

EXHIBIT A

PROPOSED FORM OF
SECOND SUPPLEMENT TO
WATER REVENUE BOND INDENTURE

2/14/07

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

Dated as of April 1, 2007

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

SECOND SUPPLEMENT
WATER REVENUE BOND INDENTURE

Table of Contents

	<u>Page</u>
ARTICLE XIII THE 2007 BONDS	2
SECTION 13.01. Definitions.....	2
SECTION 13.02. Authorization; Terms of the 2007 Bonds.....	2
SECTION 13.03. Redemption of 2007 Bonds	3
SECTION 13.04. Selection of 2007 Bonds for Redemption.....	4
SECTION 13.05. Notice of Redemption of 2007 Bonds	4
SECTION 13.06. Partial Redemption of 2007 Bonds	4
SECTION 13.07. Form of 2007 Bonds	5
SECTION 13.08. Issuance of 2007 Bonds	5
SECTION 13.09. Application of Proceeds of 2007 Bonds	5
SECTION 13.10. Establishment and Application of 2007 Construction Fund	6
SECTION 13.11. Use of Depository	6
SECTION 13.12. Terms of 2007 Bonds Subject to the Indenture	7
SECTION 13.13. Effective Date of Second Supplement	8
SECTION 13.14. Execution in Counterparts.....	8
EXHIBIT A - Form of 2007 Bonds	A-1

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

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> (June 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <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 Sinking Fund Payment Dates (June 1) <hr style="width: 80%; margin: 0 auto;"/>	Mandatory Sinking Fund Payments <hr style="width: 80%; margin: 0 auto;"/> \$
†	
† Final Maturity.	

Term 2007 Bonds Due June 1, _____

Mandatory Sinking Fund Payment Dates (June 1) <hr style="width: 80%; margin: 0 auto;"/>	Mandatory Sinking Fund Payments <hr style="width: 80%; margin: 0 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

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

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> (June 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <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 Sinking Fund Payment Dates (June 1) <hr style="width: 80%; margin: 0 auto;"/>	Mandatory Sinking Fund Payments <hr style="width: 80%; margin: 0 auto;"/> \$
†	
† Final Maturity.	

Term 2007 Bonds Due June 1, ____

Mandatory Sinking Fund Payment Dates (June 1) <hr style="width: 80%; margin: 0 auto;"/>	Mandatory Sinking Fund Payments <hr style="width: 80%; margin: 0 auto;"/> \$
†	
† Final Maturity.	

EXHIBIT A

(FORM OF 2007 Bond)

No. _____

\$ _____

CITY OF PASADENA, CALIFORNIA
WATER REVENUE BONDS,
SERIES 2007

<u>Maturity Date</u>	<u>Interest Rate 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.