PRELIMINARY OFFICIAL STATEMENT DATED __________, 2013

[INSERT DAC LOGO]

NEW ISSUE – FULL BOOK-ENTRY ONLY

Ratings:
Fitch: "____"
S&P: "____"
(See "RATINGS" herein)

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, under current law and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the 2013A Bonds is not includable in the gross income of the owners of such 2013A Bonds for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2013A Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the 2013A Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Bond Counsel, interest on the 2013A Bonds is exempt from personal income taxes imposed by the State of California. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2013A Bonds. See "TAX MATTERS" herein for further information.

[INSERT CITY LOGO]

$__________*

CITY OF PASADENA, CALIFORNIA
ELECTRIC REVENUE/REFUNDING BONDS,
2013A 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 are advised to 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 $__________* aggregate principal amount of City of Pasadena, California Electric Revenue/Refunding Bonds, 2013A Series (the "2013A Bonds") are being issued for the purpose of providing moneys to (i) finance the costs of acquisition and construction of certain capital improvements to the Electric System, (ii) refund all of the City's outstanding Electric Revenue Bonds, 2002 Series (the "Refunded Bonds"), (iii) fund a deposit to the Parity Reserve Fund and (iv) pay the costs of issuance of the 2013A Bonds. See "PLAN OF FINANCE" herein.

The 2013A Bonds are being issued pursuant to an Electric Revenue Bond Fiscal Agent Agreement, dated as of August 1, 1998, by and between the City of Pasadena, California (the "City") and The Bank of New York Mellon Trust Company, N.A., as successor fiscal agent (the "Fiscal Agent"), as amended and supplemented, including as amended and supplemented by an Eighth Supplement to Electric Revenue Bond Fiscal Agent Agreement, dated as of November 1, 2013, by and between the City and the Fiscal Agent (collectively, the "Fiscal Agent Agreement"). The 2013A 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 2013A Bonds. Beneficial ownership interests in the 2013A Bonds may be purchased in book-entry form only in denominations of $5,000 principal amount or any integral multiple thereof. Interest on the 2013A Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2014. Payments of principal of, premium, if any, and interest on, the 2013A Bonds will be paid by the Fiscal Agent 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 2013A Bonds.

The 2013A Bonds are subject to redemption prior to maturity as described herein.

The 2013A Bonds are an obligation payable only from the Net Income of the Electric System in the Light and Power Fund of the City and certain other funds as provided in the Fiscal Agent Agreement. The 2013A Bonds are secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System payable from Net Income of the Electric System and issued from time to time pursuant to the terms of the Fiscal Agent Agreement. Upon the issuance of the 2013A Bonds and refunding of the Refunded Bonds, in addition to the 2013A Bonds, the City will have $127,990,000 principal amount of parity obligations outstanding payable from Net Income of the Electric System pursuant to the terms of the Fiscal Agent Agreement.

The general fund of the City is not liable for the payment of any 2013A 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 2013A Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any 2013A 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 2013A 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 Net Income and other funds, security or assets which are pledged to the payment of the 2013A Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

The 2013A Bonds will be sold by competitive sale on or about __________, 2013 pursuant to the Notice Inviting Bids dated __________, 2013. See "APPENDIX G – NOTICE INVITING BIDS" attached hereto. For additional information concerning the competitive sale of the 2013A Bonds, contact the City's financial advisor, Public Resources Advisory Group, Los Angeles, California. The 2013A Bonds will be offered when, as and if issued, sold and received by the Initial Purchaser, subject to the approval of Sidley Austin LLP, San Francisco, 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 2013A Bonds. Certain legal matters will be passed upon for the City by Fulbright & Jaworski LLP, Los Angeles, California, Disclosure Counsel, a member of Norton Rose Fulbright, and by Michele Beal Bagneris, City Attorney of the City. It is anticipated that the 2013A 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 __________, 2013.

______________, 2013

* Preliminary; subject to change.

$_________*

CITY OF PASADENA, CALIFORNIA
ELECTRIC REVENUE/REFUNDING BONDS,
2013A SERIES

MATURITY SCHEDULE

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP†

$_________ _____% Term 2013A Bonds due June 1, 20____ - Price:_______% CUSIP†:_______
$_________ _____% Term 2013A Bonds due June 1, 20____ - Price:_______% CUSIP†:_______

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* 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 City, PWP or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF PASADENA

CITY COUNCIL

Bill Bogaard, *Mayor*
Jacque Robinson, *Vice-Mayor*
Victor M. Gordo, *Council Member*
John Kennedy, *Council Member*
Steven G. Madison, *Council Member*
Gene Masuda, *Council Member*
Margaret McAustin, *Council Member*
Terry Tornek, *Council Member*

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 & Chief Deputy*
Shari M. Thomas, *Assistant General Manager for Finance, Administration and Customer Service*
Gurcharan Bawa, *Assistant General Manager for Power Supply*
Joe Awad, *Assistant General Manager for Power Delivery*
Shan Kwan, *Assistant General Manager for Water Delivery*

FINANCIAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

DISCLOSURE COUNSEL

Fulbright & Jaworski LLP
Los Angeles, California,
a member of Norton Rose Fulbright

BOND COUNSEL

Sidley Austin LLP
San Francisco, California

FISCAL AGENT

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

INDEPENDENT AUDITOR

Brown Armstrong Accountancy Corporation
Pasadena, California

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of 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 2013A Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This Official Statement is not to be construed as a contract with the purchasers of the 2013A Bonds. Statements contained in this Official Statement involving any estimates, forecasts or matters of opinion, whether or not expressly so stated, are 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, but is not guaranteed as to accuracy or completeness. 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 Electric System since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 2013A BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2013A 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 2013A 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 ELECTRIC REVENUE/REFUNDING BONDS, 2013A SERIES

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement and the offering of the City of Pasadena, California Electric Revenue Bonds, 2013A Series to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings assigned to them in the Fiscal Agent Agreement.

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 Electric Revenue/Refunding Bonds, 2013A Series (the "2013A Bonds"). The 2013A Bonds are being issued for the purpose of providing moneys, together with certain other available funds, to (i) finance the costs of acquisition and construction of certain capital improvements to the Electric System, (ii) refund all of the City's outstanding Electric Revenue Bonds, 2002 Series (the "Refunded Bonds"), (iii) fund a deposit to the Parity Reserve Fund and (iv) pay the costs of issuance of the 2013A Bonds. See "PLAN OF FINANCE."

Authority for Issuance

The 2013A Bonds are authorized and will be 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 October 7, 2013, and an Electric Revenue Bond Fiscal Agent Agreement, dated as of August 1, 1998, by and between the City and The Bank of New York Mellon Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the "Fiscal Agent"), as amended and supplemented, including as amended and supplemented by an Eighth Supplement to Electric Revenue Bond Fiscal Agent Agreement, dated as of November 1, 2013 (the "Eighth Supplement"), by and between the City and the Fiscal Agent (collectively, the "Fiscal Agent Agreement"). All Electric Revenue Bonds issued pursuant to the Fiscal Agent Agreement are collectively referred to herein as the "Bonds."

The City

The City is a charter city of the State of California (the "State"), comprising approximately 23 square miles, located in Los Angeles County in the northwestern portion of the San Gabriel Valley. See APPENDIX A – "THE CITY OF PASADENA" herein. The City owns and operates a municipal electric public utility (the "Electric System"), established by the Charter. The Electric System is managed and controlled by Pasadena Water and Power ("PWP") and supplies electricity to virtually all of the electric customers within the City limits. For the Fiscal Year ended June 30, 2013, the City estimates there were 64,836 customers of the Electric System, comprised of 56,311 residential customers, 8,522 commercial and industrial customers, and 3 street lighting and traffic signals customers, the total quantity of energy

* Preliminary; subject to change.

generated and purchased was 1,386,393 megawatt hours ("MWh"), and the peak demand was 292 megawatts ("MW").

Security and Sources of Payment for the 2013A Bonds

The 2013A Bonds are an obligation payable only from the Net Income of the Electric System in the Light and Power Fund of PWP (the "Light and Power Fund") and amounts in the Parity Reserve Fund as provided in the Fiscal Agent Agreement. The 2013A Bonds are secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System issued from time to time pursuant to the terms of the Fiscal Agent Agreement payable from Net Income of the Electric System and a pledge of amounts in the Parity Reserve Fund. Upon the issuance of the 2013A Bonds and the refunding of the Refunded Bonds, in addition to the 2013A Bonds, the City will have outstanding $52,715,000 principal amount of its Electric Revenue Bonds, 2008 Series (the "2008 Bonds)", $31,785,000 principal amount of its Electric Revenue Refunding Bonds, 2009 Series (the "2009 Bonds"), $35,540,000 principal amount of its Electric Revenue Refunding Bonds, 2010A Series (the "2010A Bonds") and $7,950,000 principal amount of its Electric Revenue Refunding Bonds, 2012A Series (the "2012A Bonds," and together with the 2008 Bonds, the 2009 Bonds and the 2010A Bonds, the "Outstanding Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013A BONDS – Parity Reserve Fund" and "– Additional Bonds."

The 2013A Bonds are limited obligations of the City and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Net Income of the Electric System. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2013A Bonds. No tax or other source of funds, other than the Net Income of the Electric System, is pledged to pay the principal of, premium, if any, or interest on the 2013A Bonds. Neither the payment of the principal of, nor the interest on, the 2013A Bonds constitutes a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which it has levied or pledged any form of taxation.

The general fund of the City (the "General Fund") is not liable for the payment of any 2013A 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 2013A Bonds, any premium thereon upon redemption prior to maturity or their interest. No Owner of any 2013A Bond shall 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 2013A 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 Net Income and other funds, security or assets which are pledged to the payment of the 2013A Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

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 2013A Bonds, there will be deposited in the Parity Reserve Fund from the proceeds of the 2013A Bonds an amount sufficient to cause the balance on deposit in or credited to the Parity Reserve Fund to be equal to the Reserve Fund Requirement upon delivery of the 2013A Bonds. The Parity Reserve Fund is required to be maintained in an amount equal to the Reserve Fund Requirement so long as any Bonds or Parity Obligations to be secured by the Parity Reserve Fund remain Outstanding. Amounts held in or credited to the Parity Reserve Fund are pledged to and may be used solely for payment of debt service on the Bonds or Parity Obligations secured thereby in the event that money in the Parity Obligation Payment Fund or any comparable fund established for the payment of principal and interest on the Parity Obligations secured thereby is insufficient therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013A BONDS – Parity Reserve Fund."

Rate Covenant

The City has covenanted in the Fiscal Agent Agreement to fix the rates for services furnished by the Electric System so as to provide Gross Revenues at least sufficient to pay, as the same become due, the principal of and interest on the Bonds, any Parity Obligations and all other obligations and indebtedness payable from the Light and Power Fund or from any fund derived therefrom, and also the necessary Maintenance and Operating Expenses, so that the Net Income of the Electric System will be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due on all Outstanding Bonds and Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2013A BONDS – Rate Covenant."

Other Matters

This Official Statement speaks only as of its date, and the information and expressions of opinions contained herein are subject to change without notice, and neither 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 Electric System since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace (EMMA) website. Forward looking statements in this Official Statement are subject to risks and uncertainties, including particularly those relating to competition and electric industry restructuring, and the economy of the City's service area.

This Official Statement includes summaries of the terms of the 2013A Bonds, the Fiscal Agent Agreement, the Escrow Agreements, the Continuing Disclosure Agreement and certain contracts and other arrangements for the supply of capacity and energy. 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. Copies of the Fiscal Agent Agreement, the Escrow Agreements 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 Fiscal Agent. Additional information regarding this Official Statement may be obtained by contacting the Fiscal Agent or the City of Pasadena. The City's address and telephone number for such purpose are as follows: City of Pasadena, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91101-7215, (626) 744-4350, Attention: Director of Finance.

PLAN OF FINANCE

General

The 2013A Bonds are being issued to (i) finance the costs of acquisition and construction of certain capital improvements to the Electric System, (ii) refund the Refunded Bonds, (iii) make an additional deposit to the Parity Reserve Fund and (iv) pay costs of issuance of the 2013A Bonds.

Capital Improvements

Five-year capital plans for the PWP Electric System are based on the City's Power Master Plan and Energy Integrated Resource Plan and approved by the City Council. In March 2005, the City Council adopted the Power Master Plan which identified the infrastructure needs of the power distribution system and recommended system improvements over a 20-year planning period (2005 - 2025). In March 2009, the City Council approved the Energy Integrated Resource Plan which provides a 20-year plan for producing and procuring energy supplies to serve the City's customers. The Energy Integrated Resource Plan was updated in 2012.

The City expects routine capital requirements, including those contemplated by the Power Master Plan and the Energy Integrated Resource Plan for the next five Fiscal Years to aggregate approximately $270.8 million. On average, approximately 20-30% of these improvements are expected to be funded through current revenues and the balance will be funded through the issuance of the 2013A Bonds and future financings.

TABLE 1
CAPITAL REQUIREMENTS
(In Thousands)

Fiscal Year	Capital Requirements
2014	$ 81,726
2015	80,384
2016	53,960
2017	28,546
2018	26,221
Total	$270,837

Source: Finance and Administration Business Unit of PWP.

The proceeds of the 2013A Bonds are expected to be used to finance a portion of the capital expenditures for Fiscal Years 2014 through 2016. Components of the near term capital plan include, but are not limited to, the following:

- Construction of a new, 71 MW natural gas-fired combined cycle generating unit to replace existing aging generation unit of similar size known as the "Repowering Project." See "THE ELECTRIC SYSTEM OF PWP – City-Owned Generating Facilities" for information regarding the Repowering Project.

- Switchgear Upgrade of Power Facilities: This project provides for the upgrading and/or replacement of switchgear and related equipment for power system facilities. It also includes upgrading of electrical support systems and auxiliary power systems for electronic controls and emergency power.

- Power Distribution Capacity and Reliability Program: This project provides for repairs and replacements of electrical components such as transformers, cable and switches.

- 4kV Distribution System Conversion: This project provides for the conversion of existing 4 kV distribution systems to 17 kV. Existing 4 kV equipment will be replaced with 17 kV equipment and operated at 4 kV until the circuit is converted. This will eliminate overloading of the system and strengthen the integrity of the distribution system.

- Substation Upgrades: This project provides for new, replacement, and upgraded building facilities and equipment used by the City's Power System Operations.

Refunding of Refunded Bonds

Pursuant to an Escrow Agreement dated as of November 1, 2013 (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 2013A Bonds, together with certain other available funds, will be deposited into an escrow fund and held as cash in an amount sufficient to redeem the Refunded Bonds on ___________, 2014 at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon.

Upon such deposits, the Refunded Bonds will no longer be deemed to be outstanding under the Fiscal Agent Agreement, and all obligations of the City with respect to the Refunded Bonds shall cease and terminate, except for the obligation of the City to cause the amounts due on the Refunded 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 2013A Bonds are as follows:

Sources:	
Principal Amount of 2013A Bonds	
Plus Original Issue Premium	
Total Sources	
Uses:	
Deposit to Construction Account	
Deposit to Escrow Fund	
Deposit to Parity Reserve Fund	
Deposit to Costs of Issuance Account [1]	
Initial Purchaser's Discount	
Total Uses	

[1] Includes fees of Bond Counsel and Disclosure Counsel, the Fiscal Agent and financial advisory fees, rating agencies' fees, printing costs and other miscellaneous expenses.

THE 2013A BONDS

General

The 2013A 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 2013A Bonds will be payable semiannually on June 1 and December 1, commencing June 1, 2014, and will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The 2013A 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 2013A Bonds, references herein to the owners or registered owners shall mean Cede & Co., and not the beneficial owners of the 2013A Bonds. See APPENDIX C – "BOOK-ENTRY SYSTEM" herein.

Redemption

Optional Redemption. The 2013A Bonds maturing prior to June 1, 2024, are not subject to call and redemption prior to maturity. The 2013A Bonds maturing on or after June 1, 2024 are subject to call and redemption prior to maturity, at the option of the City, as a whole or in part, on June 1, 2023 or on any date thereafter, in any order of maturity and by lot within a single maturity, from funds derived by the City from any legal source, at a redemption price equal to the principal amount of the 2013A Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Redemption. The 2013A Bonds maturing on June 1, 20__ shall be subject to mandatory sinking fund redemption in part at par, and by lot, from mandatory sinking account payments set aside in the Parity Obligation Payment Fund for such purpose, on June 1 of the years and in the amounts set forth below:

Term 2013A Bonds Due June 1, 20___

Year	Principal Amount
†	

† Final Maturity.

The 2013A Bonds maturing on June 1, 20__ shall be subject to mandatory sinking fund redemption in part at par, and by lot, from mandatory sinking account payments set aside in the Parity Obligation Payment Fund for such purpose, on June 1 of the years and in the amounts set forth below:

Term 2013A Bonds Due June 1, 20___

Year	Principal Amount
†	

† Final Maturity.

Upon any purchase or redemption of the 2013A Bonds designated to be term bonds, an amount equal to the aggregate principal amount of 2013A Bonds so purchased or redeemed shall be credited towards a part or all of any one or more yearly mandatory sinking account payments required by the Fiscal Agent Agreement, as directed in writing by a certificate of the Director of Finance. The portion of any such mandatory sinking account payments remaining after the deduction of any such amounts credited toward the same (or the original amount of any such mandatory sinking account payments if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such mandatory sinking account payments for the purpose of the calculation of principal payments due on any future principal payment date. In such event, the City shall provide the Fiscal Agent with 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 2013A 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 2013A Bonds of such maturity to be redeemed and, in the case of 2013A 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 2013A Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a 2013A 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 2013A 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 2013A 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 2013A 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 2013A 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 2013A Bonds called for redemption (principal and premium) is set aside for that purpose, the 2013A Bonds designated for redemption shall become due and payable on the redemption date, and upon presentation and surrender of said 2013A Bonds, at the place specified in the notice of redemption, such 2013A Bonds shall be redeemed and paid at said redemption price, and no interest shall accrue on such 2013A Bonds called for redemption after the redemption date.

SECURITY AND SOURCES OF PAYMENT FOR THE 2013A BONDS

General

The Bonds are an obligation payable only from the Net Income of the Electric System in the Light and Power Fund and amounts in the Parity Reserve Fund as provided in the Fiscal Agent Agreement. The 2013A Bonds are secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System payable from Net Income of the Electric System and issued from time to time pursuant to the Fiscal Agent Agreement, including the Outstanding Bonds, and a pledge of amounts in the Parity Reserve Fund. See "– Parity Reserve Fund" and "– Additional Bonds" below.

"Net Income" is defined in the Fiscal Agent Agreement as Gross Revenues less Maintenance and Operating Expenses. "Gross Revenues" means all revenues (as defined in Section 54315 of the Government Code of California, which include all charges received for and all other income and receipts derived by PWP from the operation of the Electric System or arising from the Electric System) received by PWP from the services, facilities, energy and distribution of electric energy by PWP, including (i) income from investments, and (ii) for the purposes of determining compliance with the rate covenant in the Fiscal Agent Agreement only, the amounts on deposit in the Stranded Investment Reserve or in any other unrestricted funds of the Electric System designated by the City Council by resolution (or by approval of a budget of the Light and Power Fund providing for such transfer) and available for the purpose of paying Maintenance and Operating Expenses and/or debt service on the Bonds and/or any Parity Obligations, but excepting therefrom (a) all reimbursement charges and deposits to secure service and (b) any charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portion of costs associated with assets and obligations ("stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than the Bonds or any Parity Obligations then outstanding, the payments of which obligations will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City.

"Maintenance and Operating Expenses" is defined in the Fiscal Agent Agreement to mean the amount required to pay the reasonable expenses of management, repair and other costs, of the nature of costs which have historically and customarily been accounted for as such, necessary to operate, maintain and preserve the Electric System in good repair and working order, including but not limited to, the cost of supply and transmission of electric energy under long-term contracts or otherwise and the expenses of conducting the Electric System, but excluding depreciation. "Maintenance and Operating Expenses" includes all amounts required to be paid by the City under contract with a joint powers agency for purchase of capacity, energy, transmission capability or any other commodities or services in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operating Expenses.

Certain of the City's obligations to joint powers agencies, including obligations with respect to bonds issued by such joint powers agencies, are payable by the City from the Light and Power Fund, prior to the Bonds and all Parity Obligations, as Maintenance and Operating Expenses. See TABLE 9 – "OUTSTANDING DEBT OF JOINT POWERS AGENCIES" herein.

The General Fund of the City is not liable for the payment of any 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 Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any 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 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 Net Income and other funds, security or assets which are pledged to the payment of the Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

Rate Covenant

The City has covenanted in the Fiscal Agent Agreement to fix the rates for services furnished by the Electric System so as to provide Gross Revenues at least sufficient to pay, as the same become due, the principal of and interest on the Bonds, including the Outstanding Bonds and Parity Obligations and all other obligations and indebtedness payable from the Light and Power Fund (including the payment of any amounts owing to any provider of any surety bond, insurance policy or letter of credit with respect to the Bonds or any Parity Obligations, which amounts are payable from the Light and Power Fund) or from any fund derived therefrom, and also the necessary Maintenance and Operating Expenses, and shall be so fixed that the Net Income of the Electric System will be at least equal to 1.10 times the amount necessary to pay principal and interest (including mandatory sinking account redemption payments) as the same become due on all Bonds, including the Outstanding Bonds and Parity Obligations.

The Light and Power Fund

The Charter establishes the Light and Power Fund and permits the establishment by ordinance of such funds as the City Council may deem necessary to facilitate the issuance and sale of the bonds or for the protection or security of the owners of the bonds.

Under the provisions of the Charter, all moneys and property received by the City in payment for electrical energy 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 Electric System must be deposited in the Light and Power Fund. The Charter further provides that disbursement may be made directly from the Light and Power Fund for the following purposes:

(a) the necessary or proper expenses of conducting the Electric System, the operation and maintenance of its works, plants and distributing systems; the acquisition and improvement of facilities; and the publishing of reports;

(b) the payment of interest and principal on bonds issued for the purposes of the Electric System;

(c) the formation of surplus or reserves for the future needs of the Electric System and for unforeseen emergencies; and

(d) the repayment of advances made from other funds of the City.

The City Council shall transfer moneys from the Light and Power Fund not to exceed 16% of gross income received during the preceding Fiscal Year and not exceeding net income to the City's General Fund from the Light and Power Fund each year as follows:

(1) Pursuant to Section 1407 of the Charter, for the payment of principal and interest on the City's general obligation bonds wholly payable in such Fiscal Year or for municipal improvements, an amount equal to eight percent (8%) of the gross income of the Electric System received during the immediately preceding Fiscal Year from the sale of electric energy at rates and charges fixed by ordinance. The amount so transferred shall not exceed one-half of the net income of the Electric System as shown by the books of account of the power utility, after payment of the maintenance and operating expenses of the Electric System, the expense of conducting the power utility, depreciation and the principal, interest and premiums, if any, upon the redemption thereof, of Electric System revenue bonds.

(2) Pursuant to Section 1408 of the Charter, in addition to the amounts transferred pursuant to Section 1407, an amount equal to eight percent (8%) of the gross income of the Electric System received during the immediately preceding Fiscal Year from the sale of electric energy at rates and charges fixed by ordinance. The amount so transferred shall not exceed one-half of the net income (as described in subparagraph (1) above) of the Electric System. The amount so transferred may be expended for any municipal purpose.

The amount transferred from the Light and Power Fund to the City's General Fund annually may be adjusted by the City Council as described in subparagraphs (1) and (2) above. The following table sets out the transfers from the Light and Power Fund to the City's General Fund for the five Fiscal Years 2008-09 through 2012-13 and the amount budgeted for the Fiscal Year 2013-14.

TABLE 2
TRANSFERS TO THE GENERAL FUND
(Dollar Amounts in Thousands)

Fiscal Year	Transfer Amount	% of Prior Fiscal Year Gross Income
2008-09	$12,922	8.00%
2009-10	15,475	9.20
2010-11	12,742	8.00
2011-12	15,861	10.00
2012-13	14,093	9.00
2013-14[1]	14,544	9.00

[1] Projected amount based on preliminary Fiscal Year 2012-13 results as of June 2013.
Source: Finance and Administration Business Unit of PWP.

In addition to the transfers authorized pursuant to Sections 1407 and 1408, the Charter provides that whenever the City Council determines that the surplus or reserve in the Light and Power Fund is in excess of reasonable future needs of the power utility, such excess may be appropriated for other municipal purposes, but only by ordinance approved by a two-thirds vote of the voters.

The Charter also provides that any surplus or reserves in the Light and Power 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 said 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.

Parity Reserve Fund

The Fiscal Agent Agreement establishes the Parity Reserve Fund to be held by the City pursuant to the Charter. The Parity Reserve Fund is required to be maintained in an amount equal to the Reserve Fund Requirement so long as any Bonds or Parity Obligations to be secured by the Parity Reserve Fund remain Outstanding. Upon the issuance of the 2013A Bonds, there will be deposited in the Parity Reserve Fund from the proceeds of the 2013A Bonds an amount sufficient to cause the balance on deposit in or credited to the Parity Reserve Fund to be equal to the Reserve Fund Requirement ($__________ upon delivery of the 2013A Bonds).

The term "Reserve Fund Requirement" is defined in the Fiscal Agent Agreement to mean, as of any date of determination and excluding therefrom any Parity Obligations 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 Obligations to be secured by the Parity Reserve Fund as determined under the Internal Revenue Code of 1986, as amended, or (b) the maximum Annual Debt Service on all Bonds and Parity Obligations 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 Obligations 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 equal to "Aaa" assigned by Moody's Investors Service ("Moody's") and "AAA" assigned by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") (and if such insurance company is rated by A.M. Best & Company, such insurance company is rated in the highest rating category by A.M. Best & Company) 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 equal to "Aa2" or higher assigned by Moody's or "AA" or higher assigned by Standard & Poor's.

Pursuant to the Eighth Supplement, at such time the consent of a majority of the aggregate principal amount of Bonds and Parity Obligations Outstanding as of the effective date of the Eighth Supplement (but excluding the 2013A Bonds for the purposes of such calculation) or any consent in lieu thereof in accordance with the Fiscal Agent Agreement, has been obtained or such Bonds and Parity Obligations are no longer Outstanding, definition of "Reserve Fund Requirement" shall be amended to mean, as of any date of determination and excluding therefrom any Parity Obligations 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 Obligations 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 Obligations 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 Obligations 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 the City delivering to the Fiscal Agent for credit to the Parity Reserve Fund 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 is in one of the two highest rating categories of Moody's, Standard & Poor's or Fitch or by a letter or 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, Standard & Poor's or Fitch.

Amounts on deposit in or credited to the Parity Reserve Fund is pledged to, and shall be used solely for, the purpose of paying the principal of and interest on the Bonds, including the Outstanding Bonds, and Parity Obligations secured by the Parity Reserve Fund in the event that money in the Parity Obligation Payment Fund is insufficient therefor, and for that purpose money shall be transferred from the Parity Reserve Fund to the Parity Obligation Payment Fund. If and to the extent that the Parity Reserve Fund has been funded with a combination of cash and one or more surety bonds, insurance policies or letters of credit, except as provided below, all cash shall be used (including any investments purchased with such cash, which shall be liquidated and the proceeds thereof applied as required under the Fiscal Agent Agreement) prior to any drawing under a surety bond, insurance policy or letter of credit, and repayment of any amounts owing to any provider of such surety bond, insurance policy or letter of credit shall be made in accordance with the terms thereof prior to any replenishment of any such cash amounts. After first applying all cash and Investment Securities held in the Parity Reserve Fund to pay the principal of and interest on the Bonds and Parity Obligations secured by the Parity Reserve Fund when required, the City or the Fiscal Agent, as applicable shall, on a *pro rata* basis with respect to the portion of the Parity Reserve Fund held in the form of surety bonds, insurance policies and letters of credit (calculated by reference to the maximum amounts of such surety bonds, insurance policies and letters of credit), draw under each surety bond, insurance policy or letter of credit issued with respect to the Parity Reserve Fund, in a timely manner and pursuant to the terms of such surety bonds, insurance policy or letter of credit to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bonds and Parity Obligations secured by the Parity Reserve Fund when due. Notwithstanding anything in the Fiscal Agent Agreement to the contrary, in the event a surety bond, insurance policy, letter of credit or cash deposit has been provided with respect to a specified Series of Bonds only, the Trustee shall draw on such insurance policy, surety bond or letter of credit in the amount equal to the *pro rata* amount of deficiency in the Parity Obligation Payment Fund allocable to such Series of Bonds at the same time that the Trustee applies any cash or Investment Securities held in the Parity Reserve Fund to the payment of the principal of and interest on any Bonds or Parity Obligations not so secured by such insurance policy, surety bond or letter of credit or with respect to which such cash deposit was not made. All amounts due and owing any provider of any such surety bond, insurance policy or letter of credit shall be paid in accordance therewith prior to any discharge of the Fiscal Agent Agreement pursuant to the defeasance of the Bonds. Amounts on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement shall be withdrawn from the Parity Reserve Fund and transferred to the Light and Power Fund. Whenever money is transferred from the Parity Reserve Fund an equal amount of money shall be transferred to the Parity Reserve Fund from the first available money in the Light and Power Fund if required to bring the balance on deposit in the Parity Reserve Fund up to the Reserve Fund Requirement.

[***Surety Bond Reserve Policy.*** In connection with the issuance of the City's Electric Revenue/Refunding Bonds, 1998 Series (the "1998 Bonds"), MBIA Insurance Corporation (now National Public Finance Guarantee Corporation) (the "Reserve Insurer") issued a surety bond (the "Reserve Policy") in an amount equal to the Reserve Fund Requirement for the 1998 Bonds. In connection with the issuance of the Refunded Bonds, the Reserve Insurer agreed to permit the Reserve Policy to also be applicable to the Refunded Bonds. The Reserve Policy provides that upon notice from the Fiscal Agent to the Reserve Insurer to the effect that insufficient amounts are on deposit in the Parity Obligation Payment Fund to pay the principal of (at maturity or pursuant to mandatory sinking account redemption requirements) and interest on the 1998 Bonds and/or the Refunded Bonds, the Reserve Insurer will promptly deposit with the Fiscal Agent an amount sufficient to pay the principal of and the interest on the 1998 Bonds and/or the Refunded Bonds or the available amount of the Reserve Policy, whichever is less. The Fiscal Agent will use all available cash in the Reserve Fund prior to drawing on the Reserve Policy. Upon the later of: (i) three days after receipt by the Reserve Insurer of a Demand for Payment in the form attached to the Reserve Policy, duly executed by the Fiscal Agent; or (ii) the payment date of the 1998 Bonds and/or the Refunded Bonds as specified in the Demand for Payment presented by the Fiscal Agent to the Reserve Insurer, the Reserve Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Fiscal Agent, of amounts which are then due to the Fiscal Agent (as specified in the Demand for Payment) subject to the surety bond coverage. The surety bond coverage is the initial face amount of the Reserve Policy less the amount of any previous deposits by the Reserve Insurer with the Fiscal Agent which have not been reimbursed by the City.

Upon the issuance of the 2013A Bonds, there will be on deposit in the Parity Reserve Fund, in addition to the Reserve Policy credited thereto, funds in the amount of $__________. See "– Investment of Funds" below for a discussion of permitted investments with respect to moneys held in the funds and accounts established pursuant to the Fiscal Agent Agreement, including the Parity Reserve Fund.][TO BE DELETED WHEN REFUNDING OF REFUNDED BONDS IS CONFIRMED]

Additional Bonds

Upon the issuance of the 2013A Bonds and the refunding of the Refunded Bonds, in addition to the 2013A Bonds, the City will have $127,990,000 of parity indebtedness outstanding, consisting of the Outstanding Bonds.

The Fiscal Agent Agreement provides that (except for bonds issued under Article XIV of the Charter, or otherwise, to refund Bonds or Parity Obligations, payable from the Light and Power Fund issued under Article XIV of the Charter which may be issued at any time without meeting the test set forth below) no additional indebtedness of the City payable out of the Light and Power Fund on a parity with the Bonds and any Parity Obligations (collectively referred to in the Fiscal Agent Agreement as "parity indebtedness") shall be created or incurred unless:

(1) The Net Income during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, plus, at the option of the City, any or all of the items designated in paragraphs (a) and (b) below, shall have amounted to at least equal to one hundred ten percent (110%) of the aggregate of the (i) amount of interest to accrue and (ii) payments of principal required to be made in that one of the Fiscal Years ending thereafter in which such aggregate will be the greatest on all Bonds and such Parity Obligations to be Outstanding immediately subsequent to the incurring of such additional parity indebtedness, as certified by a Certificate of the City; or

(2) The projected Net Income during the first complete Fiscal Year following issuance of such parity indebtedness when the improvements to the Electric System financed with the proceeds of the parity indebtedness shall be in operation, plus, at the option of the City, any or all of the items designated in paragraphs (a) and (b) below, shall have amounted to at least one hundred ten percent (110%) of the aggregate of the (i) amount of interest to accrue and (ii) payments of principal required to be made in that one of the Fiscal Years ending thereafter in which such aggregate will be the greatest on all Bonds and such Parity Obligations to be Outstanding immediately subsequent to the incurring of such additional parity indebtedness, as certified by a Certificate of the City.

The items any or all of which may be added to such Net Income for the purpose of meeting either of the requirements set forth in clauses (1) or (2) above are the following:

(a) An allowance for any increase in Net Income (including, without limitation, a reduction in Maintenance and Operating Expenses) which may arise from any additions to and extensions and improvements of the Electric System to be made or acquired with the proceeds of such additional parity indebtedness or with the proceeds of bonds previously issued, and also for Net Income from any such additions, extensions or improvements which have been made or acquired with moneys from any source but which, during all or any part of such Fiscal Year or such twelve consecutive calendar month period out of the immediately preceding eighteen calendar month period, were not in service, all in an amount equal to the estimated additional average annual Net Income (or estimated average annual reduction in Maintenance and Operating Expenses) to be derived from such additions, extensions or improvements for the first thirty-six month period in which each addition, extension or improvement is respectively to be in operation, all as shown by the Certificate of the City.

(b) An allowance for earnings arising from any increase in the charges made for the use of the Electric System which has become effective prior to the incurring of such additional parity indebtedness but which, during all or any part of such Fiscal Year or such twelve consecutive calendar month period out of the immediately preceding eighteen calendar month period, was not in effect, in an amount equal to the amount by which the Net Income would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such twelve consecutive calendar month period out of the immediately preceding eighteen (18) calendar month period, as shown by the Certificate of the City.

Nothing in the Fiscal Agent Agreement 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 Bonds and all Parity Obligations and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Net Income after the prior payment of all amounts then due and required to be paid or set aside under the Fiscal Agent Agreement from Net Income for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations, as the same become due and payable and at the times and in the manner as required in the Fiscal Agent Agreement or any documents providing for the issuance or incurrence of Parity Obligations.

Investment of Funds

All moneys held in the funds and accounts established pursuant to the Fiscal Agent Agreement will be invested solely in Investment Securities, which include:

(i) any permissible investments of funds of the City as stated in its current investment policy and to the extent then permitted by law;

(ii) a repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that the following conditions are satisfied:

> (1) The agreement is secured by any direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment and principal of and interest on which are directly or indirectly guaranteed by the United States of America;
>
> (2) The underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars and which is independent of the issuer of the repurchase agreement; and
>
> (3) The underlying securities are maintained at a market value, as determined on a market-to-market basis calculated at least weekly, of not less than 104% of the amount so invested; and

(iii) an investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution the long-term unsecured obligations of which are rated in the top two rating categories by Moody's and Standard & Poor's at the time of initial investment.

For a discussion of the City's current investment policy, practices and investment portfolio see "CITY FINANCIAL INFORMATION – Investment Practices," "– Pooled Investment Portfolio" and "– The Investment Policy" in APPENDIX A – "THE CITY OF PASADENA." The City's investment policy may be changed at any time by the City Council (subject to the State law provisions relating to authorized investments). There can be no assurance, therefore, that the State law and/or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under State law or the Investment Policy or that the objectives of the City with respect to investments or its investment holdings at any point in time will not change.

Limitations on Remedies

The ability of the City to comply with its covenants under the Fiscal Agent Agreement and to generate Net Income of the Electric System sufficient to pay principal of and interest on the 2013A Bonds may be adversely affected by actions and events outside of the control of the City. Furthermore, any remedies available to the owners of the 2013A Bonds upon the occurrence of an event of default are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. The rights of the Owners of the 2013A Bonds are subject to the limitations on legal remedies against cities and other public agencies in the State.