$\_\_\_\_\_ (which includes the Good Faith Deposit in the amount of \_\_\_\_\_ previously delivered to the City).

(b) Immediately upon receiving the proceeds of the sale of the 2007 Bonds, the Director of Finance shall place in the Cost of Issuance Account of the 2007 Construction Fund the amount of \$\_\_\_\_\_. The moneys deposited in the Costs of Issuance Account shall be expended from time to time to pay Costs of Issuance. If any amount shall remain in the Costs of Issuance Account when all Costs of Issuance shall have been paid, such amount shall be transferred by the Trustee to the Construction Account.

The money set aside and placed in the Construction Account shall remain therein until from time to time expended for the objects and purposes set forth herein, and to pay the Costs of Issuance not paid from the Costs of Issuance Account. Amounts in the Construction Account, if any, and the Costs of Issuance Account may be temporarily invested in Investment Securities, and such proceeds and the interest thereon shall be applied exclusively to the objects and purposes set forth in this Second Supplement; provided, however, that (1) the Water Fund may be reimbursed from the Construction Account for expenditures for purposes for which the 2007 Bonds were issued made from the Water Fund, and (2) when the objects and purposes for which the 2007 Bonds were issued have been accomplished, any remaining unexpended funds in the Construction Account shall be paid into the Debt Service Fund; provided, however, that if the City shall have first delivered to the Trustee an Opinion of Bond Counsel to the effect that any such transfer will not adversely effect the tax-exempt status of any Bonds or other Parity Debt then outstanding, and a Certificate of City to the effect that such transfer is permitted under the Charter and the Water Rate Ordinance, the City may direct the Trustee to transfer such remaining funds to the City to be applied for other capital projects of the City.

(ii) Immediately upon receiving the proceeds of the sale of the 2007 Bonds, the Trustee shall transfer to the Parity Reserve Fund the amount of \$\_\_\_\_\_, which, when added to the amounts on deposit therein shall be equal to the Reserve Fund Requirement, to be applied in accordance with Section 5.04 of the Indenture.

**SECTION 13.10.** Establishment and Application of 2007 Construction Fund. The City shall establish, maintain and hold in trust a separate fund designated as the “2007 Construction Fund.” There is hereby established two separate accounts within the Construction Fund designated as the “Construction Account” and the “Costs of Issuance Account.” The moneys in the 2007 Construction Fund shall be used and withdrawn by the City to pay the costs of the 2007 Project and to pay the Costs of Issuance of the 2007 Bonds. Moneys on deposit in the 2007 Construction Fund may be invested in Investment Securities.

**SECTION 13.11. Use of Depository.** Notwithstanding any provision of the Indenture or this Second Supplement to the contrary:

(A) The 2007 Bonds shall be issued in fully registered form, in authorized denominations and shall be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company and shall be evidenced by one 2007 Bond maturing on each of the maturity dates as set forth in subsection 13.02(C) in a denomination corresponding to the total principal amount of the 2007 Bonds of such maturity. Each 2007 Bond shall be assigned by the Trustee a distinctive number or letter or letter and number, and a record of the same shall be maintained by the Trustee.

Registered ownership of the 2007 Bonds, or any portions thereof, may not thereafter be transferred except:

(i) To any successor of The Depository Trust Company or its nominee, or to any substitute depository designated pursuant to clause (ii) of this subsection (A) (a “Substitute Depository”); provided that any successor of The Depository Trust Company or Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any Substitute Depository not objected to by the Trustee, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the City that The Depository Trust Company or its successor (or any Substitute Depository or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or Substitute Depository or its successor) from its functions as depository; provided that no Substitute Depository which is not objected to by the Trustee can be obtained, or (2) a determination by the City that it is in the best interests of the City to remove The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its function as depository.

(B) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection 13.11(A), upon receipt of all Outstanding 2007 Bonds by the Trustee, together with a Certificate of the City to the Trustee, a single new 2007 Bond for each maturity shall be executed and delivered, registered in the name of such successor or such Substitute Depository, or their nominees, as the case may be, all as specified in such Certificate of the City. In the case of any transfer pursuant to clause (iii) of subsection 13.11(A) hereof, upon receipt of all Outstanding 2007 Bonds by the Trustee together with a Certificate of the City to the Trustee, new 2007 Bonds shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such a Certificate of the City, subject to the limitations of Section 13.02 hereof; provided the Trustee shall not be required to deliver such new 2007 Bonds within a period less than 60 days from the date of receipt of such a Certificate of the City.

(C) In the case of partial redemption, cancellation or an advance refunding of any 2007 Bonds evidencing all or a portion of the principal maturing in a particular year, The Depository Trust Company shall make an appropriate notation on the 2007 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(D) The City and the Trustee shall be entitled to treat the person in whose name any 2007 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the City; and the City and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the 2007 Bonds. Neither the City nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or Substitute Depository or its successor), except to the Owner of any 2007 Bond.

(E) So long as all Outstanding 2007 Bonds are registered in the name of "Cede & Co." or its registered assign, the City and the Trustee shall cooperate with "Cede & Co.," as sole registered Owner, and its registered assigns in effecting payment of the principal of and redemption premium, if any, and interest on the 2007 Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

**SECTION 13.12.** Terms of 2007 Bonds Subject to the Indenture. Except as in this Second Supplement expressly provided, every term and condition contained in the Indenture shall apply to the Second Supplement and to the 2007 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Second Supplement.

The Second Supplement and all the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby, subject to the next sentence.

**SECTION 13.13.** Effective Date of Second Supplement. The Second Supplement shall take effect upon its execution and delivery.

**SECTION 13.14.** Execution in Counterparts. The Second Supplement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed the Second Supplement by their officers thereunto duly authorized as of the day and year first written above.

CITY OF PASADENA

By: \_\_\_\_\_  
Stephen C. Stark  
Director of Finance

(Seal)

ATTEST:

By: \_\_\_\_\_  
Jane L. Rodriquez

ATTEST:

By: \_\_\_\_\_  
Michele Beal Bagneris  
City Attorney City Clerk

THE BANK OF NEW YORK TRUST  
COMPANY, N.A., as Trustee

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



EXHIBIT A

(FORM OF 2007 Bond)

No. \_\_\_\_\_ \$ \_\_\_\_\_

CITY OF PASADENA, CALIFORNIA  
WATER REVENUE BONDS,  
SERIES 2007

| <u>Maturity Date</u> | <u>Interest Rate<br/>Per Annum</u> | <u>Dated Date</u> | <u>CUSIP</u> |
|----------------------|------------------------------------|-------------------|--------------|
| June 1, _____        |                                    | _____, 2007       |              |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The CITY OF PASADENA, CALIFORNIA a municipal corporation and chartered city duly organized and existing under the Constitution and the laws of the State of California (the "City"), for value received, hereby promises to pay (but only out of the Pledged Revenues and funds hereinafter referred to) to the registered owner named above or registered assigns, on the maturity date specified above (subject to any right of prior redemption or payment as provided in the hereinafter mentioned Indenture), the principal sum specified above together with interest thereon from the dated date specified above until the principal hereof shall have been paid, at the interest rate per annum specified above, payable on June 1, 2007, and semiannually thereafter on June 1 and December 1 in each year. Interest hereon is payable in lawful money of the United States of America by (except as otherwise provided in the hereinafter mentioned Indenture) check mailed by first-class mail on each interest payment date to the registered owner as of the close of business on the 15th day of the calendar month immediately preceding such interest payment date. The principal hereof and premium, if any, hereon are payable when due upon presentation hereof at the Corporate Trust Office (as defined in the Indenture) of BNY Western Trust Company, as trustee (together with any successor as trustee under said Indenture, the "Trustee"), in lawful money of the United States of America.

This bond is one of a duly authorized issue of City of Pasadena, California Water Revenue Bonds (the "Bonds") of the series and designation indicated on the face hereof. Said authorized issue of Bonds is not limited in aggregate principal amount, except as otherwise provided in said Indenture, and consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as in said Indenture provided, all issued and to be issued pursuant to the provisions of Article XIV of the Charter of

the City (the "Charter"). This Bond is issued pursuant to a Water Revenue Bond Indenture, dated as of August 1, 2003, by and between the City and the Trustee, providing for the issuance of the Bonds, and a Second Supplemental Water Revenue Bond Indenture, dated as of April 1, 2007 (the "Second Supplement"), by and between the City and the Trustee, authorizing the issuance of a series of bonds (the "2007 Bonds") of which this Bond is one (said indenture as amended and supplemented, including as supplemented by the Second Supplement collectively, the "Indenture"). Reference is hereby made to the Indenture for a description of the terms under which the 2007 Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Pledged Revenues (as that term is defined in the Indenture), and the rights of the registered owners of the 2007 Bonds; and all the terms of the Indenture are hereby incorporated herein and constitute a contract between the City and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. The City has previously issued its \$47,425,000 Water Revenue and Refunding Bonds, 2003 Series (the "2003 Bonds") pursuant to Article XIV of the Charter, the Indenture, as supplemented by a First Supplement to Water Revenue Bond Indenture, dated as of August 1, 2003, by and between the City and the Trustee. Additional Bonds may be issued, and indebtedness may be incurred, on a parity with the 2003 Bonds and the 2007 Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Indenture.

This Bond does not constitute an indebtedness of the City of Pasadena but is an obligation payable, as to both principal and interest, and any premium upon the redemption hereof prior to maturity, exclusively from the Water Fund and certain other funds as provided in the Indenture, but this shall not preclude the payment hereof from the proceeds of bonds issued to refund the 2007 Bonds, not preclude the use of any sum received as premium or accrued interest on the sale of the 2007 Bonds to pay principal and interest hereof, nor payment from certain other funds or moneys as provided in Subdivision D of Section 1414 of Article XIV of the Charter. The Water Fund is established in and by the Charter, and under the provisions of said Charter all money derived from the Water System of the City is required to be deposited in the Water Fund and used only for the purpose set forth in said Charter, including the payment of the Bonds.

The 2003 Bonds, the 2007 Bonds and the other Parity Debt (as defined in the Indenture) hereafter issued by the City are payable from, and are secured by a pledge of and lien on, the Pledged Revenues and all amounts held by the Trustee under the Indenture (except for amounts held in the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions provided in the Indenture.

The Bonds are revenue obligations of the City and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from Pledged Revenues and certain other funds pledged under the Indenture. The Bonds are special, limited obligations of the City. The Bonds shall not be deemed to constitute a debt or liability of the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State of California or of any political subdivision thereof, but shall be payable, except to the extent of certain amounts held under the Indenture pledged therefor, solely from Pledged Revenues. Neither the faith and credit nor the taxing power of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the

Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the City, the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

The 2007 Bonds maturing on or before June 1, 2016 are not subject to call or redemption prior to maturity. The 2007 Bonds maturing on or after June 1, 2017 shall be subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the City and by lot within a maturity), on or after June 1, 2016, at a redemption price equal to the principal amount of the 2007 Bonds called for redemption together with accrued interest thereon to the date of redemption, without premium.

The 2007 Bonds maturing on June 1, 20\_\_ and June 1, 20\_\_ shall also be subject to redemption prior to their stated maturity, in part, by lot, from mandatory sinking fund payments as specified in the Indenture, commencing on June 1, 20\_\_ and June 1, 20\_\_, respectively, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption without premium.

This Bond is transferable or exchangeable for other authorized denominations by the registered owner hereof, in person or by its duly authorized attorney, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer or exchange a new fully registered Bond or Bonds, of authorized denomination or denominations, of the same series, tenor, maturity and interest rate for the same aggregate principal amount will be issued to the registered owner in exchange herefor.

The City, the Trustee and any paying agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the City, the Trustee and any paying agent shall not be affected by any notice to the contrary.

The rights and obligations of the City and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of the Bonds.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California, and that this Bond, together with all other indebtedness of the City pertaining to the Pledged Revenues, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California and the Charter, and is not in excess of the amount of Bonds permitted to be issued under the Indenture or otherwise.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

IN WITNESS WHEREOF, the City of Pasadena has caused this Bond to be signed by the Mayor, the Director of Finance and the City Clerk of the City by their manual or facsimile signatures and the corporate seal of the City to be imprinted or reproduced hereon.

CITY OF PASADENA

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

By: \_\_\_\_\_  
Director of Finance

(SEAL)

Attested:

By: \_\_\_\_\_  
City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION  
AND REGISTRATION]

This is one of the Bonds described in the within mentioned Indenture and registered on the date set forth below.

Dated:

THE BANK OF NEW YORK TRUST  
COMPANY, N.A., as Trustee

By: \_\_\_\_\_  
Authorized Signatory

STATEMENT OF INSURANCE

[TO COME]

[FORM OF ASSIGNMENT]

For value received \_\_\_\_\_ hereby sell, assign and transfer unto \_\_\_\_\_ the within Bond and hereby irrevocably constitute and appoint \_\_\_\_\_ attorney, to transfer the same on the books of the City at the office of the Trustee, with full power of substitution in the premises.

\_\_\_\_\_  
NOTE: The signature to this Assignment must correspond with the name on the face of the within registered bond in every particular, without alteration or enlargement or any change whatsoever.

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

Signature Guaranteed by:

\_\_\_\_\_  
NOTE: Signature must be guaranteed by an eligible guarantor institution.



PROPOSED FORM OF  
CONTINUING DISCLOSURE AGREEMENT

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of April 1, 2007, is executed and delivered by the City of Pasadena (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

**SECTION 1. Definitions.** Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Director of Finance of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024  
(201) 346-0701 (phone)  
(201) 947-0107 (fax)  
Email: nrmsir@dpcdata.com
2. FT Interactive Data  
Attn: NRMSIR  
100 William Street, 15th Floor  
New York, New York 10038  
(212) 771-6999 (800) 689-8499(phone)  
(212) 771-7390 (fax)  
Email: NRMSIR@Interactivedata.com
3. Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, New Jersey 08542-0840  
(609) 279-3225 (phone)  
(609) 279-5962 (fax)  
Email: Munis@Bloomberg.com
4. Standard & Poor’s Securities Evaluations, Inc.  
55 Water Street  
45<sup>th</sup> Floor  
New York, New York 10041  
(212) 438-4595 (phone)  
(212) 438-3975 (fax)  
Email: nrmsir\_repository@sandp.com

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

“Repository” means the MSRB, each National Repository and the State Depository (if any).

“State Depository” means any public or private depository or entity designated by the State of California as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be

conclusive as to the existence of a State Depository. Currently, the following depositories are listed by the Securities and Exchange Commission as available State Depositories:

1. Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, Michigan 48226-3517  
(313) 963-0420 (phone)  
(313) 963-0943 (fax)  
MAC@macmi.com
2. Municipal Advisory Council of Texas  
PO Box 2177  
Austin, TX 78768-2177  
(512) 476-6947 (phone)  
(512) 476-6403 (fax)  
mac@mactexas.com
3. Ohio Municipal Advisory Council  
9321 Ravenna Road, Unit K  
Twinsburg, OH 44087-2445  
(330) 963-7444 (phone)  
(800) 969-OMAC (6622) (phone)  
(330) 963-7553 (fax)  
sid\_filings@ohiomac.com

“Trustee” means the institution identified as such in the document under which the Bonds were issued.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

## SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each National Repository and the State Depository (if any) not later than 185 days after the end of the City’s Fiscal Year (presently June 30), commencing with the report for Fiscal Year 2007. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and

instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

- (i) determine the name and address of each Repository each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository, and the State Depository, (if any);
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository, and the State Depository (if any);
- (iv) upon receipt, promptly file the text of each disclosure to be made with each National Repository and the State Depository (if any) together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
  1. “Principal and interest payment delinquencies,” pursuant to Sections 4(c) and 4(a)(1);
  2. “Non-Payment related defaults,” pursuant to Sections 4(c) and 4(a)(2);
  3. “Unscheduled draws on debt service reserves reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(3);
  4. “Unscheduled draws on credit enhancements reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(4);
  5. “Substitution of credit or liquidity providers, or their failure to perform,” pursuant to Sections 4(c) and 4(a)(5);
  6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 4(c) and 4(a)(6);
  7. “Modifications to rights of securities holders,” pursuant to Sections 4(c) and 4(a)(7);

8. "Bond calls," pursuant to Sections 4(c) and 4(a)(8);
  9. "Defeasances," pursuant to Sections 4(c) and 4(a)(9);
  10. "Release, substitution, or sale of property securing repayment of the securities," pursuant to Sections 4(c) and 4(a)(10);
  11. "Ratings changes," pursuant to Sections 4(c) and 4(a)(11);
  12. "Failure to provide annual financial information as required," pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement.
- (v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

### SECTION 3. Content of Annual Reports.

The Issuer's Annual Report shall contain or include by reference the following:

(i) The Issuer's annual Consolidated Annual Financial Report (the "CAFR") which shall include the audited financial statements of the Issuer's Water Fund for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(ii) Pasadena Water and Power's most recently published Annual Report, not previously filed with the National Repositories, if any;

(iii) Updated information comparable to the information in the following tables as they appears in the Official Statement, dated \_\_\_\_\_, 2007, relating to the 2007 Bonds (the "Official Statement");

- (a) Table 2 entitled "WATER STATISTICS;"
- (b) Table 3 entitled "ANNUAL WATER PRODUCTION;"
- (c) Table 6 entitled "WATER SALES;"
- (d) Table 7 entitled "10 LARGEST CUSTOMERS;"
- (e) Table 8 entitled "RATE STRUCTURE;"
- (f) Table 9 entitled "CAPITAL IMPROVEMENTS CHARGE;"

- (g) Table 10 entitled “AVERAGE RESIDENTIAL BILLING INFORMATION;”
- (h) Table 11 entitled “HISTORICAL OPERATING RESULTS AND CASH FLOWS;” and
- (i) Table 13 entitled “HISTORICAL OPERATING DATA.”

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

#### SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds; and
12. Failure to provide annual financial information as required.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure

Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and (i) each National Repository, or (ii) the MSRB in accordance with Section 2e(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.



SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

THE ISSUER AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder,

and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Issuer.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of California (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[Remainder of page intentionally left blank.]*

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, as of the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as  
Disclosure Dissemination Agent

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

CITY OF PASADENA, CALIFORNIA  
as Issuer

By: \_\_\_\_\_  
Stephen C. Stark, Director of Finance

**EXHIBIT A**

**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer                      City of Pasadena  
Obligated Person(s)              City of Pasadena  
Name of Bond Issues:            \$\_\_\_\_\_ Water Revenue Bonds, 2007 Series

Date of Issuance:                 April \_\_, 2007  
Date of Official Statement:      April \_\_, 2007

CUSIP Number:  
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**EXHIBIT B**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: City of Pasadena  
Name of Issue: \$ \_\_\_\_\_ Water Revenue Bonds, 2007 Series  
Date of Issuance: April \_\_, 2007

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement executed by the City on the date of issuance of the Bonds. [The City anticipates that the Annual Report will be filed by \_\_\_\_\_].

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

DIGITAL ASSURANCE CERTIFICATION,  
L.L.C., on behalf of the City of Pasadena,  
California

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

**EXHIBIT C**  
**EVENT NOTICE COVER SHEET**

This cover sheet and material event notice will be sent to all Nationally Recognized Municipal Securities Information Repositories, and any State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_  
Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_  
or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

Number of pages of attached: \_\_\_\_\_

\_\_\_\_ Description of Material Event Notice (Check One):

1.  Principal and interest payment delinquencies
2.  Non-Payment related defaults
3.  Unscheduled draws on debt service reserves reflecting financial difficulties
4.  Unscheduled draws on credit enhancements reflecting financial difficulties
5.  Substitution of credit or liquidity providers, or their failure to perform
6.  Adverse tax opinions or events affecting the tax-exempt status of the security
7.  Modifications to rights of securities holders
8.  Bond calls
9.  Defeasances
10.  Release, substitution, or sale of property securing repayment of the securities
11.  Rating changes
12.  Other material event notice (specify) \_\_\_\_\_

\_\_\_\_ Failure to provide annual financial information as required

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_  
\_\_\_\_\_

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

Employer: Digital Assurance Certification, L.L.C.

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_