

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA, CALIFORNIA, AUTHORIZING THE INVITATION OF BIDS FOR THE PURCHASE OF WATER REVENUE BONDS, 2010A SERIES, AND THE INVITATION OF BIDS FOR THE PURCHASE OF WATER REVENUE REFUNDING BONDS, 2010B SERIES, OF SAID CITY; APPROVING A NOTICE OF INTENTION TO SELL BONDS, A PRELIMINARY OFFICIAL STATEMENT, NOTICES INVITING BIDS; AUTHORIZING THE PUBLICATION OF A NOTICE OF INTENTION TO SELL BONDS; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the City Council of the City of Pasadena, California (the "City Council") deems it necessary and proper that bids be invited for the purchase of the Water Revenue Bonds, 2010A Series (with such further designation as may be determined to identify such bonds, the "2010A Bonds") and the purchase of the Water Revenue Refunding Bonds, 2010B Series (with such further designation as may be determined to identify such bonds, the "2010B Bonds," and collectively with the 2010A Bonds, the "2010 Bonds") of the City of Pasadena, California (the "City"), and that the 2010 Bonds be sold in the manner and at the time or times and place hereinafter set forth;

**NOW, THEREFORE**, the City Council does hereby resolve, determine and order as follows:

**Section 1.** Electronic proposals for the purchase of the 2010 Bonds shall be received by the Director of Finance of the City at the time or times and place determined as provided in the Notice of Intention to Sell Bonds and the respective Notice Inviting Bids as hereinafter approved.

**Section 2.** The Director of Finance is hereby authorized and directed to publish a Notice of Intention to Sell Bonds, substantially in the form annexed hereto as "Exhibit A" and hereby approved by this City Council, by one insertion in the Pasadena Star-News, a newspaper of general circulation published in the City, at least five days prior to the date of receiving proposals for the purchase of the 2010 Bonds.

**Section 3.** The Director of Finance is further authorized and directed to publish a Notice of Intention to Sell Bonds by one insertion in The Bond Buyer, a financial publication generally circulated throughout California and reasonably expected to be disseminated among prospective bidders for the 2010 Bonds, at least five days prior to the date of receiving proposals for the purchase of the 2010 Bonds.

**Section 4.** The City Council hereby approves the Preliminary Official Statement substantially in the form on file with the City Clerk, a copy of which has been made available to this City Council, with such changes therein as the Director of Finance of the City may determine necessary, to be furnished to prospective bidders for the 2010 Bonds as provided in Section 5 hereof. The City authorizes the Director of Finance to deem the Preliminary

Official Statement to be final within the meaning of Securities and Exchange Commission Rule 15c2-12 subject to completion of those items permitted by said Rule. The City Council directs the City Clerk to file the Preliminary Official Statement in his office and to identify it as being the Preliminary Official Statement so approved hereby, by an endorsement thereon to that effect over his signature. The Director of Finance or his designee is authorized and directed to execute and deliver a final Official Statement in substantially the form of the Preliminary Official Statement hereby approved, with such additions thereto and changes therein as are consistent with this Resolution and recommended or approved by Disclosure Counsel to the City and approved by such officers and employees, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 5.** The Director of Finance is authorized and directed to cause to be furnished to prospective bidders, upon their request, a reasonable number of copies of the Ordinance authorizing issuance of the 2010 Bonds, the Water Revenue Bond Indenture, the Third Supplement to Water Revenue Bond Indenture and/or the Fourth Supplement to Water Revenue Bond Indenture providing for the issuance of the 2010A Bonds and the 2010B Bonds, respectively, as approved pursuant to said Ordinance and the Preliminary Official Statement. The Director of Finance is authorized and directed to cause to be furnished to prospective bidders, upon their request, a reasonable number of copies of the respective Notice Inviting Bids substantially in the form annexed hereto as "Exhibit B" and hereby approved by the City Council. The Director of Finance is further authorized and directed, after any proposal for the purchase of the respective series of 2010 Bonds has been accepted by the Director of Finance, and after the final Official Statement has been prepared, to cause to be furnished to the successful bidder(s), for use in connection with the resale of the respective series of 2010 Bonds, such number of copies of the final Official Statement as may be reasonably required.

**Section 6.** The Director of Finance may withdraw or modify the respective Notice Inviting Bids and the Notice of Intention to Sell Bonds, or either, at any time by notice published via Thomson Municipal News or other means determined by the Director of Finance to reasonably reach potential bidders for the 2010 Bonds. If the Director of Finance should withdraw the respective Notice Inviting Bids or the Notice of Intention to Sell Bonds at any time before one or both series of the 2010 Bonds are awarded, and should at a later date determine that it is desirable to receive bids for one of both such series of the 2010 Bonds, the Director of Finance is hereby authorized to redistribute the respective Notice Inviting Bids and republish the Notice of Intention to Sell Bonds with such modifications or revisions as are approved by the Director of Finance.

**Section 7.** The City Council shall confirm the award of the 2010 Bonds at the time and date specified in the respective Notice Inviting Bids by subsequent City Council action; provided, that if the City Council does not hold a meeting or does not achieve a quorum on the date on which bids for the 2010 Bonds are received, the Director of Finance or his designee is hereby authorized and directed on behalf of the City to accept the best bid for the respective series of 2010 Bonds received (or reject all bids) pursuant to and subject to the terms and conditions set forth in the respective Notice Inviting Bids and to take such other actions as the Director of Finance deems appropriate, consistent with the provisions hereof, and upon the execution by any member of this City Council and by the Director of Finance of a Written

Order to award the respective series of 2010 Bonds to the best bidder, the respective series of 2010 Bonds shall be so awarded, and the interest rate or rates on the respective series of 2010 Bonds as have been bid by the best bidder so awarded the respective series of 2010 Bonds shall be fixed.

**Section 8.** The law firm of Fulbright & Jaworski L.L.P., Los Angeles, California, is hereby retained as Bond Counsel and Disclosure Counsel in connection with the issuance of the 2010 Bonds, upon such terms and conditions as shall be approved by the Director of Finance.

**Section 9.** The firm of Public Resources Advisory Group, Los Angeles, California, is hereby retained as financial advisor in connection with the issuance of the 2010 Bonds, upon such terms and conditions as shall be approved by the Director of Finance.

ADOPTED at a regular meeting of the City Council this 25th day of October, 2010, by the following vote:

AYES:

NOES:

ABSENT:

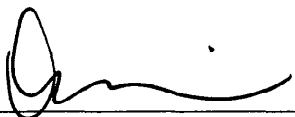
APPROVED AS TO FORM:

ATTEST:

  
\_\_\_\_\_  
Michele Beal Bagneris  
City Attorney

\_\_\_\_\_  
Mark Jomsky  
City Clerk

APPROVED AS TO FORM:

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

**Exhibit A**  
**Notice of Intention to Sell Bonds**

**NOTICE OF INTENTION TO SELL BONDS**

**NOT TO EXCEED [\$30,000,000]\*  
CITY OF PASADENA, CALIFORNIA  
WATER REVENUE BONDS, 2010A SERIES  
(TAXABLE BUILD AMERICA BONDS – DIRECT PAYMENT)**

**NOT TO EXCEED [\$31,265,000]\*  
CITY OF PASADENA, CALIFORNIA  
WATER REVENUE REFUNDING BONDS, 2010B SERIES**

**NOTICE IS HEREBY GIVEN** that the City of Pasadena (the “City”) intends to receive electronically transmitted bids for each series of the above-captioned bonds (each a “Series of Bonds” and collectively, the “Bonds”) until

**9:30 a.m., Pacific time on December \_\_\_\_, 2010 for the 2010B Series**

**10:30 a.m., Pacific time on December \_\_\_\_, 2010 for the 2010A Series**

through the use of an electronic bidding service offered by Ipreo LLC and the Parity® bid delivery system, for the purchase of all of each respective Series of Bonds, each such Series of Bonds to be dated as of the date of delivery thereof, and maturing on such dates as described in the related Notice Inviting Bids for such Series of Bonds (each, a “Notice”). Bids for less than all of the respective Series of Bonds will not be accepted. The City reserves the right to postpone the time or date established for the receipt of bids and/or to modify or amend the Notice relating to each Series of Bonds as more fully described in the respective Notice.

**NOTICE IS HEREBY FURTHER GIVEN** that electronic copies of the Notice for each Series of Bonds and the Preliminary Official Statement issued in connection with the sale of the Bonds, may be obtained from the City’s financial advisor, Public Resources Advisory Group, 11500 West Olympic Boulevard, Suite 502, Los Angeles, California 90064, Attention: Edmund Soong (telephone (310) 477-8487; fax (310) 477-0105), or can be obtained online at <http://www.imagemaster.com/>.

Date: November \_\_, 2010

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Director of Finance  
City of Pasadena

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\* Preliminary amount to be as set forth in the respective Notice Inviting Bids, subject to adjustment as provided therein.

**Exhibit B**  
**Notices Inviting Bids**

**NOTICE INVITING BIDS**

**CITY OF PASADENA, CALIFORNIA**

**Water Revenue Refunding Bonds, 2010B Series**

**NOTICE IS HEREBY GIVEN** that electronically transmitted bids will be received by the City of Pasadena, California (the “City”), through the use of an electronic bidding service offered by Ipreo LLC and the Parity® bid delivery system (“Parity”) at <https://www.newissuehome.i-deal.com>, on

**December 6, 2010  
at 9:30 A.M. Pacific time,**

for the purchase of [\$31,265,000] (approximate) aggregate principal amount of City of Pasadena, California Water Revenue Refunding Bonds, 2010B Series (the “2010B Bonds”), more particularly described herein. See “TERMS OF SALE—Form of Bid and Bid Check or Surety Bond—Warnings Regarding Electronic Bids” herein.

The City reserves the right to cancel or reschedule the sale of the 2010B Bonds or change the terms thereof upon notice given through Thomson Municipal News prior to the time bids are to be received. If the sale is rescheduled, bids will be received at the place set forth above, at such date and time as the City shall determine. Notice of the new sale date, time and terms, if any, will be given through Thomson Municipal News as soon as practicable prior to the new time bids are to be received.

**BIDDERS ARE DIRECTED TO REVIEW THE PROVISIONS OF THE SECTION ENTITLED “TERMS OF SALE – Reoffering Price” IN THIS NOTICE INVITING BIDS IN CONNECTION WITH SUBMITTING A BID. If the successful bidder fails to provide the reoffering price certificate described therein, the Good Faith Deposit (as defined herein) will be retained by the City.**

**TERMS OF THE 2010B BONDS**

**Important Note. This Notice Inviting Bids will be submitted to Ipreo LLC for posting at <https://www.newissuehome.i-deal.com> and in the Parity® bid delivery system. In the event the Parity system’s summary of the terms of sale of the 2010B Bonds disagrees with this Notice Inviting Bids in any particulars, the terms of this Notice Inviting Bids shall control (unless notice of an amendment hereto is given as described above).**

**Opening of Bids and Award of 2010B Bonds**

The bids will be received at the above time and place, will be opened by the Director of Finance, and the 2010B Bonds are expected to be awarded by the City at the City Council meeting later that day.

## **The Issue**

The 2010B Bonds are being issued by the City for the purpose of providing moneys, together with other available funds, (i) to refund a portion of the City's outstanding Water Revenue and Refunding Bonds, 2003 Series; and (ii) to pay the costs of issuance of the 2010B Bonds.

## **Authority For Issuance**

The 2010B Bonds are authorized and issued pursuant to Article XIV of the City Charter, an Ordinance adopted by the City Council of the City on November 1, 2010 (the "Ordinance"), and a Water Revenue Bond Indenture, dated as of August 1, 2003 (the "Master Indenture"), 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"), as supplemented by a Fourth Supplement to Water Revenue Bond Indenture, dated as of December 1, 2010, to be executed simultaneously with the delivery of the 2010B Bonds (collectively, the "Indenture"). The 2010B Bonds will be issued on a parity with other obligations of the Water System payable from Pledged Revenues and issued from time to time pursuant to the terms of the Indenture ("Parity Debt"), including its Water Revenue and Refunding Bonds, 2003 Series, to remain outstanding in the principal amount of \$6,225,000\* upon the issuance of the 2010B Bonds and a defeasance of a portion thereof (the "2003 Bonds"), its Water Revenue Bonds, 2007 Series, currently outstanding in the principal amount of \$20,320,000 (the "2007 Bonds"), and its proposed Water Revenue Bonds, 2010A Series (Taxable Build America Bonds – Direct Subsidy), anticipated to be issued simultaneously with the 2010B Bonds in the aggregate principal amount not to exceed [\$30,000,000]\* (the "2010A Bonds"). The 2003 Bonds, the 2007 Bonds, the 2010A Bonds (if and when issued) and the 2010B Bonds and all other Water Revenue Bonds to be issued pursuant to the Indenture are herein referred to collectively as the "Bonds." The 2010A Bonds and the 2010B Bonds are sometimes referred to in this Notice collectively as the "2010 Bonds."

*Bidders are referred to the Indenture and the Preliminary Official Statement, dated November [23], 2010, relating to the 2010 Bonds (the "Preliminary Official Statement"), for definitions of terms and for further particulars, including further information regarding the 2010B Bonds. This Notice Inviting Bids contains certain information for general reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures with respect to the 2010B Bonds. Bidders must read the entire Preliminary Official Statement to obtain information essential to the making of an informed investment decision.*

## **Security; Limited Obligations**

The 2010B Bonds are an obligation solely payable from the Water Fund of the City and certain other funds as provided in the Indenture. The 2010B Bonds are secured by a pledge of and lien upon Pledged Revenues of the Water System on a parity with other Bonds and Parity Debt.

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\* Preliminary; subject to change.



The City has covenanted in the Indenture to fix the charges for the services, facilities and water furnished by the Water System so as to provide Gross Aggregate Revenues at least sufficient to pay, as the same become due, the principal of and interest on the Bonds and any other Parity Debt, all payments required for compliance with the Indenture, including payments required to be made into any Parity Reserve Fund, all payments required to be made with respect to any Subordinate Debt, all Operation and Maintenance Expenses and all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Aggregate Revenues or any portion thereof and the charges shall be fixed so that in each Fiscal Year the Gross Aggregate Revenues less Operation and Maintenance Expenses will be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due on all Bonds and any other Parity Debt.

“Pledged Revenues” means all Gross CIC Revenues and all Net Other Water Revenues. “Gross CIC Revenues” means all CIC Revenues, all amounts deposited in the CIC Account and all interest earnings or income thereon or therefrom. “CIC Revenues” means all capital improvement charges collected and received pursuant to Chapter 13.20.035 of Title 13 of the Pasadena Municipal Code and interest earned thereon. “Net Other Water Revenues” means all Other Water Revenues, all amounts deposited in the Water Fund and all interest earnings or income thereon or therefrom, less all Operation and Maintenance Expenses. “Other Water Revenues” means all the 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.

**The general fund of the City is not liable for the payment of any 2010B Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of any 2010B Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any 2010B Bond shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any 2010B Bonds and any premiums upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Pledged Revenues and other funds, security or assets which are pledged to the payment of the 2010B Bonds, interest thereon and any premiums upon redemption.**

### **Parity Reserve Fund**

Pursuant to the Indenture, the City has established and agreed to maintain the Parity Reserve Fund in an amount equal to the Reserve Fund Requirement.

“Reserve Fund Requirement” means, as of any date of determination and excluding any Parity Debt for which no reserve fund is to be maintained or for which a separate reserve fund is to be maintained, the least of (a) ten percent (10%) of the initial offering price to the public of each Series of Bonds and any Parity Debt to be secured by the Parity Reserve Fund as determined under the Code, or (b) the Maximum Annual Debt Service on all Bonds and Parity Debt to be secured by the Parity Reserve Fund, or (c) one hundred twenty-five percent (125%) of

the Average Annual Debt Service on all Bonds and Parity Debt to be secured by the Parity Reserve Fund, all as computed and determined by the City and specified in writing to the Trustee.

Amounts in the Parity Reserve Fund shall be transferred by the City to the applicable debt service fund to pay principal of and interest on the Bonds and other Parity Debt secured by the Parity Reserve Fund in the event amounts on deposit therein are insufficient for such purposes.

**Book-Entry Only**

The 2010B Bonds will be issued as fully registered bonds and, when issued will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as security depository for the 2010B Bonds. Individual purchases of the 2010B Bonds will be made in book-entry form only, in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal of, interest and premium, if any, on the 2010B Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2010B Bonds.

**Interest Payment Dates**

The 2010B Bonds will be as of the date of delivery and interest will be payable semiannually on each June 1 and December 1, commencing June 1, 2011, to holders of record on the preceding May 15 and November 15, respectively, until maturity or redemption.

**Principal Amortization**

The 2010B Bonds shall be subject to principal amortization on June 1 in the following years and amounts described in the following table, subject to the adjustments described below:

<u>Maturity</u> <u>(June 1)</u>	<u>Principal Amount*</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Principal Amount*</u>
2011	\$120,000	2019	\$4,105,000
2012	135,000	2020	2,095,000
2013	140,000	2021	2,135,000
2014	2,080,000	2022	2,180,000
2015	2,095,000	2023	2,235,000
2016	3,655,000	2024	1,550,000
2017	3,950,000	2025	845,000
2018	3,945,000		

\* Preliminary, subject to adjustment as described below.

**Adjustment of Principal Amounts and Amortization Schedule**

The principal amounts set forth in this Notice Inviting Bids reflect certain estimates of the City and its Financial Advisor with respect to the likely interest rates of the winning bid and the

premium, if any, contained in the winning bid. The principal amortization schedule may be changed prior to the time bids are to be received and, if adjustments are made, bidders must bid on the basis of the adjusted schedules. Such changes, if any, will be communicated through Thomson Municipal News not later than 12:00 p.m., Pacific time, on the business day prior to the bid opening. After selecting the winning bid, the principal amount of the 2010B Bonds and amortization schedule may be adjusted in \$5,000 increments as necessary in the determination of the Financial Advisor to reflect the actual interest rates and any premium in the winning bid and to achieve the City's debt structuring objectives. Such adjustments after the selection of the winning bid will not change the principal amount due on the 2010B Bonds in any year by more than the greater of \$275,000 or ten percent (10%). Any such adjustment will be communicated to the winning bidder within 24 hours after acceptance of the bids. Changes in the amortization schedule made subsequent to bid opening as described above will not affect the determination of the winning bidder or give the winning bidder any right to reject the 2010B Bonds. The winning bidder may not withdraw its bid or change the interest rates bid as a result of any changes to the principal payments of the 2010B Bonds in accordance with this Notice Inviting Bids; further, the dollar amount of the price bid will be changed so that the percentage of net compensation paid to the winning bidder will not increase or decrease from what it would have been if no adjustments had been made by the City.

### **Serial Bonds and/or Term Bonds**

Bidders may provide that the 2010B Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds. No term bond may include any mandatory sinking fund payments prior to June 1, 2021.

### **Mandatory Sinking Fund Redemption**

If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on June 1 of the first year which has been combined to form such term bond and continuing on June 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the table above under the caption "Principal Amortization", as adjusted in accordance with the provisions described above under the caption "Adjustment of Principal Amounts and Amortization Schedule". The 2010B Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed in part at par and shall be selected by lot from among the 2010B Bonds then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement term bonds of the maturity then subject to redemption which have been purchased and cancelled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

### **Optional Redemption**

The 2010B Bonds maturing on or prior to June 1, 2020 are not subject to call or redemption prior to maturity. The 2010B Bonds maturing on or after June 1, 2021 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 on or after December 1, 2020 (by such

maturities as may be specified by the City and by lot within a maturity), at a redemption price equal to the principal amount of the 2010B Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium. In the event of any optional redemption of a portion of any term bond, the principal amount of such term bond being redeemed shall be allocated against the mandatory sinking fund redemption requirements for such term bond in such manner as the City may direct.

### **Notice of Redemption**

Notice of such redemption shall be mailed to the Owners of the 2010B Bonds, certain securities depositories and one or more information services. Notice of such redemption shall be given to the Owners of the 2010B Bonds designated for redemption at their addresses appearing on the bond registration books, not less than 30 days nor more than 60 days prior to the redemption date. The actual receipt of such notice by the Owner of any 2010B Bond to be redeemed shall not be a condition precedent to the redemption, and failure of any Owner to receive such notice shall not affect the validity of the proceedings for the redemption of 2010B Bonds or the cessation of interest on the redemption date. 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 2010B Bonds called for redemption, then such notice shall 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.

### **Trustee**

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California is the Trustee for the payment of principal of, premium, if any, and interest on, the 2010B Bonds and for the registration of the 2010B Bonds.

### **Legal Opinion**

The City will furnish to the successful bidder at the closing of the 2010B Bonds, the legal opinion of Bond Counsel, Fulbright & Jaworski L.L.P., that based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2010B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes; and interest on the 2010B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such counsel may observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel will express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2010B Bonds.

### **Continuing Disclosure**

In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the City will undertake, pursuant to a Continuing Disclosure Agreement, to

provide certain annual financial information and notices of the occurrence of certain events. A form of the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The City has not failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events in the past five years.

## **TERMS OF SALE**

### **Interest Rates and Limits on Purchase Price**

Bidders must specify a rate of interest for each maturity of the 2010B Bonds. The rates of interest must be expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and the true interest cost to the City shall not exceed [four and three-quarters percent (4.75%)] per annum. All 2010B Bonds of the same maturity must bear the same rate of interest.

**Premium and/or discount coupons are permitted for the 2010B Bonds. However, bidders may only offer to purchase the 2010B Bonds from the City at an aggregate price no less than 100% and no more than 108% of the aggregate principal amount of the 2010B Bonds. In addition, the reoffering price for each maturity of the 2010B Bonds shall not be less than 98% of the principal amount of such maturity.**

**No bid will be accepted that contemplates the waiver of any interest or other concession by the bidder as substitute for payment in full of the purchase price. Bids that do not conform to the terms of this section may be rejected.**

### **Award**

If satisfactory bids are received, the 2010B Bonds will be awarded to the highest responsible bidder. The highest bid will be that which results in the lowest True Interest Cost. The True Interest Cost shall be computed by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the date of the 2010B Bonds and to the price bid. For the purpose of calculating the True Interest Cost, the principal amount of 2010B Bonds established for mandatory sinking fund redemption as part of a term bond shall be treated as a serial maturity in each year. In the event that two or more bidders have bid the same True Interest Cost, the award shall be made by random selection.

### **Right of Rejection**

The City reserves the right, in its discretion, to reject any and all proposals, including any proposals not conforming to this Notice Inviting Bids, and to waive any irregularity or informality in any proposal.

### **Equal Opportunity**

It is the policy of the City that disadvantaged business enterprises (“DBE”) and all other business enterprises have an equal opportunity to participate in the performance of the City

contracts. Bidders are required to make a good faith effort to reach out to the DBEs to ensure they have equal opportunity to compete for the purchase of the 2010B Bonds.

### **Form of Bid and Bid Check or Surety Bond**

Bidders must purchase the 2010B Bonds at a price equal to the principal amount thereof plus a premium, if any. Each bid must be delivered by electronic transmission, as described below, and received by 9:30 a.m., Pacific time, December [6], 2010. Each bid must be in accordance with the terms and conditions set forth in this Notice Inviting Bids.

In the event multiple bids are received from a single bidder by any means or combination thereof, the City shall accept the best of such bids, and each bidder agrees by submitting any bid to be bound by its best bid.

**Warnings Regarding Electronic Bids:** The City will accept bids in electronic form solely through Ipreo's Parity<sup>®</sup> System (at <https://www.newissuehome.i-deal.com>) on the official bid form created for such purposes. Each bidder submitting an electronic bid understands and agrees by doing so that it is solely responsible for all arrangements with Parity, and that Parity is not acting as an agent of the City. Instructions and forms for submitting electronic bids must be obtained from Parity, and the City assumes no responsibility for ensuring or verifying bidder compliance with Parity's procedures. The City shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder.

The City, the Financial Advisor, and Bond Counsel assume no responsibility for proper functioning of the Parity System, for any error contained in any bid submitted electronically, or for failure of any bid to be transmitted, received or opened at the official time for receipt of bids. The official time for receipt of bids will be determined by the City at the place of bid opening, and the City shall not be required to accept the time kept by Parity as the official time. The City assumes no responsibility for informing any bidder prior to the deadline for receiving bids that its bid is incomplete or not received.

### **Good Faith Deposit**

Each bidder must provide prior to the time the bids are examined a deposit in the amount of \$315,000 (the "Good Faith Deposit") in the form of (i) a certified or cashier's check payable in same day or next day funds drawn on a responsible bank having an office in California payable to the order of "City of Pasadena," (ii) a financial surety bond ("Surety Bond") issued by an insurance company rated in one of the top two rating categories by Moody's Investors Service, Fitch Ratings or Standard & Poor's Ratings Services, without regard to any modification of the rating and licensed to issue such a bond in the State of California, naming the City as the beneficiary and identifying the bidder whose deposit is guaranteed by the Surety Bond, or (iii) a wire transfer of immediately available federal funds.

**Surety Bonds.** Any Surety Bond may be submitted by facsimile transmission to 626-440-7036 or electronic mail to [verganian@cityofpasadena.net](mailto:verganian@cityofpasadena.net), [stthomas@cityofpasadena.net](mailto:stthomas@cityofpasadena.net) and [tadedeji@cityofpasadena.net](mailto:tadedeji@cityofpasadena.net) prior to the deadline for the examination of the bids. If the successful bidder has provided a Surety Bond, such bidder shall wire transfer to the City the amount of the Good Faith Deposit in immediately available federal funds not later than 12:00

noon (Pacific Time) on the business day next succeeding the day of acceptance of the proposal, which amount shall be deposited in a fund held by the City and applied to the purchase price of the 2010B Bonds. If the City has not received such federal funds wire transfer by the time stated, the City may draw upon the Surety Bond to satisfy the successful bidder's deposit requirements.

**Checks.** Any check accompanying any accepted proposal shall be cashed and deposited in a fund held by the City and applied to the purchase price of the 2010B Bonds at the time of delivery of the 2010B Bonds. Any check accompanying an unaccepted proposal will be returned promptly.

**Wire Transfers.** Any Good Faith Deposit wire transfers must be received in federal funds prior to the deadline for the examination of the bids, and should be directed as follows:

ABA#: 026009593  
Bank of America  
333 S. Hope Street  
Los Angeles, CA 90071  
Bank Account #: 0443280200  
Bank Account Name: City of Pasadena

**Each bidder submitting the Good Faith Deposit by check or wire transfer must also (i) send an email to the attention of [verganian@cityofpasadena.net](mailto:verganian@cityofpasadena.net), [stthomas@cityofpasadena.net](mailto:stthomas@cityofpasadena.net) and [tadedeji@cityofpasadena.net](mailto:tadedeji@cityofpasadena.net) and to the attention of [mary.j.tornjos@bankofamerica.com](mailto:mary.j.tornjos@bankofamerica.com) and [jaqueline.holmes@bankofamerica.com](mailto:jaqueline.holmes@bankofamerica.com) providing the name of the entity bidder and contact person and notifying the City of the delivery of such check or wire transfer and referencing "2010B Series Good Faith [Check] [Wire Transfer]"; (ii) include with such e-mail notification wiring and/or mailing instructions for the return of the check or wire transfer should the bidder be unsuccessful and (iii) obtain a confirmation from one of the foregoing persons of the receipt of such Good Faith Deposit and instructions.** The checks and wire transfers of unsuccessful bidders will be returned promptly after the examination of bids. The wire transfer of the successful bidder will be retained by the City and applied to the purchase price of the 2010B Bonds when the 2010B Bonds are delivered. The City disclaims any liability for funds sent by wire transfer, except for any willful misconduct or reckless disregard for its duties.

**Liquidated Damages; No Interest.** No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposit of the successful bidder will, immediately upon acceptance of its bid, become the property of the City to be held and invested for the exclusive benefit of the City. The principal amount of such Good Faith Deposit shall be applied to the purchase price of the 2010B Bonds at the time of delivery thereof.

If the purchase price is not paid in full upon delivery of the 2010B Bonds, the successful bidder shall have no right in or to the 2010B Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such Good Faith Deposit, unless it shall appear that the 2010B Bonds would not be validly issued if delivered to the successful bidder in the form and manner proposed. In the event of nonpayment by the successful bidder, the amount of the Good

Faith Deposit shall be retained by the City. Notwithstanding the foregoing, should the successful bidder fail to pay for the 2010B Bonds at the price and on the date agreed upon, the City retains the right to seek further compensation for damages sustained as a result of the successful bidder so doing.

### **Estimate of True Interest Cost**

Each bidder is requested, but not required, to supply an estimate of the True Interest Cost to the City on the basis of its bid, which shall be considered as informative only and not binding on either the bidder or the City.

### **Prompt Award**

The City, acting through its Director of Finance, will conditionally award the 2010B Bonds or reject all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of proposals, unless such time of award is waived by the successful bidder. Notice of the conditional award will be given promptly to the successful bidder. The City will endeavor to obtain City Council confirmation and ratification of the award within such 24 hour period, but such confirmation and ratification, which is a condition of closing, may occur at any time prior to delivery of the 2010B Bonds.

### **Reoffering Price**

The successful bidder will, within 30 minutes after being notified of the conditional award of the 2010B Bonds, advise the City of the initial public offering prices of the 2010B Bonds. The successful bidder will also be required, prior to delivery of the 2010B Bonds, to furnish to the City a certificate acceptable to Bond Counsel (the "Bidder's Certificate"), which states with respect to each maturity of the 2010B Bonds that either (i) such successful bidder has purchased the applicable maturity of the 2010B Bonds for its own account and not with a view to distribution or resale and not in the capacity of a bond house, broker or other intermediary and the price at which such purchase was made, or (ii) (1) such successful bidder has made a bona fide offering to the public of each applicable maturity of the 2010B Bonds at the prices or yields indicated in the information supplied on the date of the conditional award, and (2) the first price or yield at which an amount equal to at least 10% of each such maturity of the 2010B Bonds was sold to the public was, respectively, a price not higher or a yield not lower than indicated on the date of the conditional award, with the exception of those maturities, if any, identified in such Bidder's Certificate, as to which such certificate shall explain the reasons why at least 10% of each maturity was not sold to the public at the price indicated for each such maturity on the date of the award. For the purposes of the information submitted on the date of the conditional award and the Bidder's Certificate, the "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. In making such representations, the successful bidder must reflect the anticipated existence, if any, of a "derivative product" (e.g., a tender option) offered or to be offered by the bidder or its affiliate in connection with the initial sale of any of the 2010B Bonds. The successful bidder may also be asked by Bond Counsel to clarify any discrepancies between the Bidder's Certificate and publicly available information relating to trades of the 2010B Bonds and to explain the failure to



sell at least 10% of each maturity to the public at the prices indicated on the date of the conditional award.

### **California Debt and Investment Advisory Commission**

The successful bidder will be required to pay any fees due to the California Debt and Investment Advisory Commission (“CDIAC”) under California law. CDIAC will invoice the successful bidder after the delivery of the 2010B Bonds.

### **CUSIP Numbers and Other Fees**

It is anticipated that CUSIP numbers will be printed on the 2010B Bonds, but neither the failure to print such numbers on any 2010B Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for said 2010B Bonds in accordance herewith. The successful bidder will be responsible for obtaining CUSIP numbers. All charges of the CUSIP Service Bureau for the assignment of CUSIP numbers for the 2010B Bonds shall be paid by the successful bidder. The successful bidder shall also be required to pay all fees required by DTC, the Securities Industry and Financial Markets Association, the Municipal Securities Rulemaking Board and any other similar entity imposing a fee in connection with the execution and delivery of the 2010B Bonds.

### **No Litigation**

There is no litigation pending concerning the validity of the 2010B Bonds, the corporate existence of the City, or the title of the officers thereof to their respective offices, and the City will furnish to the successful bidder a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the 2010B Bonds.

### **Official Statement**

The City has approved a Preliminary Official Statement dated November [23], 2010, which the City has “deemed final” for purposes of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission although subject to revision, amendment and completion in a final Official Statement in conformity with such Rule. The City will furnish to the successful bidder, at no expense to the successful bidder, within seven (7) business days of the award date, the Official Statement, in electronic format and up to 150 copies thereof.

### **Certificate Regarding Official Statement**

The City will provide to the successful bidder of the 2010B Bonds a certificate, signed by a responsible officer, confirming to the successful bidder that, at the time of the acceptance of its bid for the 2010B Bonds and at the time of delivery thereof, the Preliminary Official Statement and the final Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

## **Delivery and Payment**

Delivery of the 2010B Bonds is expected to occur on or about December [16], 2010. The 2010B Bonds will be delivered in New York, New York (by Fast Automated Securities Transfer) to DTC. The successful bidder shall pay for the 2010B Bonds on the date of delivery in Federal Reserve Bank funds or equivalent immediately available funds. Payment on the delivery date shall be made in an amount equal to the price bid for the 2010B Bonds less the amount of the Good Faith Deposit. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder.

## **Tax-Exempt Status**

In the event that prior to the delivery of the 2010B Bonds (a) the interest received by any private holder from bonds of the same type and character as the 2010B Bonds shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such law or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is enacted that would have a substantial adverse tax effect on holders of the 2010B Bonds as such, the successful bidder may, at its option, prior to the issuance and delivery of the 2010B Bonds by the City, be relieved of its obligation to purchase the 2010B Bonds and in such case the proceeds of the Good Faith Deposit accompanying its bid will be returned.

## **Right of Cancellation by City**

The City reserves the right at any time prior to and including the day of the bid opening, to cancel the public sale of the 2010B Bonds. In such event, the City shall cause notice of the cancellation of this invitation for bids and the public sale of the 2010B Bonds to be communicated through Thomson Municipal News as promptly as practicable. However, no failure to publish such notice, failure of any prospective bidder to receive such notice or any defect or omission therein shall affect the cancellation of the public sale of the 2010B Bonds.

## **Right of Cancellation by Bidder**

The successful bidder shall have the right, at its option, to cancel its obligation to purchase the 2010B Bonds if the City shall fail to execute the 2010B Bonds and tender the same for delivery within 60 days from the date of award thereof, and in such event the successful bidder shall be entitled to the return of the Good Faith Deposit accompanying its proposal.

## **Right to Modify or Amend**

The City reserves the right to modify or amend this Notice Inviting Bids in any respect including, without limitation, the right to adjust and change the principal amortization schedule of the 2010B Bonds being offered prior to the time bids are to be received. Such notifications or amendments shall be communicated through Thomson Municipal News.

**Additional Information**

Copies of the Ordinance, the Indenture and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the City's Financial Advisor, Public Resources Advisory Group, 11500 W. Olympic Boulevard, Suite 502, Los Angeles, California 90064, Attention: Edmund Soong (telephone (310) 477-8487, fax (310) 477-0105).

Date: November \_\_\_\_, 2010

\_\_\_\_\_  
/s/ Andrew Green

Director of Finance  
City of Pasadena

**NOTICE INVITING BIDS**

**CITY OF PASADENA, CALIFORNIA**

**Water Revenue Bonds, 2010A Series  
(Taxable Build America Bonds – Direct Payment)**

**NOTICE IS HEREBY GIVEN** that electronically transmitted bids will be received by the City of Pasadena, California (the “City”), through the use of an electronic bidding service offered by Ipreo LLC and the Parity® bid delivery system (“Parity”) at <https://www.newissuehome.i-deal.com>, on

**December 6, 2010  
at 10:30 A.M. Pacific time,**

for the purchase of [\$30,000,000] (approximate) aggregate principal amount of City of Pasadena, California Water Revenue Bonds, 2010A Series (Taxable Build America Bonds – Direct Payment) (the “2010A Bonds”), more particularly described herein. See “TERMS OF SALE—Form of Bid and Bid Check or Surety Bond—Warnings Regarding Electronic Bids” herein.

The City reserves the right to cancel or reschedule the sale of the 2010A Bonds or change the terms thereof upon notice given through Thomson Municipal News prior to the time bids are to be received. If the sale is rescheduled, bids will be received at the place set forth above, at such date and time as the City shall determine. Notice of the new sale date, time and terms, if any, will be given through Thomson Municipal News as soon as practicable prior to the new time bids are to be received.

**BIDDERS ARE DIRECTED TO REVIEW THE PROVISIONS OF THE SECTION ENTITLED “TERMS OF SALE – Reoffering Price” IN THIS NOTICE INVITING BIDS IN CONNECTION WITH SUBMITTING A BID. If the successful bidder fails to provide the reoffering price certificate described therein, the Good Faith Deposit (as defined herein) will be retained by the City.**

**TERMS OF THE 2010A BONDS**

**Important Note. This Notice Inviting Bids will be submitted to Ipreo LLC for posting at <https://www.newissuehome.i-deal.com> and in the Parity® bid delivery system. In the event the Parity system’s summary of the terms of sale of the 2010A Bonds disagrees with this Notice Inviting Bids in any particulars, the terms of this Notice Inviting Bids shall control (unless notice of an amendment hereto is given as described above).**

**Opening of Bids and Award of 2010A Bonds**

The bids will be received at the above time and place, will be opened by the Director of Finance, and the 2010A Bonds are expected to be awarded by the City at the City Council meeting later that day.

## **The Issue**

The 2010A Bonds are being issued by the City for the purpose of providing moneys (i) to finance all or a portion of the costs of acquisition and construction of certain improvements to the Water System of the City (the “Water System”); (ii) to make an additional deposit to the reserve fund; and (iii) to pay the costs of issuance of the 2010A Bonds.

## **Authority For Issuance**

The 2010A Bonds are authorized and issued pursuant to Article XIV of the City Charter, an Ordinance adopted by the City Council of the City on November 1, 2010 (the “Ordinance”), and a Water Revenue Bond Indenture, dated as of August 1, 2003 (the “Master Indenture”), 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”), as supplemented by a Third Supplement to Water Revenue Bond Indenture, dated as of December 1, 2010, to be executed simultaneously with the delivery of the 2010A Bonds (collectively, the “Indenture”). The 2010A Bonds will be issued on a parity with other obligations of the Water System payable from Pledged Revenues and issued from time to time pursuant to the terms of the Indenture (“Parity Debt”), including its Water Revenue and Refunding Bonds, 2003 Series, to remain outstanding in the principal amount of \$6,225,000\* upon the issuance of the 2010B Bonds (as hereinafter defined) and a defeasance of a portion thereof (the “2003 Bonds”), its Water Revenue Bonds, 2007 Series, currently outstanding in the principal amount of \$20,320,000 (the “2007 Bonds”), and its proposed Water Revenue Refunding Bonds, 2010B Series, anticipated to be issued simultaneously with the 2010A Bonds in the aggregate principal amount not to exceed [\$31,265,000]\* (the “2010B Bonds”). The 2003 Bonds, the 2007 Bonds, the 2010A Bonds and the 2010B Bonds (if and when issued) and all other Water Revenue Bonds to be issued pursuant to the Indenture are herein referred to collectively as the “Bonds.” The 2010A Bonds and the 2010B Bonds are sometimes referred to in this Notice collectively as the “2010 Bonds.”

*Bidders are referred to the Indenture and the Preliminary Official Statement, dated November [23], 2010, relating to the 2010 Bonds (the “Preliminary Official Statement”), for definitions of terms and for further particulars, including further information regarding the 2010A Bonds. This Notice Inviting Bids contains certain information for general reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures with respect to the 2010A Bonds. Bidders must read the entire Preliminary Official Statement to obtain information essential to the making of an informed investment decision.*

## **Security; Limited Obligations**

The 2010A Bonds are an obligation solely payable from the Water Fund of the City and certain other funds as provided in the Indenture. The 2010A Bonds are secured by a pledge of and lien upon Pledged Revenues of the Water System on a parity with other Bonds and Parity Debt.

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\* Preliminary; subject to change.

The City has covenanted in the Indenture to fix the charges for the services, facilities and water furnished by the Water System so as to provide Gross Aggregate Revenues at least sufficient to pay, as the same become due, the principal of and interest on the Bonds and any other Parity Debt, all payments required for compliance with the Indenture, including payments required to be made into any Parity Reserve Fund, all payments required to be made with respect to any Subordinate Debt, all Operation and Maintenance Expenses and all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Aggregate Revenues or any portion thereof and the charges shall be fixed so that in each Fiscal Year the Gross Aggregate Revenues less Operation and Maintenance Expenses will be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due on all Bonds and any other Parity Debt.

“Pledged Revenues” means all Gross CIC Revenues and all Net Other Water Revenues. “Gross CIC Revenues” means all CIC Revenues, all amounts deposited in the CIC Account and all interest earnings or income thereon or therefrom. “CIC Revenues” means all capital improvement charges collected and received pursuant to Chapter 13.20.035 of Title 13 of the Pasadena Municipal Code and interest earned thereon. “Net Other Water Revenues” means all Other Water Revenues, all amounts deposited in the Water Fund and all interest earnings or income thereon or therefrom, less all Operation and Maintenance Expenses. “Other Water Revenues” means all the 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.

**The general fund of the City is not liable for the payment of any 2010A Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of any 2010A Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any 2010A Bond shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any 2010A Bonds and any premiums upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Pledged Revenues and other funds, security or assets which are pledged to the payment of the 2010A Bonds, interest thereon and any premiums upon redemption.**

### **Parity Reserve Fund**

Pursuant to the Indenture, the City has established and agreed to maintain the Parity Reserve Fund in an amount equal to the Reserve Fund Requirement.

“Reserve Fund Requirement” means, as of any date of determination and excluding any Parity Debt for which no reserve fund is to be maintained or for which a separate reserve fund is to be maintained, the least of (a) ten percent (10%) of the initial offering price to the public of each Series of Bonds and any Parity Debt to be secured by the Parity Reserve Fund as determined under the Code, or (b) the Maximum Annual Debt Service on all Bonds and Parity Debt to be secured by the Parity Reserve Fund, or (c) one hundred twenty-five percent (125%) of

the Average Annual Debt Service on all Bonds and Parity Debt to be secured by the Parity Reserve Fund, all as computed and determined by the City and specified in writing to the Trustee.

Amounts in the Parity Reserve Fund shall be transferred by the City to the applicable debt service fund to pay principal of and interest on the Bonds and other Parity Debt secured by the Parity Reserve Fund in the event amounts on deposit therein are insufficient for such purposes.

**Book-Entry Only**

The 2010A Bonds will be issued as fully registered bonds and, when issued will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as security depository for the 2010A Bonds. Individual purchases of the 2010A Bonds will be made in book-entry form only, in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal of, interest and premium, if any, on the 2010A Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2010A Bonds.

**Interest Payment Dates**

The 2010A Bonds will be as of the date of delivery and interest will be payable semiannually on each June 1 and December 1, commencing June 1, 2011, to holders of record on the preceding May 15 and November 15, respectively, until maturity or redemption.

**Principal Amortization**

The 2010A Bonds shall be subject to principal amortization on June 1 in the following years and amounts described in the following table, subject to the adjustments described below:

<u>Maturity</u> <u>(June 1)</u>	<u>Principal Amount*</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Principal Amount*</u>
2020	\$750,000	2032	\$750,000
2021	750,000	2033	750,000
2022	750,000	2034	750,000
2023	750,000	2035	750,000
2024	750,000	2036	885,000
2025	750,000	2037	1,925,000
2026	750,000	2038	3,040,000
2027	750,000	2039	3,155,000
2028	750,000	2040	3,270,000
2029	750,000	2041	1,515,000
2030	750,000	2042	1,575,000
2031	750,000	2043	1,635,000

\* Preliminary, subject to adjustment as described below.

## **Adjustment of Principal Amounts and Amortization Schedule**

The principal amounts set forth in this Notice Inviting Bids reflect certain estimates of the City and its Financial Advisor with respect to the likely interest rates of the winning bid and the premium, if any, contained in the winning bid. The principal amortization schedule may be changed prior to the time bids are to be received and, if adjustments are made, bidders must bid on the basis of the adjusted schedules. Such changes, if any, will be communicated through Thomson Municipal News not later than 12:00 p.m., Pacific time, on the business day prior to the bid opening.

## **Serial Bonds and/or Term Bonds**

Bidders may provide that the 2010A Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds.

## **Mandatory Sinking Fund Redemption**

If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on June 1 of the first year which has been combined to form such term bond and continuing on June 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the table above under the caption "Principal Amortization", as adjusted prior to the opening of bids (if applicable) in accordance with the provisions described above under the caption "Adjustment of Principal Amounts and Amortization Schedule". The 2010A Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed in part at par and shall be selected on a "pro rata pass-through distribution of principal" basis in accordance with DTC procedures as described further in the Preliminary Official Statement for under "DESCRIPTION OF THE 2010 BONDS – Redemption – 2010A Bonds – *Selection of 2010A Bonds for Redemption.*"

## **Optional Redemption**

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 on a pro rata pass-through distribution of principal basis within a maturity, at the Make Whole Redemption Price. In the event of any optional redemption of a portion of any term bond, the principal amount of such term bond being redeemed shall be allocated against the mandatory sinking fund redemption requirements for such term bond in such manner as the City may direct.

"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.

### **Extraordinary Optional Redemption**

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, 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 on a pro rata pass-through distribution of principal basis within a maturity, at the Extraordinary Optional Redemption Price. In the event of any extraordinary optional redemption of a portion of any term bond, the principal amount of such term bond being redeemed shall be allocated against the mandatory sinking fund redemption requirements for such term bond in such manner as the City may direct.

“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.

### **Notice of Redemption**

Notice of such redemption shall be mailed to the Owners of the 2010A Bonds, certain securities depositories and one or more information services. Notice of such redemption shall be given to the Owners of the 2010A Bonds designated for redemption at their addresses appearing on the bond registration books, not less than 30 days nor more than 60 days prior to the redemption date. The actual receipt of such notice by the Owner of any 2010A Bond to be redeemed shall not be a condition precedent to the redemption, and failure of any Owner to receive such notice shall not affect the validity of the proceedings for the redemption of 2010A Bonds or the cessation of interest on the redemption date. 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 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.

### **Trustee**

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California is the Trustee for the payment of principal of, premium, if any, and interest on, the 2010A Bonds and for the registration of the 2010A Bonds.

### **Legal Opinion**

The City will furnish to the successful bidder at the closing of the 2010A Bonds, the legal opinion of Bond Counsel, Fulbright & Jaworski L.L.P., that under existing laws, regulations, rulings and court decisions, interest on the 2010A Bonds is exempt from State of California personal income taxes. Bond Counsel will express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2010A Bonds.

### **Continuing Disclosure**

In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the City will undertake, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain events. A form of the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The City has not failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events in the past five years.

## **TERMS OF SALE**

### **Interest Rates and Limits on Purchase Price**

Bidders must specify a rate of interest for each maturity of the 2010A Bonds. The rates of interest must be expressed in multiples of one-one thousandth (1/1,000) of one percent (1%), and the true interest cost to the City shall not exceed [eight percent (8.0%)] per annum. All 2010A Bonds of the same maturity must bear the same rate of interest.

**The reoffering price for each maturity, which is the price at which such maturity is sold to the public, of the 2010A Bonds shall not be less than 100% or more than 101% of the principal amount of such maturity. In addition, the aggregate purchaser's discount shall not exceed 1% of the principal amount of the 2010A Bonds. Therefore, bidders may only offer to purchase the 2010A Bonds from the City at an aggregate price no less than 99% and no more than 101% of the aggregate principal amount of the 2010A Bonds.**

**No bid will be accepted that contemplates the waiver of any interest or other concession by the bidder as substitute for payment in full of the purchase price. Bids that do not conform to the terms of this section may be rejected.**

## **Award**

If satisfactory bids are received, the 2010A Bonds will be awarded to the highest responsible bidder. The highest bid will be that which results in the lowest True Interest Cost. The True Interest Cost shall be computed by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the date of the 2010A Bonds and to the price bid. For the purpose of calculating the True Interest Cost, the principal amount of 2010A Bonds established for mandatory sinking fund redemption as part of a term bond shall be treated as a serial maturity in each year. In the event that two or more bidders have bid the same True Interest Cost, the award shall be made by random selection.

## **Right of Rejection**

The City reserves the right, in its discretion, to reject any and all proposals, including any proposals not conforming to this Notice Inviting Bids, and to waive any irregularity or informality in any proposal.

## **Equal Opportunity**

It is the policy of the City that disadvantaged business enterprises (“DBE”) and all other business enterprises have an equal opportunity to participate in the performance of the City contracts. Bidders are required to make a good faith effort to reach out to the DBEs to ensure they have equal opportunity to compete for the purchase of the 2010A Bonds.

## **Form of Bid and Bid Check or Surety Bond**

Bidders must purchase the 2010A Bonds at a price equal to the principal amount thereof plus a premium, if any. Each bid must be delivered by electronic transmission, as described below, and received by 10:30 a.m., Pacific time, December 6, 2010. Each bid must be in accordance with the terms and conditions set forth in this Notice Inviting Bids.

In the event multiple bids are received from a single bidder by any means or combination thereof, the City shall accept the best of such bids, and each bidder agrees by submitting any bid to be bound by its best bid.

***Warnings Regarding Electronic Bids:*** The City will accept bids in electronic form solely through Ipreo’s Parity<sup>®</sup> System (at <https://www.newissuehome.i-deal.com>) on the official bid form created for such purposes. Each bidder submitting an electronic bid understands and agrees by doing so that it is solely responsible for all arrangements with Parity, and that Parity is not acting as an agent of the City. Instructions and forms for submitting electronic bids must be obtained from Parity, and the City assumes no responsibility for ensuring or verifying bidder compliance with Parity’s procedures. The City shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder.

The City, the Financial Advisor, and Bond Counsel assume no responsibility for proper functioning of the Parity System, for any error contained in any bid submitted electronically, or for failure of any bid to be transmitted, received or opened at the official time for receipt of bids.

The official time for receipt of bids will be determined by the City at the place of bid opening, and the City shall not be required to accept the time kept by Parity as the official time. The City assumes no responsibility for informing any bidder prior to the deadline for receiving bids that its bid is incomplete or not received.

### **Good Faith Deposit**

Each bidder must provide prior to the time the bids are examined a deposit in the amount of \$315,000 (the "Good Faith Deposit") in the form of (i) a certified or cashier's check payable in same day or next day funds drawn on a responsible bank having an office in California payable to the order of "City of Pasadena," (ii) a financial surety bond ("Surety Bond") issued by an insurance company rated in one of the top two rating categories by Moody's Investors Service, Fitch Ratings or Standard & Poor's Ratings Services, without regard to any modification of the rating and licensed to issue such a bond in the State of California, naming the City as the beneficiary and identifying the bidder whose deposit is guaranteed by the Surety Bond, or (iii) a wire transfer of immediately available federal funds.

***Surety Bonds.*** Any Surety Bond may be submitted by facsimile transmission to 626-440-7036 or electronic mail to [verganian@cityofpasadena.net](mailto:verganian@cityofpasadena.net), [stthomas@cityofpasadena.net](mailto:stthomas@cityofpasadena.net) and [tadedeji@cityofpasadena.net](mailto:tadedeji@cityofpasadena.net) prior to the deadline for the examination of the bids. If the successful bidder has provided a Surety Bond, such bidder shall wire transfer to the City the amount of the Good Faith Deposit in immediately available federal funds not later than 12:00 noon (Pacific Time) on the business day next succeeding the day of acceptance of the proposal, which amount shall be deposited in a fund held by the City and applied to the purchase price of the 2010A Bonds. If the City has not received such federal funds wire transfer by the time stated, the City may draw upon the Surety Bond to satisfy the successful bidder's deposit requirements.

***Checks.*** Any check accompanying any accepted proposal shall be cashed and deposited in a fund held by the City and applied to the purchase price of the 2010A Bonds at the time of delivery of the 2010A Bonds. Any check accompanying an unaccepted proposal will be returned promptly.

***Wire Transfers.*** Any Good Faith Deposit wire transfers must be received in federal funds prior to the deadline for the examination of the bids, and should be directed as follows:

ABA#: 026009593  
Bank of America  
333 S. Hope Street  
Los Angeles, CA 90071  
Bank Account #: 0443280200  
Bank Account Name: City of Pasadena

**Each bidder submitting the Good Faith Deposit by check or wire transfer must also (i) send an email to the attention of [verganian@cityofpasadena.net](mailto:verganian@cityofpasadena.net), [stthomas@cityofpasadena.net](mailto:stthomas@cityofpasadena.net) and [tadedeji@cityofpasadena.net](mailto:tadedeji@cityofpasadena.net) and to the attention of [mary.j.tornjos@bankofamerica.com](mailto:mary.j.tornjos@bankofamerica.com) and [jaqueline.holmes@bankofamerica.com](mailto:jaqueline.holmes@bankofamerica.com) providing**

**the name of the bidder entity and contact person and notifying the City of the delivery of such check or wire transfer and referencing “2010A Series Good Faith [Check] [Wire Transfer]”; (ii) include with such e-mail notification wiring and/or mailing instructions for the return of the check or wire transfer should the bidder be unsuccessful and (iii) obtain a confirmation from one of the foregoing persons of the receipt of such Good Faith Deposit and instructions.** The checks and wire transfers of unsuccessful bidders will be returned promptly after the examination of bids. The wire transfer of the successful bidder will be retained by the City and applied to the purchase price of the 2010A Bonds when the 2010A Bonds are delivered. The City disclaims any liability for funds sent by wire transfer, except for any willful misconduct or reckless disregard for its duties.

***Liquidated Damages; No Interest.*** No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposit of the successful bidder will, immediately upon acceptance of its bid, become the property of the City to be held and invested for the exclusive benefit of the City. The principal amount of such Good Faith Deposit shall be applied to the purchase price of the 2010A Bonds at the time of delivery thereof.

If the purchase price is not paid in full upon delivery of the 2010A Bonds, the successful bidder shall have no right in or to the 2010A Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such Good Faith Deposit, unless it shall appear that the 2010A Bonds would not be validly issued if delivered to the successful bidder in the form and manner proposed. In the event of nonpayment by the successful bidder, the amount of the Good Faith Deposit shall be retained by the City. Notwithstanding the foregoing, should the successful bidder fail to pay for the 2010A Bonds at the price and on the date agreed upon, the City retains the right to seek further compensation for damages sustained as a result of the successful bidder so doing.

### **Estimate of True Interest Cost**

Each bidder is requested, but not required, to supply an estimate of the True Interest Cost to the City on the basis of its bid, which shall be considered as informative only and not binding on either the bidder or the City.

### **Prompt Award**

The City, acting through its Director of Finance, will conditionally award the 2010A Bonds or reject all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of proposals, unless such time of award is waived by the successful bidder. Notice of the conditional award will be given promptly to the successful bidder. The City will endeavor to obtain City Council confirmation and ratification of the award within such 24 hour period, but such confirmation and ratification, which is a condition of closing, may occur at any time prior to delivery of the 2010A Bonds.

### **Reoffering Price**

The successful bidder will, within 30 minutes after being notified of the conditional award of the 2010A Bonds, advise the City of the initial public offering prices of the 2010A Bonds. The successful bidder will also be required, prior to delivery of the 2010A Bonds, to

furnish to the City a certificate acceptable to Bond Counsel, which states with respect to each maturity of the 2010A Bonds that either (i) such successful bidder has purchased the applicable maturity of the 2010A Bonds for its own account and not with a view to distribution or resale and not in the capacity of a bond house, broker or other intermediary and the price at which such purchase was made, or (ii) (1) such successful bidder has made a bona fide offering to the public of each applicable maturity of the 2010A Bonds at the prices or yields indicated in the information supplied on the date of the conditional award, and (2) the first price or yield at which an amount equal to at least 10% of each such maturity of the 2010A Bonds was sold to the public was, respectively, a price not higher or a yield not lower than indicated on the date of the conditional award. For the purposes of the information submitted on the date of the conditional award and the Bidder's Certificate, the "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. In making such representations, the successful bidder must reflect the anticipated existence, if any, of a "derivative product" (e.g., a tender option) offered or to be offered by the bidder or its affiliate in connection with the initial sale of any of the 2010A Bonds. The successful bidder may also be asked by Bond Counsel to clarify any discrepancies between the Bidder's Certificate and publicly available information relating to trades of the 2010A Bonds.

### **California Debt and Investment Advisory Commission**

The successful bidder will be required to pay any fees due to the California Debt and Investment Advisory Commission ("CDIAC") under California law. CDIAC will invoice the successful bidder after the delivery of the 2010A Bonds.

### **CUSIP Numbers and Other Fees**

It is anticipated that CUSIP numbers will be printed on the 2010A Bonds, but neither the failure to print such numbers on any 2010A Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for said 2010A Bonds in accordance herewith. The successful bidder will be responsible for obtaining CUSIP numbers. All charges of the CUSIP Service Bureau for the assignment of CUSIP numbers for the 2010A Bonds shall be paid by the successful bidder. The successful bidder shall also be required to pay all fees required by DTC, the Securities Industry and Financial Markets Association, the Municipal Securities Rulemaking Board and any other similar entity imposing a fee in connection with the execution and delivery of the 2010A Bonds.

### **No Litigation**

There is no litigation pending concerning the validity of the 2010A Bonds, the corporate existence of the City, or the title of the officers thereof to their respective offices, and the City will furnish to the successful bidder a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the 2010A Bonds.

### **Official Statement**

The City has approved a Preliminary Official Statement dated November [23], 2010, which the City has "deemed final" for purposes of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission although subject to revision, amendment and completion in a final

Official Statement in conformity with such Rule. The City will furnish to the successful bidder, at no expense to the successful bidder, within seven (7) business days of the award date, the Official Statement, in electronic format and up to 150 copies thereof.

### **Certificate Regarding Official Statement**

The City will provide to the successful bidder of the 2010A Bonds a certificate, signed by a responsible officer, confirming to the successful bidder that, at the time of the acceptance of its bid for the 2010A Bonds and at the time of delivery thereof, the Preliminary Official Statement and the final Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

### **Delivery and Payment**

Delivery of the 2010A Bonds is expected to occur on or about December [16], 2010. The 2010A Bonds will be delivered in New York, New York (by Fast Automated Securities Transfer) to DTC. The successful bidder shall pay for the 2010A Bonds on the date of delivery in Federal Reserve Bank funds or equivalent immediately available funds. Payment on the delivery date shall be made in an amount equal to the price bid for the 2010A Bonds less the amount of the Good Faith Deposit. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder.

### **Right of Cancellation by City**

The City reserves the right at any time prior to and including the day of the bid opening, to cancel the public sale of the 2010A Bonds. In such event, the City shall cause notice of the cancellation of this invitation for bids and the public sale of the 2010A Bonds to be communicated through Thomson Municipal News as promptly as practicable. However, no failure to publish such notice, failure of any prospective bidder to receive such notice or any defect or omission therein shall affect the cancellation of the public sale of the 2010A Bonds.

### **Right of Cancellation by Bidder**

The successful bidder shall have the right, at its option, to cancel its obligation to purchase the 2010A Bonds if the City shall fail to execute the 2010A Bonds and tender the same for delivery within 60 days from the date of award thereof, and in such event the successful bidder shall be entitled to the return of the Good Faith Deposit accompanying its proposal.

### **Right to Modify or Amend**

The City reserves the right to modify or amend this Notice Inviting Bids in any respect including, without limitation, the right to adjust and change the principal amortization schedule of the 2010A Bonds being offered prior to the time bids are to be received. Such notifications or amendments shall be communicated through Thomson Municipal News.



**Additional Information**

Copies of the Ordinance, the Indenture and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the City's Financial Advisor, Public Resources Advisory Group, 11500 W. Olympic Boulevard, Suite 502, Los Angeles, California 90064, Attention: Edmund Soong (telephone (310) 477-8487, fax (310) 477-0105).

Date: November \_\_, 2010

*/s/ Andrew Green*

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Director of Finance  
City of Pasadena