

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

**AN ORDINANCE OF THE CITY OF PASADENA AUTHORIZING THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$30,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA WATER REVENUE BONDS, 2010A SERIES AND NOT TO EXCEED \$35,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PASADENA WATER REVENUE REFUNDING BONDS, 2010B SERIES, PAYABLE OUT OF THE WATER FUND, AND APPROVING THE EXECUTION AND DELIVERY OF A THIRD SUPPLEMENT TO WATER REVENUE BOND INDENTURE, A FOURTH SUPPLEMENT TO WATER REVENUE BOND INDENTURE, AN ESCROW AGREEMENT 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, and extensions and improvements of, the water system of the City, and for refunding bonds for the purposes of refunding any revenue bonds issued pursuant to such Article, by ordinance authorizing the issuance of such revenue bonds and/or refunding 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, and a Water Revenue Bond Indenture, dated as of August 1, 2003, by and between the City and The Bank of New York Mellon 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, the City has previously issued its \$21,550,000 Water Revenue Bonds, 2007 Series (the "2007 Bonds") pursuant to Article XIV of the Charter, and 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; and

WHEREAS, pursuant to Article XIV of the Charter, the City now proposes to issue on a parity basis with the 2003 Bonds and the 2007 Bonds and the 2010B Bonds hereinafter described (if and when issued) its Water Revenue Bonds, 2010A Series (with such further designation as may be determined to identify such bonds, the "2010A Bonds") pursuant to the Master Indenture, as supplemented by a Third Supplement to Water Revenue Bond Indenture, dated as of December 1, 2010, by and between the City and the Trustee (the "Third Supplement"), 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, the 2010A Bonds and other parity bonds, and (iii) to pay costs of issuance of the 2010A Bonds, said 2010A 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 2010A Bonds; and

WHEREAS, pursuant to Article XIV of the Charter, the City also now proposes to issue on a parity basis with the 2003 Bonds, the 2007 Bonds and the 2010A Bonds (if and when issued) its Water Revenue Refunding Bonds, 2010B Series (with such further designation as may be determined to identify such bonds, the "2010B Bonds") pursuant to the Master Indenture, as supplemented by a Fourth Supplement to Water Revenue Bond Indenture, dated as of December 1, 2010, by and between the City and the Trustee (the "Fourth Supplement," and collectively with the Master Indenture as amended and supplemented, the "Indenture"), to provide moneys (i) to refund a portion of the 2003 Bonds, and (ii) to pay costs of issuance of the 2010B Bonds, said 2010B 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 additionally authorizing the issuance of such 2010B Bonds; and

WHEREAS, the American Recovery and Reinvestment Act of 2009 (the "Stimulus Act") provides authority to issue tax credit bonds and federally subsidized taxable bonds, known as "Build America Bonds," for the financing of certain governmental projects and the City desires to provide for the potential issuance of all or any portion of the 2010A Bonds as Build America Bonds.

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

**Section 1. Authorization to Issue 2010 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 2010A Bonds in the aggregate principal amount of not to exceed \$30,000,000 for the acquisition and construction of additions to, and extensions and improvements of, the Water System, any required deposit to the reserve fund and the payment of costs and expenses incidental thereto. The City Council does hereby authorize all or any portion of the 2010A Bonds to be issued as Build America Bonds.

(b) 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 2010B Bonds in the aggregate principal amount of not to exceed \$35,000,000 for the refunding of a portion of the 2003 Bonds, including the payment of costs and expenses incidental thereto. If so determined by the City, in the event the 2010A Bonds are to be issued in an aggregate principal amount less than the maximum amount authorized by this Ordinance or are not to be issued, the 2010B Bonds may be additionally or alternatively issued for the acquisition and construction of additions to, and extensions and improvements of, the Water System, any required deposit to the reserve fund and the payment of costs and expenses incidental thereto, and the not to exceed aggregate principal amount of the 2010B Bonds authorized hereby shall be increased proportionately; provided that the sum of the aggregate principal amount of 2010A Bonds and any 2010B Bonds to be issued does not exceed \$65,000,000. Furthermore, the sum of principal amount of 2010A Bonds and any 2010B Bonds used to finance the acquisition and construction

of additions to, and extensions and improvements of, the Water System, any required deposit to the reserve fund and the payment of costs and expenses incidental thereto shall not exceed \$30,000,000.

(c) This Ordinance shall constitute complete authority to issue the 2010 Bonds pursuant to the Indenture as provided herein.

**Section 2. Issuance of 2010 Bonds.** The 2010A 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 (as amended to the date hereof) and the Third Supplement. The 2010B 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 (as amended to the date hereof or as amended by the Third Supplement) and the Fourth Supplement.

**Section 3. Date of Issuance; Maximum Interest Rates.** The 2010A Bonds shall be dated their date of delivery. The maximum interest rate to be payable on the 2010A Bonds shall not exceed an amount that will result in a true interest cost to the City (not taking into account any subsidy payment the City may be entitled to receive in connection with 2010A Bonds issued as Build America Bonds) of greater than eight percent (8.0%) per annum. The 2010B Bonds shall be dated their date of delivery. The maximum interest rate to be payable on the 2010B Bonds shall not exceed an amount that will result in a true interest cost to the City of greater than four and three-quarters percent (4.75%) per annum.

**Section 4. Maturity Dates.** The maximum term for the 2010 Bonds shall be 35 years. Subject to the preceding sentence, the 2010 Bonds shall mature and be payable on such dates as specifically set forth in the Third Supplement or the Fourth Supplement, as applicable, described in Sections 6 and 7 hereof.

**Section 5. Source of Payment.** The 2010 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 Third Supplement.** In order to prescribe the terms and conditions upon which the 2010A Bonds are to be issued, secured, executed, authenticated and held, the Third 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 Third Supplement to the Trustee in substantially such form, with such changes (including, without limitation, such changes as may be requested by rating agencies providing a rating on the 2010A 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 Third Supplement presented to this meeting.

**Section 7. Approval of Fourth Supplement.** In order to prescribe the terms and conditions upon which the 2010B Bonds are to be issued, secured, executed, authenticated and held, the Fourth Supplement proposed to be executed and entered into by 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 the City Clerk is authorized to affix the official seal of the City to, and deliver the Fourth Supplement to the Trustee in substantially such form, with such changes (including, without limitation, such changes as may be requested by rating agencies providing a rating on the 2010B 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 Fourth Supplement presented to this meeting.

**Section 8. Approval of 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 C 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 9. Approval of Escrow Agreement.** The Escrow Agreement, proposed to be executed and entered into by and between the City and the Escrow Agent, in substantially the form attached hereto as Exhibit D 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 Escrow 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 Escrow Agreement presented to this meeting.

**Section 10. Authorization to Make Certain Determinations in Connection with 2010A Bonds.** Notwithstanding anything in this Ordinance to the contrary but subject to the parameters set forth herein, the Director of Finance (or, in the absence of the Director of Finance, his designee) is hereby authorized to determine (i) whether all or any portion of the 2010A Bonds shall be issued as Build America Bonds or as bonds the interest on which is to be excluded from gross income of the owners thereof for federal income tax purposes pursuant to section 103(a) of the Code, which determination shall be made taking into account the advice of the City's financial advisor for such 2010A Bonds, and on the basis of what bond structure in light of the existing market conditions is in the best interest of the City, which determinations shall be conclusively evidenced by the issuance and delivery of the 2010A Bonds. In connection with the issuance of any 2010A Bonds as Build America Bonds, the Director of Finance (or, in the absence of the Director of Finance, his designee) is hereby authorized to make an irrevocable

election in a tax certificate or other certification signed by the City in connection with the 2010A Bonds to have section 54AA of the Code apply to the 2010A Bonds and to approve any written procedures and guidelines for continued compliance with tax law requirements, or other similar document, relating to the 2010A Bonds if deemed advisable, and is hereby further authorized and directed, on behalf of the City, to make any necessary filings and execute documents and certificates (including tax certificates) necessary or desirable in connection with any such election and the issuance of the 2010A Bonds as Build America Bonds.

**Section 11. Official Action.** All actions heretofore taken by the officers and agents of the City with respect to the issuance of the 2010 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 execution and delivery of any and all certificates, requisitions, agreements (including tax certificates) 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 2010 Bonds pursuant to the agreements described herein.

**Section 12. Provisions Necessary and Desirable.** The provisions of this Ordinance are deemed necessary and desirable to facilitate the issuance and sale of the 2010 Bonds authorized by this Ordinance.

**Section 13. 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 14. Effective Date.** This Ordinance shall take effect on the date of publication pursuant to Section 13, subject only to the right of referendum provided in Section 1413 of the City Charter.

Signed and approved this 1st day of November, 2010.

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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 November 1, 2010, by the following vote:

Ayes:

Noes:

Absent:

Published: Pasadena Star News

APPROVED AS TO FORM:

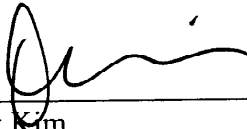


Michele Beal Bagneris  
City Attorney

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Mark Jomsky  
City Clerk

APPROVED AS TO FORM:



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Danny Kim  
Fulbright & Jaworski L.L.P.  
Bond Counsel

PROPOSED FORM OF  
THIRD SUPPLEMENT TO  
WATER REVENUE BOND INDENTURE

THIRD SUPPLEMENT TO  
WATER REVENUE BOND INDENTURE

by and between the

CITY OF PASADENA, CALIFORNIA

and

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

RELATING TO THE CITY OF PASADENA, CALIFORNIA

WATER REVENUE BONDS, 2010A SERIES  
(TAXABLE BUILD AMERICA BONDS – DIRECT PAYMENT)

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Dated as of December 1, 2010

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

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THIRD SUPPLEMENT TO  
WATER REVENUE BOND INDENTURE

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Third 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, 2010A Series  
(Taxable Build America Bonds – Direct Payment)

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This THIRD SUPPLEMENT TO WATER REVENUE BOND INDENTURE, dated as of December 1, 2010 (the “Third 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 MELLON TRUST COMPANY, N.A. (successor to BNY Western Trust Company), as trustee (the “Trustee”),

W I T N E S S E T H :

WHEREAS, this Third Supplement is supplemental to the Water Revenue Bond Indenture, dated as of August 1, 2003 (as amended and supplemented, the “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 Indenture provides that the City may issue additional Bonds from time to time as authorized by a Supplemental Indenture; and

WHEREAS, pursuant to Article XIV of the Charter and Ordinance No. \_\_\_\_\_ of the City, adopted on November 1, 2010, the City proposes to issue its Water Revenue Bonds, 2010A Series (Taxable Build America Bonds – Direct Payment) (the “2010A Bonds”) pursuant to the Indenture, as supplemented by this Third Supplement, to provide moneys for the acquisition and construction of additions to, and extensions and improvements of, the Water System, said 2010A 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 Third Supplement in order to establish and declare, in conjunction with the Indenture, the terms and conditions upon which the 2010A 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 Third 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 Third Supplement;

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

**ARTICLE XIV**

**THE 2010A BONDS**

**SECTION 14.01.** Definitions. The terms defined in this Section shall, for all purposes of this Third 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 Indenture not otherwise defined herein shall have the meanings specified therein.

“2010A Bonds” means the City of Pasadena, California Water Revenue Bonds, Series 2010A (Taxable Build America Bonds – Direct Payment), as described in Section 14.02(A) hereof.

“2010A Project” means the additions to, and extensions and improvements of, the Water System to be acquired and constructed and financed in whole or in part with the proceeds of the 2010A Bonds.

“Effective Date” means the earlier to occur of: (i) the first date upon which all of the Outstanding 2003 Bonds and 2007 Bonds have been paid or discharged in accordance with their terms and shall no longer be Outstanding for purposes of the Indenture, or (ii) the first date upon which the City has filed with the Trustee, in accordance with the Indenture, the written consents to the amendments to the Indenture set forth in the Third Supplement of each Credit Provider and the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding if such Bonds are not secured by a Credit Facility, and (b) the providers of any interest rate swap agreements and any standby bond purchase agreements, other liquidity facilities or other agreements relating to such Bond Obligation then Outstanding to the extent the consent thereof shall be required by the terms of such interest rate swap agreements and any standby bond purchase agreements, other liquidity facilities or other agreements.

**SECTION 14.02.** Authorization; Terms of the 2010A Bonds.

(A) A third 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, 2010A Series (Taxable Build America Bonds – Direct Payment).” The 2010A 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 2010A 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 2010A Bonds.

(B) The 2010A 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 2010A Bonds shall be evidenced by one 2010A Bond maturing on each of the maturity dates as set forth in subsection 14.02(C) in a denomination corresponding to the total principal amount of the 2010A Bonds of such maturity. Each 2010A 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 2010A Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 14.12.

(C) The 2010A 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> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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[The 2010A Bonds maturing on June 1, 20\_\_ through June 1, 20\_\_, inclusive, are designated Serial Bonds.] The 2010A Bonds maturing on June 1, 20\_\_ [and June 1, \_\_] are designated Term Bonds.

Interest on the 2010A Bonds shall be payable commencing on June 1, 2011 and semiannually thereafter on December 1 and June 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 2010A 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 2010A 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 2010A 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 2010A 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 14.03. Redemption of 2010A Bonds.**

(A) The 2010A Bonds are 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 at the Make Whole Redemption Price.

“Make Whole Redemption Price” means, for each maturity of the 2010A Bonds, the greater of (i) the issue price of the 2010A Bonds of such maturity as determined in accordance with the Code or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2010A Bonds of such maturity to be redeemed to the maturity date of such 2010A Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010A Bonds of such maturity are to be redeemed, discounted to the date on which the 2010A Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus [twenty-five (25)] basis points, plus accrued interest on the 2010A Bonds of such maturity to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption for a particular 2010A Bond, the rate per annum truncated to the fifth decimal, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular 2010A Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the 2010A Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010A Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular 2010A Bond:

(i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or

(ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the City.

“Reference Treasury Dealer” means each of four firms, specified by the City from time to time, that are primary United States Government securities dealers (each, a “Primary Treasury Dealer”); provided, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

“Valuation Date” means a day at least two Business Days and no more than forty-five calendar days preceding the redemption date.

(B) The 2010A Bonds are also subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, upon the occurrence of an Extraordinary Event, as a whole or in part on any date at the Extraordinary Optional Redemption Price.

“Extraordinary Optional Redemption Price” means, for each maturity of the 2010A Bonds, the greater of (i) the issue price of the 2010A Bonds of such maturity as determined in accordance with the Code or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2010A Bonds of such maturity to be redeemed to the maturity date of such 2010A Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2010A Bonds of such maturity are to be redeemed, discounted to the date on which the 2010A Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus one hundred (100) basis points, plus accrued interest on the 2010A Bonds of such maturity to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the City determines that a material adverse change has occurred to section 54AA or section 6431 of the Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the City to satisfy the requirements to receive the 35% cash subsidy payment from the United States Treasury with respect to the 2010A Bonds, pursuant to which the City's 35% cash subsidy payment from the United States Treasury with respect to the 2010A Bonds is reduced or eliminated.

(C) The 2010A Bonds maturing on June 1, 20\_\_ shall also be subject to redemption prior to their stated maturity, in part, from mandatory sinking fund payments as specified below, commencing on June 1, 20\_\_, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption without premium.

Term 2010A Bonds Due June 1, 20\_\_

Mandatory Sinking Fund Payment Dates (June 1) <hr/>	Mandatory Sinking Fund Payments <hr/>
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† Final Maturity.

**SECTION 14.04. Selection of 2010A Bonds for Redemption.** Whenever provision is made in this Third Supplement for the redemption of less than all of the 2010A Bonds, the maturities of the 2010A Bonds to be redeemed shall be specified by the City. In the case of partial redemption of less than all of the 2010A Bonds of any maturity, the Trustee shall select the particular 2010A Bonds to be redeemed, from all 2010A Bonds of the respective maturity not previously called for redemption, pro rata, subject to the authorized denominations applicable to the 2010A Bonds; provided that, for so long as a book-entry only system is in effect with respect to the 2010A Bonds and The Depository Trust Company or a successor Securities Depository is the sole registered owner of such 2010A Bonds, in the event of the redemption of less than all of a maturity of the 2010A Bonds, the particular ownership interests of such maturity to be redeemed will be determined by The Depository Trust Company and its participants, or by any successor Securities Depository or any other intermediary, in accordance with their respective operating rules and procedures. The Trustee shall promptly notify the City in writing of the 2010A Bonds so selected for redemption. Upon an optional redemption pursuant to Section 14.03(A), or an extraordinary optional redemption pursuant to Section 14.03(B), of a portion of any Term 2010A Bonds, the principal amount of such Term 2010A Bonds being redeemed shall

be allocated against the scheduled mandatory sinking fund payments for such Term 2010A Bonds in such manner as the City may direct and the City shall provide the Trustee a revised sinking fund payment schedule.

**SECTION 14.05.** Notice of Redemption of 2010A Bonds. The City shall notify the Trustee at least forty-five (45) days (or such shorter time as the Trustee shall agree) prior to the redemption date for 2010A Bonds pursuant to Section 14.03(A) or (B). Notice of redemption shall be given in the form and in accordance with the terms of the Indenture, provided, however, that with respect to the 2010A Bonds, if by the date of mailing of notice of any optional redemption the City shall not have deposited with the Trustee moneys sufficient to redeem all the 2010A Bonds called for redemption, then such notice shall additionally state that it is expressly conditioned upon and subject to the availability of funds for such purpose not later than the opening of business on the redemption date and shall be of no effect unless funds sufficient for such purpose are available. The lack of available funds for such optional redemption shall not constitute an Event of Default under this Indenture.

**SECTION 14.06.** Partial Redemption of 2010A Bonds. Upon surrender of any 2010A 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 2010A Bond of authorized denominations, and of the same maturity and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2010A Bond surrendered.

**SECTION 14.07.** Form of 2010A Bonds. The 2010A 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 2010A Bond designation letters and numbers, maturity dates, principal amounts, and interest rates shall be inserted therein in conformity with Section 14.01.

**SECTION 14.08.** Issuance of 2010A Bonds. At any time after the execution and delivery of this Third Supplement, the City may execute and the Trustee shall authenticate and deliver the 2010A Bonds in the aggregate principal amount of \$\_\_\_\_\_ upon the Order of the City.

**SECTION 14.09.** Application of Proceeds of 2010A Bonds.

(A) The proceeds of the sale of the 2010A Bonds in the amount of \$\_\_\_\_\_ (computed as \$\_\_\_\_\_ aggregate principal amount of the 2010A Bonds less \$\_\_\_\_\_ Underwriter's discount) 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 2010A Bonds, the Trustee shall transfer to the 2010A Account of the Parity Reserve Fund the amount of \$\_\_\_\_\_, which, when added to the amounts on deposit in the 2003 Account and the 2007 Account [and the 2010B Account] therein shall be equal to the Reserve Fund Requirement, to be applied in accordance with Section 5.04 of the Indenture; and

(ii) Immediately upon receiving the proceeds of the sale of the 2010A Bonds, the Trustee shall transfer to the City for deposit in the 2010A Bonds Construction Fund, the amount of \$\_\_\_\_\_, of which \$\_\_\_\_\_ shall be deposited by the Director of Finance



in the Construction Account of the 2010A Bonds Construction Fund and \$\_\_\_\_\_ shall be deposited by the Director of Finance in the Costs of Issuance Account of the 2010A Construction Fund, to be applied in accordance with Section 14.10 hereof.

**SECTION 14.10.** Establishment and Application of 2010A Bonds Construction Fund. The City shall establish, maintain and hold in trust a separate fund designated as the “2010A Bonds Construction Fund.” There is hereby established two separate accounts within the 2010A Bonds Construction Fund designated as the “Construction Account” and the “Costs of Issuance Account.” 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 have been paid (but in any event not later than six months following the date of issuance and delivery of the 2010A Bonds), such amount shall be transferred by the Director of Finance to the Construction Account. The moneys deposited in the Construction Account shall be used and withdrawn by the City to pay the costs of the 2010A Project. 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 Third Supplement unless the City shall have been advised by a firm of nationally recognized bond counsel that any such amounts or portions thereof may be transferred to the Trustee for deposit in the Debt Service Fund.

**SECTION 14.11.** Amendment to the Indenture to Take Effect on the Effective Date. The Indenture is amended in the following respects effective on the Effective Date for all Bonds then Outstanding.

(A) The definition of “Debt Service” in Section 1.02 of the Indenture shall be deleted and the following shall be substituted therefor:

“Debt Service” means the amount of principal and interest becoming due and payable on all Bonds and Parity Debt; provided, however, that for the purposes of computing Debt Service:

(a) Excluded Principal Payments shall be excluded from such calculation, and Assumed Debt Service shall be included in such calculation;

(b) if the Bonds or Parity Debt are Variable Rate Indebtedness, the interest rate thereon for periods when the actual interest rate cannot yet be determined will be assumed to be equal to the rate that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which the calculation is made (the “assumed RBI-based rate”);

(c) principal and interest payments on Bonds and Parity Debt will be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or another fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Debt held by the Trustee or another fiduciary as capitalized interest;

(d) in determining the principal amount, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or

amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking fund payments or any scheduled redemption or payment of Bonds or Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Indebtedness;

(e) if any interest rate swap agreement is in effect with respect to, and is payable on a parity with, the Bonds or Parity Debt to which it relates, no amounts payable under such interest rate swap agreement will be included in the calculation of Debt Service unless the sum of (i) interest payable on such Bonds or Parity Debt, plus (ii) amounts payable by the City under such interest rate swap agreement, less (iii) amounts receivable by the City under such interest rate swap agreement are greater than the interest payable on the Bonds or Parity Debt to which it relates, then, in such instance, the amount of such payments to be made that exceed the interest to be paid on the Bonds or Parity Debt will be included in such calculation. For such purposes, any variable interest rate payable by the City with respect to a Series of Bonds and swapped to a fixed rate under any such interest rate swap agreement will be assumed to be equal to the assumed RBI-based rate;

(f) if any Bonds or Parity Debt include an option or an obligation to tender all or a portion of such Bonds or Parity Debt to the City, the Trustee or another fiduciary or agent and require that such Bonds or Parity Debt or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due, the options or obligations to tender will be treated as a principal maturity occurring on the first date on which holders or owners thereof may or are required to tender, except that any such option or obligation to tender will be ignored and not treated as a principal maturity, if (1) such Bonds or Parity Debt are rated in one of the two highest long-term Rating Categories by Moody's or by Standard & Poor's or such Bonds or Parity Debt are rated in the highest short-term note or commercial paper Rating Categories by Moody's or by Standard & Poor's, and (2) funds for the purchase price are to be provided by a letter of credit or standby bond purchase agreement; and

(g) if interest on any Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code, or any future similar program, then interest payments with respect to such Bonds or Parity Debt shall be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America.

(B) The definition of "Other Water Revenues" in Section 1.02 of the Indenture shall be deleted and the following shall be substituted therefor:

"Other Water Revenues" means all revenues from rates, fees and charges for providing water service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Water System, including contributions in aid of construction, but not including the CIC Revenues; provided,

however, there shall be excluded therefrom any amounts reimbursed to the City by the United States of America pursuant to Section 54AA of the Code or any future similar program.

**SECTION 14.12. Use of Depository.** Notwithstanding any provision of the Indenture or this Third Supplement to the contrary:

(A) The 2010A 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, as Securities Depository, and shall be evidenced by one 2010A Bond maturing on each of the maturity dates as set forth in subsection 14.02(C) in a denomination corresponding to the total principal amount of the 2010A Bonds of such maturity. Each 2010A 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 2010A 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 14.12(A), upon receipt of all Outstanding 2010A Bonds by the Trustee, together with a Certificate of the City to the Trustee, a single new 2010A 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 14.12(A) hereof, upon receipt of all Outstanding 2010A Bonds by the Trustee together with a Certificate of the City to the Trustee, new 2010A 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 14.02 hereof; provided the Trustee shall not be required to deliver such new 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bond.

(E) So long as all Outstanding 2010A 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 2010A 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 14.13.** Exclusion of Applicability of Section 6.08 of the Indenture to 2010A Bonds. Pursuant to Section 6.08 of the Indenture, the City hereby excludes the application of the covenants contained in Section 6.08 of the Indenture to the 2010A Bonds.

**SECTION 14.14.** Transfer of Interest Earning in the Parity Reserve Fund. Notwithstanding the provisions of Section 5.05 of the Indenture, the Trustee shall transfer all interest, profits and other income received from the investment of moneys in the 2010A Account of the Parity Reserve Fund to the Construction Account within the 2010A Bonds Construction Fund.

**SECTION 14.15.** Terms of 2010A Bonds Subject to the Indenture. Except as in this Third Supplement expressly provided, every term and condition contained in the Indenture shall apply to the Third Supplement and to the 2010A 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 Third Supplement.

The Third 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 14.16.** Effective Date of Third Supplement. The Third Supplement shall take effect upon its execution and delivery.

**SECTION 14.17.** Execution in Counterparts. The Third 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

CITY OF PASADENA

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

Andrew Green  
Director of Finance

(Seal)

ATTEST:

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

Mark Jomsky

APPROVED AS TO FORM:

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

Michele Beal Bagneris  
City Attorney

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

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

Authorized Officer

EXHIBIT A

(FORM OF 2010A BOND)

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

\$ \_\_\_\_\_

CITY OF PASADENA, CALIFORNIA  
WATER REVENUE BONDS, 2010A SERIES  
(TAXABLE BUILD AMERICA BONDS – DIRECT PAYMENT)

Maturity Date	Interest Rate Per Annum	Dated Date	CUSIP
June 1, _____		Date of Delivery	

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, 2011, and semiannually thereafter on December 1 and June 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 The Bank of New York Mellon Trust Company (successor to 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 Third Supplement to Water Revenue Bond Indenture, dated as of December 1, 2010 (the "Third Supplement"), by and between the City and the Trustee, authorizing the issuance of a series of bonds (the "2010A Bonds") of which this Bond is one (said indenture as amended and supplemented, including as amended and supplemented by the Third Supplement collectively, the "Indenture"). Reference is hereby made to the Indenture for a description of the terms under which the 2010A 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 2010A 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.

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 2010A Bonds, not preclude the use of any sum received as premium or accrued interest on the sale of the 2010A 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 2010A 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 2010A Bonds are 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 pro rata within a maturity), at the Make Whole Redemption Price (as defined in the Indenture).

The 2010A Bonds are also subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, upon the occurrence of an Extraordinary Event, as a whole or in part on any date (by such maturities as may be specified by the City and pro rata within a maturity), at the Extraordinary Optional Redemption Price (as defined in the Indenture).

An "Extraordinary Event" will have occurred if the City determines that a material adverse change has occurred to section 54AA or section 6431 of the Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the City to satisfy the requirements to receive the 35% cash subsidy payment from the United States Treasury with respect to the 2010A Bonds, pursuant to which the City's 35% cash subsidy payment from the United States Treasury with respect to the 2010A Bonds is reduced or eliminated.

The 2010A Bonds maturing on June 1, 20\_\_\_ shall also be subject to redemption prior to their stated maturity, in part, by pro rata, from mandatory sinking fund payments as specified in the Indenture, commencing on June 1, 20\_\_\_, 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 MELLON TRUST  
COMPANY, N.A., as Trustee

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

[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.

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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 guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee

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

PROPOSED FORM OF  
FOURTH SUPPLEMENT TO  
WATER REVENUE BOND INDENTURE