

EXHIBIT A

REFUNDED 2003 BONDS

The Refunded 2003 Bonds have the maturity dates and CUSIP numbers as set forth below:

<u>Maturity (June 1)</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount to be Refunded</u>	<u>CUSIP Number</u>	<u>Bond Number</u>
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EXHIBIT B

REQUIREMENTS OF THE REFUNDED 2003 BONDS

<u>Date</u>	<u>Interest</u>	<u>Principal Redeemed</u>	<u>Redemption Premium</u>	<u>Total Requirements</u>
06/01/12				
12/01/12				
06/01/13				
Total				

EXHIBIT C

**DEFEASANCE SECURITIES
UNITED STATES TREASURY SECURITIES**

<u>Type</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Cost</u>	<u>Accrued Interest</u>	<u>Total Cost</u>
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Total

EXHIBIT D

NOTICE OF PARTIAL REDEMPTION

CITY OF PASADENA, CALIFORNIA WATER REVENUE AND REFUNDING BONDS, 2003 SERIES

NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds that a portion of such bonds as specified in the table below (the "Refunded 2003 Bonds") of the CITY OF PASADENA, CALIFORNIA (the "City"), issued on August 21, 2003 pursuant to the Water Revenue Bond Indenture, dated as of August 1, 2003, as amended and supplemented, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), have been called for redemption on June 1, 2013 (the "Redemption Date").

The Refunded 2003 Bonds so called for redemption on the Redemption Date are numbered and mature as set forth below:

<u>Maturity (June 1)</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount to be Redeemed</u>	<u>CUSIP Number</u>	<u>Bond Number</u>
2014	\$2,110,000		702285BY2	
2015	2,195,000		702285BZ9	
2016	2,305,000		702285CA3	
2017	2,410,000		702285CB1	
2018	2,365,000		702285CC9	
2019	2,480,000		702285CD7	
2020	1,190,000		702285CE5	
2021	1,190,000		702285CF2	
2022	1,190,000		702285CG0	
2023	1,190,000		702285CH8	
2025	2,380,000		702285CK1	
2028	3,570,000		702285CN5	
2033	6,455,000		702285CT2	

Owners of the Refunded 2003 Bonds must present and surrender the Refunded 2003 Bonds on the Redemption Date at the applicable address of the Trustee set forth below:

First Class/Registered/Certified: *Express Delivery Only:*

The Bank of New York Mellon
Global Corporate Trust
P.O. Box 2320
Dallas, Texas 75221-2320

The Bank of New York Mellon
Global Corporate Trust
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

By Hand Only:

The Bank of New York Mellon
Global Corporate Trust
Corporate Trust Window
101 Barclay Street, 1st Floor East
New York, New York 10286

On June 1, 2013, the Refunded 2003 Bonds will be payable at a redemption price of 100% of the principal amount thereof with accrued interest thereon, and from and after June 1, 2013 interest on the Refunded 2003 Bonds will not accrue.

Important Notice

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if tax identification number is not properly certified.

The CUSIP numbers have been assigned by an independent service for convenience of reference and none of the City, the Trustee or the Escrow Agent shall be held liable for any inaccuracy in any such CUSIP number.

DATED: _____, 2013

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

EXHIBIT E

NOTICE OF PARTIAL DEFEASANCE

CITY OF PASADENA, CALIFORNIA WATER REVENUE AND REFUNDING BONDS, 2003 SERIES

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Bonds whose bonds are specified in the table below (the "Refunded 2003 Bonds") of the CITY OF PASADENA, CALIFORNIA (the "City") that the City has deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") for the Refunded 2003 Bonds, cash and/or direct obligations of, or unconditionally guaranteed by, the United States of America and otherwise satisfying the criteria set forth in Section 10.03 of the 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., as trustee, as amended and supplemented (the "Indenture") pursuant to which the Refunded 2003 Bonds were issued, the principal of and interest on which when due will provide moneys sufficient to pay when due the interest coming due on the Refunded 2003 Bonds on or prior to June 1, 2013 and to pay on June 1, 2013 the redemption price (i.e., 100% of the principal amount thereof) of the Refunded 2003 Bonds. In accordance with the Indenture, the pledge of the Pledged Revenues and other assets made under the Indenture in respect of the Refunded 2003 Bonds shall cease, terminate and be completely discharged and satisfied, and all payments of interest on, any redemption premium, and principal of the Refunded 2003 Bonds shall be paid only from moneys on deposit with the Escrow Agent and available as aforesaid.

<u>Maturity (June 1)</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Defeased</u>	<u>CUSIP Number</u>	<u>Bond Number</u>
2014	\$2,110,000		702285BY2	
2015	2,195,000		702285BZ9	
2016	2,305,000		702285CA3	
2017	2,410,000		702285CB1	
2018	2,365,000		702285CC9	
2019	2,480,000		702285CD7	
2020	1,190,000		702285CE5	
2021	1,190,000		702285CF2	
2022	1,190,000		702285CG0	
2023	1,190,000		702285CH8	
2025	2,380,000		702285CK1	
2028	3,570,000		702285CN5	
2033	6,455,000		702285CT2	

The CUSIP numbers have been assigned by an independent service for convenience of reference and none of the City, the Trustee or the Escrow Agent shall be held liable for any inaccuracy in any such CUSIP number.

DATED: _____, 2011

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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2011

NEW ISSUE – FULL BOOK-ENTRY ONLY

RATINGS

Fitch: “___”

S&P “___”

(See “RATINGS” herein)

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law interest on the 2011A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, interest on the 2011A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the “Code”) from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2011A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. See “TAX MATTERS” herein.

\$ _____ *

**City of Pasadena, California
Water Revenue Refunding Bonds, 2011A Series**

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The City of Pasadena, California (the “City”) is issuing its Water Revenue Refunding Bonds, 2011A Series (the “2011A Bonds”) pursuant to 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. (successor to BNY Western Trust Company), as trustee (the “Trustee”), as amended and supplemented, including as amended and supplemented by a Fourth Supplement to Water Revenue Bond Indenture, dated as of December 1, 2011 (the “Fourth Supplement”) (as so amended and supplemented, the “Indenture”).

The 2011A Bonds are being issued to provide moneys, together with certain other available funds, to (i) refund a portion of the City’s Water Revenue and Refunding Bonds, 2003 Series, (ii) fund the Parity Reserve Fund, and (iii) pay costs of issuance of the 2011A Bonds, as more fully described herein. See “PLAN OF REFUNDING” herein.

The 2011A Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2011A Bonds. Beneficial ownership interests in the 2011A Bonds may be purchased in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on the 2011A Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2012. Payments of principal, premium, if any, and interest on, the 2011A 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 participants for subsequent disbursement to the beneficial owners of the 2011A Bonds.

The 2011A Bonds are subject to redemption prior to maturity as described herein. See “DESCRIPTION OF THE 2011A BONDS – Redemption” herein.

The 2011A Bonds are obligations payable only from the Water Fund of the City and certain other funds and accounts pledged under the Indenture on a parity with certain Bonds and Parity Debt heretofore or hereafter issued by the City and any additional bonds or other Parity Debt in accordance with the Indenture as more fully described herein.

THE 2011A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY. THE 2011A BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA (THE “STATE”) 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 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 THE WATER FUND OF THE CITY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE 2011A BONDS. THE ISSUANCE OF THE 2011A BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

**MATURITY SCHEDULE
(SEE INSIDE COVER)**

The 2011A Bonds will be sold by competitive sale on or about _____, 2011 pursuant to a Notice Inviting Bids, dated _____, 2011. See “APPENDIX G – NOTICE INVITING BIDS” attached hereto. For additional information concerning the competitive sale of the 2011A Bonds, contact the City’s financial advisor, Public Resources Advisory Group, Los Angeles, California. The 2011A Bonds will be offered when, as and if issued, sold and received by the Initial Purchaser, subject to the approval of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, and certain other conditions. Public Resources Advisory Group, Los Angeles, California, is serving as Financial Advisor to the City in connection with the issuance of the 2011A Bonds. Certain legal matters will be passed upon for the City by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel, and by Michele Beal Bagneris, City Attorney of the City. It is anticipated that the 2011A Bonds in definitive form will be available for delivery to DTC in New York, New York by Fast Automated Securities Transfer (FAST) on or about _____, 2011.

Dated: _____, 2011

* Preliminary; subject to change.

Attachment B

MATURITY SCHEDULE*

\$ _____*
CITY OF PASADENA, CALIFORNIA
WATER REVENUE REFUNDING BONDS, 2011A SERIES

\$ _____ **Serial 2011A Bonds**

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP†
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\$ _____* _____% **Term 2011A Bonds due June 1, 20__** – **Yield: _____%** **CUSIP†: _____**

* Preliminary; subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Initial Purchaser, the City nor the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF PASADENA

CITY COUNCIL

Bill Bogaard, *Mayor*
Victor M. Gordo, Esq., *Vice-Mayor*
Jacque Robinson, *Councilmember*
Margaret McAustin, *Councilmember*
Chris Holden, *Councilmember*
Steve Haderlein, *Councilmember*
Steven G. Madison, *Councilmember*
Terry Tornek, *Councilmember*

CITY STAFF

Michael J. Beck, *City Manager*
Andrew Green, *Director of Finance*
Vicken Erganian, *Treasurer and Deputy Director of Finance*

CITY ATTORNEY

Michele Beal Bagneris

PASADENA WATER AND POWER STAFF

Phyllis E. Currie, *General Manager*
Eric Klinkner, *Assistant General Manager*
Shari M. Thomas, *Assistant General Manager for Finance, Administration and Customer Service*
Shan Kwan, *Assistant General Manager for Water Delivery*
Gurcharan Bawa, *Assistant General Manager for Power Supply*
Joe Awad, *Assistant General Manager for Power Delivery*

FINANCIAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

BOND AND DISCLOSURE COUNSEL

Fulbright & Jaworski L.L.P.
Los Angeles, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

VERIFICATION AGENT

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation, other than those contained herein, and if given or made, such other information or representation must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2011A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2011A Bonds. Any statement made in this Official Statement involving any forecast or matter of estimates of opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact.

The information set forth herein has been furnished by the City and other sources which are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Water System since the date hereof.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (EMMA) website. The City also maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2011A Bonds.

IN CONNECTION WITH THE OFFERING OF THE 2011A BONDS, THE INITIAL PURCHASER THEREOF MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2011A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE INITIAL PURCHASER IN CONNECTION WITH ANY REOFFERING MAY OFFER AND SELL THE 2011A BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE INITIAL PURCHASER.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

\$ _____^{*}
City of Pasadena, California
Water Revenue Refunding Bonds, 2011A Series

INTRODUCTION

This Introduction is not a summary of this Official Statement, and is qualified by more complete and detailed information contained in the entire Official Statement. A full review should be made of the entire Official Statement, including the cover page and attached appendices. The offering of the 2011A Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Introduction shall have the meanings given such terms elsewhere in this Official Statement. Certain definitions of capitalized terms used and not otherwise defined in this Official Statement are set forth in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Purpose

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information in connection with the issuance and sale by the City of Pasadena, California (the “City”) of \$ _____^{*} aggregate principal amount of its Water Revenue Refunding Bonds, 2011A Series (the “2011A Bonds”). The 2011A Bonds are being issued to provide moneys, together with certain other available funds, to (i) refund a portion of the City’s Water Revenue and Refunding Bonds, 2003 Series, (ii) fund the Parity Reserve Fund, and (iii) pay costs of issuance of the 2011A Bonds, as more fully described herein. See “PLAN OF REFUNDING.”

Authority for Issuance

The 2011A Bonds are authorized and issued pursuant to Article XIV of the Charter of the City, as amended (the “Charter”), an Ordinance adopted by the City Council of the City (the “City Council”) on November 8, 2010, and by 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. (successor to BNY Western Trust Company), as trustee (the “Trustee”), as amended and supplemented, including as amended and supplemented by a Fourth Supplement to Water Revenue Bond Indenture, dated as of December 1, 2011 (the “Fourth Supplement”) (as so amended and supplemented, the “Indenture”). All Water Revenue Bonds issued pursuant to the Indenture are collectively referred to herein as the “Bonds.”

The City and the Water System

The City is a charter city of the State of California (the “State”), comprising approximately 23 square miles, in Los Angeles County in the northwestern portion of the San Gabriel Valley. See APPENDIX A – THE CITY OF PASADENA.” The City owns and operates a municipal water public utility (the “Water System”), established by the Charter. The Water System is managed and controlled by a department of the City, the Pasadena Water and Power Department (“PWP”), and supplies water to virtually all of the water customers within the City limits as well as water customers within a 3.2 square mile area outside the City limits, through its water facilities. For the Fiscal Year ended June 30, 2011, the

^{*} Preliminary; subject to change.

Water System served approximately 38,067 metered accounts, and total water sales were approximately 12 million cubic feet. See "THE WATER SYSTEM."

Security and Sources of Payment for the 2011A Bonds

On August 21, 2003, the City issued its Water Revenue and Refunding Bonds, 2003 Series (the "2003 Bonds") in the aggregate principal amount of \$47,425,000, of which \$34,970,000 currently remain outstanding. Upon the issuance of the 2011A Bonds and the defeasance of the portion of the 2003 Bonds being refunded thereby, \$_____ aggregate principal amount of the 2003 Bonds will be outstanding.

On May 1, 2007, the City issued its Water Revenue Bonds, 2007 Series (the "2007 Bonds") in the aggregate principal amount of \$21,550,000, of which \$19,875,000 currently remain outstanding.

On December 23, 2010, the City issued its Water Revenue Bonds, Issue of 2010, 2010A Series (Taxable Build America Bonds – Direct Payment) (the "2010A Bonds") in the aggregate principal amount of \$25,425,000, all of which currently remain outstanding, and its Water Revenue Bonds, Issue of 2010, 2010B Series (Tax-Exempt) (the "2010B Bonds," and together with the 2010A Bonds, the "2010 Bonds") in the aggregate principal amount of \$4,575,000, all of which currently remain outstanding.

The 2003 Bonds, 2007 Bonds, 2010 Bonds, together with the 2011A Bonds and any additional bonds hereafter issued under the Indenture are referred to herein as the "Bonds."

The 2011A Bonds are an obligation payable exclusively from the Water Fund of the City and certain other funds and accounts pledged under the Indenture. The 2011A Bonds are secured by a pledge of and lien upon the Pledged Revenues of the Water System on a parity with other obligations of the Water System payable from the Water Fund and issued from time to time pursuant to the Indenture, including the outstanding 2003 Bonds, the 2007 Bonds and the 2010 Bonds and any additional Bonds or Parity Debt (as defined in the Indenture). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011A BONDS – Outstanding Bonds" and "– Additional Bonds."

The 2011A Bonds are special, limited obligations of the City. The 2011A Bonds shall not be deemed to constitute a debt or liability of the City, the State 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 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 the Water Fund of the City. Neither the faith and credit nor the taxing power of the City, the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the 2011A Bonds. The issuance of the 2011A Bonds shall not directly or indirectly or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

Nothing in the Indenture shall preclude the issuance or incurrence by the City of any indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or interest rate swap agreement, which in the indenture, agreement, resolution or other instrument pursuant to which it is incurred or issued is expressly made subordinate and junior in right of payment from the Pledged Revenues or any portion thereof to the payment of Bonds and Parity Debt ("Subordinate Debt").

Parity Reserve Fund

Pursuant to Section 1413 of Article XIV of the Charter, the City has established the Parity Reserve Fund. Upon the issuance of the 2011A Bonds, there will be on deposit in the Parity Reserve Fund an amount equal to the Reserve Fund Requirement (\$_____). Moneys held in the Parity Reserve Fund are pledged to and may be used solely for payment of debt service on the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds, any additional Bonds or any other Parity Debt secured thereby in the event that money in the Debt Service Fund or any comparable fund established for the payment of principal and interest on the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds any additional Bonds and any other Parity Debt secured thereby is insufficient therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011A BONDS – Parity Reserve Fund."

Rate Covenant

The City has covenanted in the Indenture to prescribe, revise and collect such charges for the services, facilities and water furnished by the Water System so as to provide Gross Aggregate Revenues (as defined herein) at least sufficient to pay, as the same become due, interest on, and the principal of and redemption price of, the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds any additional 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 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds, any additional Bonds and any other Parity Debt. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011A BONDS – Rate Covenant."

Other Matters

This Official Statement includes summaries of the terms of the 2011A Bonds, the Indenture, the Continuing Disclosure Agreement and certain contracts and other arrangements for the supply of water. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

Copies of the Indenture and the Continuing Disclosure Agreement are available for inspection at the offices of the City in Pasadena, California, and will be available upon request and payment of duplication costs from the Trustee.

Forward-Looking Statements

The statements contained in this Official Statement and in the Appendices hereto, and in any other information provided by PWP or the City, that are not purely historical, are forward-looking statements, including statements regarding PWP or the City's expectations, hopes, intentions or strategies regarding the future. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to PWP and the City on the date hereof, and PWP and the City assume no obligation to update

any such forward-looking statements. It is important to note that PWP's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of PWP and the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Additional Information

Additional information regarding the Official Statement may be obtained by contacting the Trustee or:

Director of Finance
City of Pasadena
100 N. Garfield Avenue, Room 353
Pasadena, California 91101-7215
(626) 744-4350

PLAN OF REFUNDING

The 2011A Bonds are being issued to provide moneys, together with certain other available funds, to (i) refund a portion of the City's Water Revenue and Refunding Bonds, 2003 Series (such portion being refunded, the "Refunded 2003 Bonds") and (ii) pay costs of issuance of the 2011A Bonds.

Pursuant to an Escrow Agreement dated as of December 1, 2011 (the "Escrow Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), a portion of the proceeds of the 2011A Bonds, together with certain other available funds, will be deposited into an escrow fund and applied to the purchase of certain federal securities (the "Defeasance Securities"), the principal of and interest on which, together with the cash held in escrow fund, will be sufficient to pay interest to become due on the Refunded 2003 Bonds to and including June 1, 2013 and to redeem on June 1, 2013, the Refunded 2003 Bonds at a redemption price equal to 100% of the principal amount thereof.

On the date of delivery of the 2011A Bonds, the City will receive a report from _____, verifying the adequacy of (i) the mathematical computation concerning the adequacy of the cash deposited and held in the escrow fund, together with the maturing principal amounts of and interest earned on the Defeasance Securities, to pay interest due on the Refunded 2003 Bonds to the date of redemption and to pay the redemption price of the Refunded 2003 Bonds to be redeemed on such date of redemption, and (ii) the mathematical computations of the yield on the 2011A Bonds and the yield on the Defeasance Securities purchased with a portion of the proceeds of the sale of the 2011A Bonds and other available funds of the City. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon such deposit, the Refunded 2003 Bonds will no longer be deemed to be outstanding under the Indenture, and all obligations of the City with respect to the Refunded 2003 Bonds shall cease and

terminate, except for the obligation of the City to cause the amounts due on the Refunded 2003 Bonds to be paid from funds on deposit in the escrow fund.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the 2011A Bonds are as follows:

Sources:

Principal Amount of 2011A Bonds	\$
Plus Original Issue Premium	
Transfer from Refunded 2003 Bonds funds and accounts	
Total	\$

Uses:

Deposit to Escrow Fund	\$
Deposit to Parity Reserve Fund	
Deposit to Cost of Issuance Fund ⁽¹⁾	
Initial Purchaser's Discount	
Total	\$

⁽¹⁾ Includes fees of Bond and Disclosure Counsel, the Trustee and the Financial Advisor, rating agencies' fees, printing costs and other costs associated with the issuance of the 2011A Bonds. Totals may not equal the sum due to rounding.

DESCRIPTION OF THE 2011A BONDS

General

The 2011A Bonds will be dated their date of delivery and will bear interest from that date at the rates per annum and will mature on June 1 in the years set forth on the inside cover page of this Official Statement. Interest on the 2011A Bonds will be payable semiannually on June 1 and December 1, commencing June 1, 2012, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The 2011A Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the registered owner of the 2011A Bonds, references herein to the owners or registered owners shall mean Cede & Co., and not the beneficial owners of the 2011A Bonds. See APPENDIX C – BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The 2011A Bonds maturing on and before June 1, 20__ are not subject to redemption prior to their respective stated maturities. The 2011A Bonds maturing on and after June 1, 20__ 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][June 1], 20__, at a Redemption Price equal to the principal amount of the 2011A Bonds called for redemption together with accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The 2011A 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 2011A Bonds Due June 1, 20__

Mandatory Sinking Fund Payment Dates (June 1) <hr style="width: 100%;"/>	Mandatory Sinking Fund Payments <hr style="width: 100%;"/>
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† Final Maturity.

Selection of 2011A Bonds for Redemption. Whenever provision is made in the Fourth Supplement for the redemption of less than all of the 2011A Bonds, the maturities of the 2011A Bonds to be redeemed shall be specified by the City. In the case of partial redemption of less than all of the 2011A Bonds of any maturity, the Trustee shall select the particular 2011A Bonds to be redeemed, from all 2011A Bonds of the respective maturity not previously called for redemption, in authorized denominations, by lot in any manner which the Trustee in its sole discretion shall deem appropriate. The Trustee shall promptly notify the City in writing of the 2011A Bonds so selected for redemption. Upon an optional redemption of a portion of any term 2011A Bonds, the principal amount of such term 2011A Bonds being redeemed shall be allocated against the scheduled mandatory sinking fund payments for such term 2011A Bonds in such manner as the City may direct and the City shall provide the Trustee a revised sinking fund payment schedule.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to each Owner, the Securities Depositories and two or more Information Services. Notice of redemption to the Securities Depositories shall be given by telecopy, certified, registered or overnight mail or by such other method as may be requested by the Securities Depositories. Each notice of redemption shall state the date of such notice, the date of issue of the 2011A Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the 2011A Bonds of such maturity to be redeemed and, in the case of 2011A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2011A Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a 2011A Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2011A Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the City nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any 2011A Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned

by an independent service for convenience of reference and that neither the City nor the Trustee shall be liable for any inaccuracy in such numbers.

In the event of an optional redemption of Series 2011A Bonds, if the City shall not have deposited or otherwise made available to the Trustee the money required for the payment of the redemption price of the Series 2011A Bonds to be redeemed at the time of the mailing of notice of redemption, such notice of redemption shall state that the redemption is expressly conditioned upon the timely deposit of sufficient funds therefor with the Trustee.

Failure by the Trustee to give notice to any one or more of the Information Services or Securities Depositories or failure of any Owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption.

Effect of Redemption

When notice of redemption has been given, and when the amount necessary for the redemption of the 2011A Bonds called for redemption (principal and premium) is set aside for that purpose, the 2011A Bonds designated for redemption shall become due and payable on the redemption date, and upon presentation and surrender of said 2011A Bonds, at the place specified in the notice of redemption, such 2011A Bonds shall be redeemed and paid at said redemption price, and no interest shall accrue on such 2011A Bonds called for redemption after the redemption date.

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Debt Service Requirements

The following is the annual debt service schedule for the 2003 Bonds, the 2007 Bonds, the 2010 Bonds and the 2011A Bonds assuming no redemption other than mandatory sinking account redemptions.

Bond Year Ending June 1	Outstanding Bonds ⁽¹⁾	2011A Bonds		Total
		Principal	Interest	
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
Total	<u> </u>	<u> </u>	<u> </u>	<u> </u>

⁽¹⁾ Proceeds of the 2011A Bonds will be used to refund a portion of the 2003 Bonds as described herein. See "PLAN OF REFUNDING" herein. However, amounts include debt service on the 2003 Bonds assuming no such refunding. Amounts do not reflect the application of the cash subsidy equal to 35% of the interest on the 2010A Bonds the City expects to receive from the United States Treasury when such interest becomes payable. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011A BONDS – Outstanding Bonds herein.

SECURITY AND SOURCES OF PAYMENT FOR THE 2011A BONDS

General

The 2011A Bonds are an obligation payable exclusively from the Water Fund of the City and certain other funds and accounts pledged under the Indenture. The 2011A Bonds are secured by a pledge of and lien upon the Pledged Revenues of the Water System on a parity with other obligations of the Water System payable from the Water Fund and issued from time to time pursuant to the Indenture, including the 2003 Bonds, the 2007 Bonds, the 2010 Bonds and any additional Bonds or Parity Debt hereafter issued, and a pledge of amounts in the Parity Reserve Fund, except for amounts held in the Rebate Fund. See “– Outstanding Bonds” and “– Additional Bonds” below.

“Pledged Revenues” means all Gross CIC Revenues and all Net Other Water Revenues. “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. “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 XIII of the Pasadena Municipal Code and interest earned thereon. “Rebate Fund” means those amounts on deposit and held by the Trustee to the extent required to satisfy the requirement to make rebate payment to the United States pursuant to the Code.

“Parity Debt” means any indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or interest rate swap agreement having an equal lien and charge upon the Pledged Revenues, therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

The 2011A Bonds are special, limited obligations of the City. The 2011A Bonds shall not be deemed to constitute a debt or liability of the City, the State 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 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 the Water Fund of the City. Neither the faith and credit nor the taxing power of the City, the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the 2011A Bonds. The issuance of the 2011A Bonds shall not directly or indirectly or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

Rate Covenant

The City has covenanted in the Indenture to prescribe, revise and collect such charges for services, facilities and water furnished by the Water System which, after making allowances for contingencies and error in the estimates, will provide Gross Aggregate Revenues at least sufficient to pay: (a) as the same become due, the interest on and principal and Redemption Price of the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds and any additional Bond or other Parity Debt; (b) all payments required for compliance with the Indenture, including payments required to be made into the Parity Reserve Fund; (c) all payments required to be made with respect to any Subordinate Debt; (d) all Operation and Maintenance Expenses; and (e) all payments required to meet any other obligations of the

City which are charges, liens or 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 of the Annual Debt Service. "Gross Aggregate Revenues" means all Gross CIC Revenues and Other Water Revenues, all amounts deposited in the Water Fund and all interest earnings or income thereon or therefrom.

The City's rate covenant is subject to compliance by the City with the provisions of Article XIID of the California State Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the California Constitution."

The Water Fund

General. The Charter establishes the Water Fund and permits the establishment by ordinance of such funds as the City Council may deem necessary to facilitate the issuance and sale of Bonds or for the protection or security of the Owners of Bonds.

Under the provisions of the Charter, all moneys and property received by the City in payment for water and for any service rendered in connection therewith, or from the sale, lease and other disposition of any property acquired with funds or property of the Water System must be deposited in the Water Fund. The Charter further provides that disbursement may be made directly from the Water Fund for the following purposes:

- (1) the necessary or proper expenses of conducting the Water System, the operation and maintenance of its works, plants and distributing systems; the acquisition and improvement of facilities; and the publishing of reports;
- (2) the payment of interest and principal on bonds issued for the purposes of the Water System;
- (3) the formation of surplus or reserves for the future needs of the Water System and for unforeseen emergencies; and
- (4) the repayment of advances made from other funds of the City.

Annual Transfer from the Water Fund to the City's General Fund. Under provisions of the Charter, the City Council shall transfer to the City's General Fund from the Water Fund an amount equal to six percent (6%) of the gross income of the Water System received during the immediately preceding Fiscal Year from the sale of water at rates and charges fixed by ordinance. The amount to be transferred shall not exceed the net income of the Water System after payment of the maintenance and operating expenses of the Water System, the expenses of conducting the Water System, depreciation and the principal, interest and premiums, if any upon the redemption of any water revenue bonds.

Notwithstanding the foregoing, if the City Council at the time of or before the adoption of the budget shall determine that the transfer of such amount from the Water Fund would be detrimental to the proper functioning and administration of the Water System during the budget year under consideration, the City Council may so find by resolution, and, in such event, no transfer of such amount shall be made within that Fiscal Year. If the City Council shall determine that the transfer of an amount less than six percent (6%) from the Water Fund would not be detrimental to the proper functioning and administration of the Water System during the budget year under consideration, the City Council may so declare by resolution, and shall transfer a smaller amount.

The annual transfer from the Water Fund to the City’s General Fund generally occurs in the succeeding Fiscal Year as a two-part transfer, with approximately 75% of the annual transfer made in October or November and the remaining balance transferred in March. Beginning in Fiscal Year 2010, the schedule of transfer payments from the Water Fund to the City’s General Fund was amended to provide for monthly payments in place of the historical two-part payment schedule. The amended transfer schedule provides a more stable cash flow for the Water Fund that more evenly matches cash receipts for the periods. All transfers were made by the final scheduled transfer date as prescribed by the City Charter.

The following table sets out the annual transfers from the Water Fund to the City’s General Fund for the last five Fiscal Years and the budgeted transfer for the current Fiscal Year:

TABLE 1
TRANSFERS TO THE GENERAL FUND
(Dollar Amounts in Thousands)

<u>Fiscal Year</u>	<u>Transfer Amount</u>	<u>Percent of Prior Year Gross Income</u>
2008	\$2,923	6%
2009	2,872	6
2010	3,066	6
2011 ⁽¹⁾	3,104	6
2012 ⁽²⁾	3,395	6

⁽¹⁾ Unaudited.

⁽²⁾ Adopted Budget.

Section 1410 of the Charter also provides that any surplus or reserves in the Water Fund may be temporarily used for other municipal purposes if there are insufficient funds in the City Treasury to pay the current expenses of the general government of the City before the collection of taxes levied in any Fiscal Year. Should moneys from the Water Fund be used pending the receipt of taxes, the amount so used shall be repaid not later than February 15 of the same Fiscal Year.

The Indenture provides that all moneys at any time held in the Water Fund will be held in trust for the benefit of Owners of the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds and any other Parity Debt and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

Capital Improvements Charge Account

Pursuant to Title XIII, Chapter 13.20.035 of the Pasadena Municipal Code, the City established a capital improvements charge (“CIC”) to be added to water rates to recover the capital improvement costs of the Water System and a capital improvements charge account (the “CIC Account”) to be held in the Water Fund of the City and funded with all CIC Revenues received by the City. Funds on deposit in the CIC Account may only be used to pay capital improvement-related debt service, to fund capital improvements to the Water System and to fund transfers to the City’s General Fund.

Parity Reserve Fund

The Indenture establishes the Parity Reserve Fund to be held by the Trustee. The Parity Reserve Fund is required to be maintained in an amount equal to the Reserve Fund Requirement. “Reserve Fund Requirement” is defined in the Indenture to mean, as of any date of determination and excluding

therefrom 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 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; provided that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer if the obligations insured by such insurer have ratings at the time of issuance of such policy in one of the two highest rating categories of Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") or by a letter of credit issued by a bank or other institution if the obligations issued by such bank or other institution have ratings at the time of issuance of such letter of credit in one of the two highest rating categories of Moody's and Standard & Poor's.

Upon the issuance of the 2011A Bonds, there will be on deposit in the Parity Reserve Fund an amount equal to the Reserve Fund Requirement (\$_____). Money in the Parity Reserve Fund is pledged to, and shall be used solely for, the purpose of paying the principal of and interest on the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds and any additional Bonds and any Parity Debt to be secured by the Parity Reserve Fund in the event that money in the Debt Service Fund is insufficient therefor, and for that purpose money shall be transferred from the Parity Reserve Fund to the Debt Service Fund. Whenever money is transferred from the Parity Reserve Fund an equal amount of money shall be transferred to the Parity Reserve Fund not later than twelve months thereafter.

Outstanding Bonds

Upon the issuance of the 2011A Bonds and a defeasance of the portion of the 2003 Bonds being refunded thereby, there will be Outstanding under the Indenture \$_____ aggregate principal amount of Bonds, consisting of \$_____ principal amount of the unrefunded 2003 Bonds, \$19,875,000 principal amount of the 2007 Bonds, \$25,425,000 principal amount of the 2010A Bonds and \$4,575,000 principal amount of the 2010B Bonds.

The City issued the 2010A Bonds as taxable bonds, and designated the 2010A Bonds as "Build America Bonds" under section 54AA(d) of the Internal Revenue Code of 1986, as amended (the "Code"), and as "qualified bonds" under section 54AA(g) of the Code. In connection with the issuance of the 2010A Bonds, and as permitted by the Stimulus Act, the City elected (which election is irrevocable pursuant to the provisions of the Stimulus Act) to receive directly from the United States Department of the Treasury ("Department of the Treasury") on or about each interest payment date for the 2010A Bonds a subsidy payment equal to 35% of the taxable interest it pays on the 2010A Bonds to the holders thereof. The cash subsidy payment does not constitute a full faith and credit obligation of or guarantee by the United States Government, but is required to be paid by the United States Treasury under the Stimulus Act. Any cash subsidy payments received by the City will constitute Other Water Revenues as defined in the Indenture. If the City fails to comply with the conditions to receiving the federal cash subsidy throughout the term of the 2010A Bonds, it may no longer receive the cash subsidy payments and could be subject to a claim for the return of previously received subsidy payments. The City has not undertaken or made any covenant for the benefit of the Owners of the 2010A Bonds to comply with such conditions and maintain its right to retain or receive future subsidy payments in respect of the 2010A Bonds. The City is obligated to make all payments of principal of and interest on the 2010A Bonds, solely from the sources described herein, whether or not it receives cash subsidy payments pursuant to the Stimulus Act.

See also "AMENDMENTS TO THE INDENTURE" for a discussion of certain amendments to the Indenture that will become effective upon the occurrence of certain events in the future, including

certain amendments relating to the treatment of any cash subsidy payment received by the City in connection with Build America Bonds or under any similar program.

Additional Bonds and Parity Debt

Other than the 2003 Bonds, the 2007 Bonds and the 2010 Bonds, the City has no other Bond or Parity Debt outstanding.

The Indenture provides that no additional indebtedness of the City payable out of the Water Fund on a parity with the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds, any additional Bonds and any other Parity Debt shall be created or incurred unless:

- (a) no Event of Default shall have occurred and then be occurring;
- (b) in the case of issuance of additional Bonds, the aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or otherwise;
- (c) in the case of issuance of additional Bonds, there shall be deposited in the Parity Reserve Fund an amount of money so as to increase the amount of deposit therein to the Reserve Fund Requirement; and
- (d) the City shall have placed on file with the Trustee a certificate of the City certifying that the sum of: (i) Gross Aggregate Revenues for any period of twelve (12) consecutive months during the eighteen (18) months immediately preceding the date on which any additional Bonds or Parity Debt will become outstanding, plus (ii) the amount by which the City projects Gross Aggregate Revenues for any such period described in (1) would have increased had increases in rates, fees and charges during such period of twelve (12) months been in effect throughout such period of twelve (12) months; plus (iii) the amount by which the City projects Gross Aggregate Revenues will increase during a period of twelve (12) months commencing on the date of issuance of any such additional Bonds or Parity Debt as a result of increases in rates, fees and charges approved by the City Council prior to such date of issuance (other than those referenced in (2) above) and which will be imposed during such twelve (12) month period; less (iv) the amount projected for Operation and Maintenance Expenses in the twelve (12) month period following the date of issuance of any such additional Bonds or Parity Debt or in the twelve (12) month period following completion of improvements to the Water System to be financed with the proceeds of such additional Bonds or Parity Debt, whichever is greater, shall be at least equal to 1.10 times the amount of Annual Debt Service during the immediately succeeding Fiscal Year on all Bonds or Parity Debt then outstanding and the additional Bonds or Parity Debt then proposed to be issued.

However, the Indenture provides that there is no limitation on the City's ability to issue Bonds at any time to refund Bonds or Parity Debt; provided, however, that the aggregate Annual Debt Service with respect to any such refunding Bonds through the date of maturities thereof shall not exceed the aggregate Annual Debt Service with respect to the Bonds or Parity Debt being refunded.

“Event of Default” means:

- (a) a default in the due and punctual payment of the principal or redemption price of any Bonds when and as the same shall become due and payable, whether at maturity as

therein expressed, by proceedings for redemption, by declaration or otherwise in the amounts and at the times provided therefor;

- (b) a default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;
- (c) the failure by the City to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to above in paragraph (a) and (b). For a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee; except that, if such failure can be remedied but not within such thirty (30) day period and if the City has taken all action reasonably possible to remedy such failure within such thirty (30) day period, such failure shall not become an Event of Default for so long as the City shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Trustee;
- (d) a default by the City under any agreement governing any Parity Debt and the continuance of such default beyond the therein stated grace period, if any, with respect to such default;
- (e) the filing by the City of a petition in voluntary bankruptcy for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or an assignment by the City for the benefit of creditors, or the admission by the City in writing to its insolvency or inability to pay debts as they mature, or the consent by the City in writing to the appointment of a trustee or receiver for itself;
- (f) the entering by a court of competent jurisdiction of an order, judgment or decree declaring the City insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the City, or approving a petition filed against the City seeking reorganization of the City under any applicable law or statute of the United States or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or
- (g) the assumption, under the provisions of any other law for the relief or aid of debtors by any court of competent jurisdiction of custody or control of the City or of the Gross Aggregate Revenues and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Nothing in the Indenture limits the ability of the City to issue or incur obligations which are junior or subordinate to the payment of the principal, premium, interest and reserve fund requirements for the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds, any additional Bonds and all other Parity Debt and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Pledged Revenues after the prior payment of all amounts then due and required to be paid or set aside under the Indenture from Pledged Revenues for principal, premium, interest and reserve fund requirements for the 2003 Bonds, the 2007 Bonds, the 2010 Bonds, the 2011A Bonds, any additional Bonds and all other Parity Debt, as the same become due and payable and at the times and in the manner as required in the Indenture or any documents providing for the issuance or incurrence of Parity Debt.

Other Covenants of the City

In addition to the covenant described under the subsection "Rate Covenant" above, under the Indenture, the City makes certain other covenants, including covenants relating to the operation of the Water System, insurance covenants and covenants related to the tax-exempt status of the 2011A Bonds. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Investment of Funds

All moneys held in the funds and accounts established pursuant to the Indenture will be invested solely in Investment Securities. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Limitations on Remedies

In addition to the limitations on remedies contained in the Indenture, the rights of the Owners of the 2011A Bonds are subject to the limitations on legal remedies against cities and other public agencies in the State. Additionally, enforceability of the rights and remedies of the Owners of the 2011A Bonds, and the obligations incurred by the City, may become subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. The opinion to be delivered by Fulbright & Jaworski L.L.P., Bond Counsel, concurrently with the issuance of the 2011A Bonds, that the 2011A Bonds constitute valid and binding limited obligations of the City payable from and secured by a pledge of Pledged Revenues as and to the extent provided in the Indenture, will be subject to the limitations described above and the various other legal opinions to be delivered concurrently with the issuance of the 2011A Bonds will be similarly qualified. In the event the City fails to comply with its covenants under the Indenture or to pay principal of or interest on the 2011A Bonds, there can be no assurance that remedies will be available to fully protect the interests of the holders of the 2011A Bonds. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2011A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.