APPENDIX A

THE CITY OF PASADENA

The economic and demographic information provided below is presented as general background data and has been collected from sources which the City deems to be reliable. The General Fund of the City is not liable for the payment of the 2016A 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 the 2016A Bonds, any premium thereon upon redemption prior to maturity or their interest. No Owner of any 2016A 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 2016A Bonds and any premiums upon redemption 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 of the Electric System in the Light and Power Fund and other funds which are pledged to the payment of the 2016A Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

General

The City of Pasadena, California (the "City") was incorporated in 1886 and became a freeholder charter city in 1901. The City adopted its city manager form of government by amendments to the City Charter in 1921. The City Council is responsible for the administration of the City.

The City covers nearly 23 square miles and is located in Los Angeles County in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by South Pasadena and San Marino, on the east by Arcadia and Sierra Madre, and on the north by the unincorporated community of Altadena and the San Gabriel Mountains.

In addition to general governmental services such as fire and safety, the City provides its approximately 140,000 residents with power, water and refuse services. The Southern California Gas Company supplies natural gas, and the County of Los Angeles provides sewage services.

The City consistently receives international recognition for the Rose Parade and Rose Bowl events and has achieved significant success in blending urban amenities with suburban neighborhoods. Engineering, finance and health care comprise the primary industry sectors. In addition, the academic and research pursuits of the California Institute of Technology, the Jet Propulsion Laboratory and the Art Center College of Design bring a unique combination of resources to the City. The City's downtown continues to serve as the corporate and entertainment center for the San Gabriel Valley's approximately 1.8 million residents.

City Council

All powers of the City are vested in the City Council which is empowered to carry out the provisions of the City Charter and perform all duties and obligations of the City as imposed by State law. The City has an eight-member City Council comprised of members elected in seven City Council districts and a citywide elected mayor. Each Council Member and the Mayor are elected for four-year staggered terms. The Council Members elect the Vice-Mayor from their membership, who traditionally serves two consecutive one-year terms. The names, occupations and term expirations of the current members of the City Council are as follows:

Name	Occupation	Term Expiration
Terry Tornek, Mayor	Real Estate Investor	May 2019
Tyron A.L. Hampton (District 1)	Business Owner	May 2019
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2019
John J. Kennedy (District 3)	Executive Consultant	May 2017
Gene Masuda, Vice Mayor (District 4)	Business Owner	May 2019
Victor Gordo (District 5)	Attorney	May 2017
Steve Madison (District 6)	Attorney	May 2019
Andy Wilson (District 7)	Business Owner	May 2017

City Staff

Steve Mermell, City Manager, was appointed Pasadena City Manager in July 2016, after having served as the City's Interim City Manager for the previous five months, and as Assistant City Manager since 2009. Since joining the organization in 1989 as an analyst for the Water and Power Department, Mr. Mermell has spent his entire professional government service career at Pasadena, in a variety of positions, and is well-acquainted with all aspects and operations of the City. In addition to the top management positions, he has held numerous key positions, including, among others, Acting Finance Director, 2008-2009; Deputy Finance Director, 2006-2007; Budget Administrator, 2001-2006, and Purchasing Administrator, 1995-2001. Mr. Mermell also fulfilled temporary assignments as the director for both the Planning and Public Health departments.

As Pasadena's City Manager, Mr. Mermell is responsible for implementing the policies and ordinances enacted by the Pasadena City Council; and ensuring that the City's Charter and Municipal Code are properly utilized by the City's 16 departments and 2,000-plus employees. He is responsible for development of the annual operating and capital improvement budgets of the City, which is $835.9 million for Fiscal Year 2016-2017, beginning July 1, 2016, and also includes funding for the City's three Operating Companies—the Rose Bowl (Stadium) Operating Company; the Pasadena (Convention) Center Operating Company and the Pasadena Community Access Corporation, which oversees the public, education and government (PEG) cable channels for Pasadena.

During his time at Pasadena, Mr. Mermell has helped ensure stability for several city departments and has guided the City's economic development strategies during the recent Great Recession, including moving forward with a successor plan for redevelopment agency issues. He had a lead role in transforming the City Public Health Department's clinical programs from City to non-profit health providers; lead a task force to successfully address funding issues associated with the City's closed Fire and Police Retirement System and its $150 million unfunded liability; developed working agreements to strengthen ties between the City and the Pasadena Unified School District to better use City and PUSD resources to benefit Pasadena children; and negotiated a new long-term lease for the historic Pasadena Playhouse, California's official State Theater, in wake of the theater organization's bankruptcy.

As City Manager, Mr. Mermell also now leads the City's Executive Leadership Team, comprised of 13 Department Directors, the City Attorney, City Clerk, Assistant City Managers and Public Information Officer; and is the City's chief executive liaison for the Tournament of Roses Association; the Chamber of Commerce and the numerous business improvement and management districts throughout town. Mr. Mermell has a master's degree in Public Administration and a bachelor's degree in Political Science, both from the California State University, Northridge.

Matthew E. Hawkesworth, Director of Finance, joined the City in October 2015. His responsibilities include management of the financial affairs of the City and the Successor Agency to the Pasadena Community Development Commission, which include: preparation of the annual operating budget; preparation of the Comprehensive Annual Financial Report (CAFR); purchasing; collections; payroll; investments; debt management and financing of major City capital improvements. Prior to his current position, he served as Assistant City Manager for the City of Rosemead for eight years overseeing Finance, Human Resources, Public Works, Technology and Risk Management; Finance Director/Treasurer for the City of Claremont for three years; and a variety of positions in the Finance Department for the City of El Monte over nine years. Mr. Hawkesworth received his Bachelor of Arts degree in Social Science (economics and political science) from the University of La Verne (California) in 1995. He has completed numerous advanced courses in finance and accounting through the Government Finance Officers Association and is a graduate of the Claremont Leadership Academy, sponsored by the Claremont McKenna College Kravis Leadership Institute. During his career, Mr. Hawkesworth has been an active participant of the Government Finance Officers Association and California Society of Municipal Finance Officers, serving as a budget and CAFR reviewer for the annual awards program; served on the League of California Cities Revenue and Taxation Committee and Other Post-Employment Benefits (OPEB) Taskforce. Mr. Hawkesworth also founded a non-profit organization in 2011 dedicated to providing refurbished bicycles and new helmets to low-income and at-risk youth.

Michele Beal Bagneris, City Attorney, was named the Pasadena City Attorney in May 1997. At that time, she was a shareholder in the law firm of Richards, Watson & Gershon, where she specialized in public law since joining the firm in 1983. Initially, while serving as City Attorney, she continued to practice law as a member of the law firm, advising public clients in a wide range of areas, including land use, general advisory matters, litigation, labor and employment, code enforcement and nuisance abatement matters. She also served as the City Attorney for the City of Monrovia from 1992 through September 1999, when she became the in-house City Attorney for the City of Pasadena. She currently serves in that position and is also the City Prosecutor. As the City Attorney/City Prosecutor, she is responsible for managing all legal matters for the City, including supervision of in-house lawyers and any outside counsel engaged to advise the City. Ms. Bagneris received her bachelor's degree in International Relations from Stanford University in 1980 and her Juris Doctorate Degree in 1983 from Boalt Hall School of Law, University of California, Berkeley. She is active in professional and community organizations including serving as member of the Board of Directors of the League of California Cities, Vice-President of the Board of Directors of the Institute for Local Government, past President of the Los Angeles County Prosecutor's Association; past President of the League of California Cities City Attorney's Department; past President of the City Attorney's Association of Los Angeles County; and member of other legal and community organizations. She is admitted to practice law in the State of California, United States District Court and the U.S. Court of Appeals, Ninth Circuit.

Population

The following table presents a ten-year history of the population of the City since 2007.

TABLE A-1
POPULATION
For Years 2007 through 2016

Year (as of January 1)	Population
2007	146,051
2008	147,293
2009	150,185
2010	136,769
2011	138,768
2012	139,222
2013	140,102
2014	140,879
2015	139,781
2016	141,023

Source: State of California, Department of Finance. Revised based upon revision to the US Census information with 2010 benchmark. Updates to estimates for years 2007 through 2009 incorporating the 2010 census counts are not available.

Education

Total enrollment within the Pasadena Unified School District is shown below for the last ten fiscal years.

TABLE A-2
PASADENA UNIFIED SCHOOL DISTRICT
TOTAL ENROLLMENT
Fiscal Years 2006-07 through 2015-16

Fiscal Year Ended June 30	Total Enrollment
2007	20,826
2008	20,905
2009	20,526
2010	20,084
2011	19,803
2012	19,805
2013	19,540
2014	19,102
2015	18,586
2016	18,492

Source: California Department of Education.

Employment

Although no annual calendar year information is regularly compiled on employment and unemployment in the City alone, fiscal year unemployment rates can be found in Table 18 of the City's financial statements.

The following table shows employment, unemployment and labor force information for Los Angeles County for calendar years 2010 through 2015 and as of May 2016.

TABLE A-3
LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
AVERAGES FOR CALENDAR YEARS 2010 THROUGH 2016[1]
(in thousands)

	2010	2011	2012	2013	2014	2015	2016 [1]
County Employment	4,335	4,355	4,397	4,471	4,659	4,707	4,777
County Unemployment	612	569	500	490	376	284	213
County Civilian Labor Force	4,947	4,924	4,897	4,960	5,035	4,992	4,990
County Unemployment Rate	12.4%	11.6%	10.2%	9.9%	7.5%	5.7%	4.3%
State Unemployment Rate	12.1%	11.0%	9.8%	8.9%	7.0%	6.2%	5.7%

Source: State of California Employment Development Department. Current Labor Force and Industry Employment. Los Angeles-Long Beach Metropolitan Statistical Area.
(1) As of May, 2016.

Major Employers

Industry in the City is diversified. Some of the leading industries include higher education, research and development, health care, financial services and communications. The major employers within the City as of June 2015 are listed below.

TABLE A-4
MAJOR EMPLOYERS
2015

Company	Approximate Number of Employees	Business Line
California Institute of Technology-Jet Propulsion Laboratory	5,000	Aerospace Research
Kaiser Permanente	4,813	Health Care
California Institute of Technology-Campus	3,900	Education
Huntington Memorial Hospital	3,328	Hospital
The City of Pasadena	2,106	Government
Pasadena Unified School District	2,037	Education
Bank of America	1,883	Financial
Pasadena City College	2,037	Education
Art Center College of Design	701	Education
Hathaway-Sycamores	681	Social Services
ATT	634	Communications
The Langham Huntington Hotel (Ritz-Carlton)	559	Hotel
One West Bank (IndyMac in 2006)	555	Financial
Western Asset	552	Financial
Parsons Corporation	547	Engineering/Construction
East West Bank	467	Financial
Rusnak Pasadena	346	Automotive Retail
Pacific Clinics Administration	280	Healthcare
Avon Products	170	Consumer Products

Source: City of Pasadena, Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2015.

Housing

The following table presents a ten-year history of total housing units within the City, for years 2007 through 2016.

TABLE A-5
HOUSING UNITS[1]
For Years 2007 through 2016

January 1,	Housing Units
2007	57,266
2008	57,863
2009	58,800
2010	59,331
2011	60,178
2012	60,263
2013	60,314
2014	60,369
2015	60,361
2016	60,703

(1) As of January 1 for the years shown. Includes single family dwellings and multifamily units, including rental units and condominiums. Incorporates 2000 and 2010 census counts.
Source: State of California, Department of Finance; Years 2007-2010- E-8 Historical Population and Housing Estimates for Cities, Counties, and the State; Years 2011-2016- *E-5 Population and Housing Estimates for Cities, Counties and the State.*

Building Permit Activity

The City's General Plan targets development in the City, providing for growth in employment and housing. Since 1992 (the year the General Plan was approved), there have been seven specific plan areas established and approved by the City Council for the following areas: North Lake, West Gateway, South Fair Oaks, East Pasadena, East Colorado, Fair Oaks/Orange Grove and the Central District. The Land Use and Mobility Elements of the General Plan were updated in 2004 at the same time the City's Zoning Code was updated.

The following table shows the value of building permits issued in the City for fiscal years 2010-11 through 2015-16.

TABLE A-6
CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
for Fiscal Years 2010-11 through 2015-16
(Valuation in Millions)

	Fiscal Year Ended June 30,					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Building Permit Valuations						
Nonresidential	$ 56.3	$ 92.5	$ 62.8	$ 97.5	$103.3	$ 72.8
Residential	24.4	24.3	34.5	37.4	48.6	47.4
Residential New Construction	9.8	61.2	23.3	81.1	124.7	118.8
Total	$ 90.5	$178.1	$120.6	$216.1	$276.6	$239.1
Number of Permits Issued						
Non Residential	619	717	663	606	663	570
Residential	2,077	3,022	2,106	2,234	2,188	2,867
Residential New Construction	39	25	20	27	40	38
Total	2,735	3,764	2,789	2,867	2,891	3,475

Source: City of Pasadena, Planning and Permitting Department.

Taxable Sales

The following table indicates taxable transactions in the City by type of business for the twelve-month periods ending September 30, 2011 through September 30, 2015.

TABLE A-7
CITY OF PASADENA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
($ in Millions)

	Twelve Month Periods Ended September 30,				
Type of Business	**2011**	**2012**	**2013**	**2014**	**2015**
Apparel Stores	$ 195.0	$ 203.8	$ 216.7	$ 217.8	$ 222.7
General Merchandise Stores	213.7	216.3	207.8	196.0	190.6
Food Stores	116.3	137.2	139.8	137.9	142.8
Eating & Drinking Places	397.1	427.3	450.5	482.3	527.2
Home Furnishings & Appliances	176.8	189.8	185.7	181.0	202.5
Bldg. Material & Farm Implements	80.7	93.0	111.0	122.7	130.9
Auto Dealers & Auto Supplies	327.9	353.5	374.8	399.4	463.5
Service Stations	167.2	167.8	159.0	153.4	134.2
Other Retail Stores	358.3	361.2	373.0	372.1	426.2
Retail Stores Total	2,033.0	2,150.0	2,218.4	2,262.6	2,440.6
All Other Outlets	660.9	658.8	627.5	592.0	545.7
Total All Outlets	$2,693.9	$2,808.8	$2,845.9	$2,854.9	$2,986.3

Source: State Board of Equalization, City of Pasadena: MBIA MuniServices Company.

Community Facilities

The City has a central library and eight branch libraries, four community centers, 24 parks and 30 playgrounds. Other entertainment and cultural facilities include the Rose Bowl, the Norton Simon Museum, the Pacific Asia Museum, the Gamble House, the Wrigley Estate, California Institute of Technology, Beckman Auditorium, the Pasadena Civic Auditorium and the Pasadena Playhouse. The City has long enjoyed a reputation as a community rich in culture, traditions and quality of life. The City is also home to the Tournament of Roses, sponsors of the well-known New Year's Day Parade and Rose Bowl football game held in the City each January.

Transportation

The City is served by an extensive surface and air transportation network. Several major freeways make the City accessible to the entire Los Angeles Basin. The City is served by three commercial airports: Bob Hope Airport, located in nearby Burbank, is within 15 miles, Los Angeles International Airport is within 27 miles and Ontario International Airport is within 45 miles. Continental Trailways and Greyhound bus lines have local depots in the City. The City supplements the local Metropolitan Transit Authority and the Foothill Transit Authority bus routes with the Pasadena Area Rapid Transit Services ("ARTS") bus services to expand the covered area. The ARTS buses provide convenient and nominal-fare transportation between many of the City's residential neighborhoods, retail, business and entertainment centers within the City. There are currently two ARTS routes that offer service seven days per week. In addition, the City provides Dial-A-Ride bus services for the elderly and disabled which is available for a nominal usage fee.

The nearest port facilities are located in the Los Angeles and Long Beach harbors which are approximately 30 and 35 miles away, respectively. The $1 billion Alameda Corridor East project, being undertaken by the Alameda Corridor East Construction Authority, consists of safety upgrades, traffic signal control measures, road widening and grade separation projects to improve traffic conditions along the railroad facilities connecting the Ports of Los Angeles and Long Beach with the transcontinental rail network through the San Gabriel Valley, creating a faster more efficient method of distributing trade.

In addition, the Gold Line of the Metro Line light rail system runs from Union Station in the City of Los Angeles, through the City and terminates in the City of Sierra Madre. The Gold Line began operations in 2003.

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of January 31, 2016, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

TABLE A-8
CITY OF PASADENA
EMPLOYEE UNION REPRESENTATION

Name of Union	Number of Employees Represented As of June 30, 2016	Expiration of Contract
American Federation of State, County and Municipal Employees	278	June 30, 2018
International Brotherhood of Electrical Workers	102	June 30, 2016[(1)]
International Union of Operating Engineers	17	June 30, 2017
Service Employee International Union	25	June 30, 2018
Laborers International Union of North America	320	June 30, 2019
Pasadena Fire Fighters Association	141	June 30, 2017
Pasadena Police Officers Association	200	June 30, 2018
Pasadena Fire Fighters Management Association	5	June 30, 2016[(1)]
Pasadena Management Association	457	June 30, 2018

(1) Currently being renegotiated.
Source: City of Pasadena, Human Resources Department.

In contract negotiations between 2014-16, employees represented by the various unions and employee organizations agreed that employees will assume full or partial responsibility for their respective obligation owed by the employees to the California Public Employees' Retirement System ("CalPERS"). Prior to these negotiations, the City had agreed with the Police Officers Association ("POA"), Fire Fighters Association ("FFA"), American Federation of State, County and Municipal Employees ("AFSCME"), and Pasadena Management Association ("PMA") to pay (or "pick-up") all or a portion of the employees' required contribution to CalPERS. These employee contributions range from 8% to 9% in total compensation. As of July 1, 2015 the POA and FFA members began paying their full 9% obligation. As of January 1, 2016, the City picks-up 6% for PMA members (PMA members offset this amount by paying 6 % of the City's employer rate), but the rate reduces by 2% each January 1. The City continues to pick-up the full 8% for AFSCME members (AFSCME members offset this amount by paying the City's 8% employer rate). These payment arrangements, for their duration, results in an increase in the income used to calculate pension benefits to employees under the CalPERS formula.

Retirement Systems

Pasadena Fire and Police Retirement System.

<u>General.</u>

Police and Fire personnel hired prior to July 1, 1977 were covered by the City's Fire & Police Retirement System ("FPRS"). FPRS was originally established by the City Charter in 1919. FPRS was closed on June 30, 1977 but continues to pay out benefits to retirees and their beneficiaries. FPRS covers all sworn fire and police personnel who were employed by the City prior to July 1, 1977, except those who elected to transfer to CalPERS either when FPRS closed to new members or in June 2004. FPRS is managed by a five-member retirement board. As of June 30, 2015, FPRS had an unfunded actuarial accrued liability of $32.17 million and had a funded ratio of 80.2%. For fiscal year 2014-15, the City's annual pension cost was $0 for FPRS. The actuarial value of FPRS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period (smoothed market value). Copies of FPRS' annual financial report may be obtained from the City's Department of Finance, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91109. This annual financial report includes the required three-year trend information.

<u>Funding History.</u>

In 1960, the City Charter was amended to provide an unlimited cost of living adjustment ("COLA") for the FPRS members that was fully adjustable based on changes in the consumer price index. With inflation in the broader economy during the subsequent years, the FPRS saw dramatic increases in the COLA and, therefore, in its expenses. In 1977, the FPRS was modified to increase contribution rates for the City and for active FPRS members. Additionally, active FPRS members were given the option of transferring to CalPERS plan. However, few existing participants elected to join CalPERS and the modifications proved inadequate to address the continuing rise in the COLA benefit.

The City attempted to roll back the COLA benefit and successfully obtained voter approval in 1981 for a City Charter amendment that limited the COLA to 2%. However, the Pasadena Police Officers Association sued successfully, claiming that the amendments impaired the vested rights of its members. An appellate court upheld the ruling and the uncapped COLA was reinstated.

In 1987, the City sponsored and secured the passage of Senate Bill No. 481 ("SB 481"), which established a funding mechanism for the FPRS. SB 481 authorized the City to utilize payments made by the Pasadena Community Development Commission (the "Commission") under a reimbursement agreement entered into in 1987 (the "Reimbursement Agreement"), after required deductions, for the purpose of funding the City's liabilities to FPRS. The Commission's payments consist of property tax increments from the City's Downtown Project Area (hereinafter defined as the "SB 481 Receipts"). The Reimbursement Agreement was validated by SB 481, which became law in 1987. Under SB 481, the right to receive SB 481 Receipts terminated on December 31, 2014. As described below, the enforceability of the Reimbursement Agreement is being challenged by the State.

In 1999, after the FPRS-funded status dropped to approximately 30%, the City and the FPRS negotiated a Contribution Agreement (the "Prior Contribution Agreement") whereby the City agreed to issue approximately $100 million of pension obligation bonds (*i.e.*, the Series 1999 Bonds) and transfer the proceeds to the FPRS in order to increase the actuarial funding level to 70%. Further, the City agreed to make supplemental contributions to the FPRS to ensure that the funding level increased by ½% each year for 20 years, in order to reach a funding level of 80% by 2020. FPRS, in turn, assigned to the City its rights to receive the SB 481 Receipts under a prior agreement, but required such revenues to be applied to the payment of the City's funding obligations to FPRS, including payments on the City's pension obligation bonds.

In 2004 the City issued approximately $40 million of additional pension obligation bonds (*i.e.*, the Series 2004 Bonds) in order to maintain the contribution levels agreed upon in the Prior Contribution Agreement. This occurred after a dispute between the City and the FPRS regarding the accounting methodology for treating the investment losses of the early 2000s. The FPRS agreed to allow the actuarial valuation to be conducted without the requirement that the actuarial value of assets remain within a 20% "corridor" around the actual market value of assets, in exchange for the City providing additional funds through the issuance of the 2004 Bonds.

In November 2011, the City and FPRS agreed to amend the Prior Contribution Agreement (such amendment herein referred to as the "Amended Contribution Agreement") for the purpose of revising the methodology used to calculate the unfunded liability of the City and the City's required payments to the FPRS. To fulfill its commitment under the Amended Contribution Agreement, the City issued a third series of pension bonds (*i.e.*, the Series 2012 Bonds) in the principal amount of $47,440,000 and deposited the proceeds with FPRS. Prior to the Amended Contribution Agreement, FPRS was required to use, in its actuarial calculations, the average assumed investment return and cost of living adjustment used by counties with pension systems established under 1937 Act ("1937 Act Counties").

Under the Amended Contribution Agreement, the City must pay to FPRS, in addition to the net proceeds of the Series 2012 Bonds, supplemental payments ("Supplemental Payments") if FPRS falls below the required minimum funding percentage in any fiscal year, to fund the unfunded accrued actuarial liability (the "UAAL") of FPRS. The Amended Contribution Agreement requires FPRS to be at least 75.5% funded for the fiscal year in which the City paid the net proceeds of such bonds to FPRS (the "Minimum Funding Percentage"). For each succeeding year, the Minimum Funding Percentage increases by 0.5% per year over a nine-year period (through 2021), up to 80%. To protect the City against large swings in asset values from one year to the next, the annual amount of any Supplemental Payments is subject to a cap, which is the lesser of certain benefit payments paid by FPRS in the prior fiscal year, or $3 million, plus a varying percentage of any funding deficit in the Minimum Funding Percentage over $3 million, beginning with 20% of the remaining deficit in the base year up to 100% of any deficit remaining for the fifth and any subsequent consecutive fiscal year following the base year.

The principal change implemented by the Amended Contribution Agreement was to alter the assumed rate of investment and cost of living adjustments used to calculate the Minimum Funding Percentage and UAAL. The Amended Contribution Agreement allows FPRS to use rates of investment and cost of living increases recommended by FPRS's actuary and approved by FPRS after consultation with the City and the City's consultants. When the Amended Contribution Agreement was executed in November 2012, the average investment rate used by 1937 Act Counties was approximately 8%; following execution, the actuarial rate as recommended by the system's actuary was reduced to 6%.

As of June 30, 2015, the FPRS was funded at 80.2%, satisfying the 80% requirement as calculated in accordance with the procedures of the Amended Contribution Agreement. The funding history for the FPRS is shown in Table A-14 herein. The FPRS actuary has projected, based on existing economic and demographic assumptions, that the FPRS funded ratio will remain at or above 80% and no Supplemental Payment will need to be made until fiscal year 2020.

Consistent with prior reimbursement agreements, the Amended Contribution Agreement requires that the City use SB 481 Receipts to make debt service payments due on the City's pension obligation bonds and supplemental payments due to the FPRS, and to hold excess SB 481 Receipts in the City Treasurer's Pool, pending use for permitted purposes at a later date. The use of SB 481 Receipts in accordance with the contribution agreements was validated in the judicial validation action undertaken in connection with the issuance of the Series 1999 Bonds.

Until 2011, ABx1 legislation receipts received by the City under the Reimbursement Agreement had been sufficient to cover the debt service on the City's pension obligation bonds, to provide funds for the City to make required supplemental payments to the FPRS under the contribution agreement, as amended and superseded, and to generate a reserve fund to be used for future obligations of the FPRS.

In 2011, the State of California enacted legislation (commonly referred to as "AB1x 26"), which required the dissolution of California redevelopment agencies ("CRAs") and the disposition and winding-up of the operations of those agencies. Following the enactment of AB1x 26, the State Department of Finance of the State of California (the "DOF") challenged the enforceability of the Reimbursement Agreement, claiming that the agreement was not an "enforceable obligation" under AB1x 26 and, accordingly, claiming that all future payments under the Reimbursement Agreement, together with the SB 481 Receipts held by the City, should revert to the County (for redistribution to all taxing entities within the County). This issue is the subject of litigation in State court, herein referred to as the "SB 481 Litigation" and all SB 481 Receipts are required to be held in escrow by the County pending the resolution of the litigation. See "SB 481 Litigation" below.

As of the date of this Official Statement, the County holds all SB 481 Receipts in escrow, of which the City claims approximately $40 million. The right to receive SB 481 Receipts terminated on December 31, 2014.

The City had structured $121,490,000 principal amount of the Series 1999 Bonds, the Series 2004 Bonds and the Series 2012 Bonds to mature, or to be subject to mandatory tender, on May 15, 2015, with the expectation that the SB 481 Receipts would have been sufficient to pay approximately $40 million of the maturing principal amount or purchase price of such bonds, as applicable. However, as the SB 481 Litigation was not resolved on May 15, 2015, the City refinanced all its Pension obligation bonds in 2015. In the event the City ultimately prevails in the SB 481 Litigation, any SB 481 Receipts held by the County and subsequently received by the City may be reserved and utilized for the redemption of the bonds in the future or used to pay debt service payments of the 2015 Bonds.

SB 481 Litigation.

In 2011, the State of California enacted ABx1 26, which required the dissolution of CRAs, including the Commission, and the disposition and winding-up of the operations of CRAs. The CRAs, including the Commission, were dissolved on February 1, 2012, pursuant to ABx1 26. However, ABx1 26 required that the Commission's enforceable obligations "be honored." The City elected to serve as the Commission Successor Agency. The Commission Successor Agency is a separate legal entity from the City, and is required to administer the dissolution of the Commission and the winding down of the Commission's activities, including making enforceable obligation payments and disposing of the Commission's property.

By letter dated December 18, 2012, the DOF notified the City of Pasadena and its Commission Successor Agency that in the obligations under the Reimbursement Agreement (and certain other housing-related payment obligations of the Commission) had been determined by DOF to be unenforceable under ABx1 26 and to be ineligible for payment from former tax increment generated by the related redevelopment projects (known as Redevelopment Property Tax Trust Fund, or RPTTF, funding). Previously, the DOF, by letter dated June 29, 2012 had found such obligations of the Commission to be enforceable obligations and had found both such items to be eligible for payment from RPTTF funding.

On December 28, 2012, the City filed litigation in the Superior Court of the State of California and applied for a temporary restraining order so that the RPTTF funds would be made available (for payment under the Reimbursement Agreement and the housing obligations), as required by applicable statutory validation, judicial validation and application of law, and to restrain the distribution of these funds on January 2, 2013 to other property tax agencies. *City of Pasadena Successor vs. Ana Matosantos Director of the State of California Department of Finance*, Case No. 34-2012-000134585-CU-MC-GDS. The City obtained a Temporary Restraining Order and a Preliminary Injunction, which declare the Reimbursement Agreement obligations (and housing obligation) as valid, enforceable obligations payable by the Commission Successor Agency.

The DOF, through the State Attorney General's Office, filed appealed this judgment. After various procedural rulings, a hearing on the merits was held in Sacramento Superior Court, which issued a ruling on May 28, 2015 in favor of the DOF. However, the court also required the County to continue to maintain $39.7 million in escrow, pending final adjudication of the case, which includes any appeal. The City filed a notice of appeal on June 19, 2015. Briefing on appeal has been completed and the parties are awaiting oral argument to be scheduled thereafter. If the City is unsuccessful in its claims on appeal, the City expects that the escrowed amounts will be distributed to the applicable participating agencies, including the City, with the City receiving approximately $8.4 million of the tax revenues. The City has assumed in its 2016-2017 budget that no escrowed funds will be received by the City during the fiscal year.

Investment Status.

As of June 30, 2016, FPRS' investment assets were allocated as follows:

TABLE A-9
CITY OF PASADENA
FIRE AND POLICE RETIREMENT SYSTEM
PORTFOLIO INFORMATION
as of June 30, 2016 *(unaudited)*

Description of Assets	Market Value	Percentage of Portfolio
Cash and cash equivalents	$ 587,697	0.47%
Interest	173,720	0.14
Government and agencies	31,319,542	24.80
Domestic corporate obligations	30,269,162	23.97
International corporate obligations	649,151	0.51
Real estate	17,843,493	14.13
Real estate investment trust (REITS)	145,174	0.11
Domestic corporate stocks	23,499,314	18.61
International corporate stocks	21,809,720	17.27
TOTAL	$126,296,972	100.00%

Source: City of Pasadena, Department of Finance.

FPRS has a number of investment objectives. The primary goals are to provide participants with scheduled retirement benefits and meet or exceed the rate of inflation in its investments, as measured against the consumer price index. In addition, its objective is to achieve a higher rate of return over a three- to five-year period with less than average volatility, with enhanced return over a longer period, such as five years, being more important than the preservation of capital during a one-year period of time.

Under its investment guidelines, FPRS must maintain sufficient liquidity to meet FPRS' cash needs. It may invest in equity securities, U.S. government bonds, corporate bonds and dollar denominated foreign bonds, certain kinds of mortgage backed securities, money market funds, and American Depository Receipts of foreign securities. Fixed income securities must be rated Baa/BBB or better by nationally recognized rating agencies. The assets of FPRS may not be invested in options, commodities or futures, nor may securities be sold short or purchased on margin.

The City is responsible for paying benefits to FPRS, as described above. A variety of factors will affect the extent of the City's liability to FPRS, including actual investment performance of FPRS' assets, actual changes in the consumer price index, FPRS' actual mortality and benefit payment experience, all as compared with the assumptions, and changes in actuarial assumptions and methods, including the assumed rate of investment return. Further continued market volatility and the possibility of a "double dip" recession may require substantial additional contributions to FPRS over time.

California Public Employees' Retirement System.

General.

Almost all permanent City employees, except police and fire personnel employed prior to July 1, 1977, are members of CalPERS for purposes of pension benefits. CalPERS is an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for participating public employers within the State of California. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. CalPERS issues a separate publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State of California. The most recent annual report issued by CalPERS to the City was dated August 2016 (the "2015 Actuarial Valuation"). The 2015 Actuarial Valuation includes information based on the June 30, 2015 Actuarial Valuation of assets. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza Complex, 400 Q Street, Sacramento, CA 95811 or at www.calpers.ca.gov. The CalPERS report to the City can also be found on the City's website at http://cityofpasadena.net/Finance/PERS-Actuarial-Reports.

CalPERS is a contributory plan deriving funds from employer and employee contributions as well as earnings from investments. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, but is wholly or partially reimbursed by employees. Different employee bargaining groups have different reimbursement rates ranging from the 8% to 9%. The City is also required to contribute at an actuarially determined rate. Benefit provisions and all other requirements are established by state statute or collective bargaining agreements with employee bargaining groups. See "Employee Relations" above.

Recent Actuarial Changes and Related Developments.

On March 14, 2012, CalPERS gave approval to a one-quarter point reduction in its annual investment return forecast (from 7.75% to 7.5%). CalPERS has phased-in the impact of the adjustment over two years, to lessen the strain on local governments. As shown under "Funding Status of Plans" below, this reduction increased the City's reported unfunded pension liability. There can be no assurances that CalPERS will not make additional changes in actuarial assumptions in the future.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 ("PEPRA") took effect. The impact of the PEPRA changes is reflected in the projected 2015-16 CalPERS contribution rates shown below.

In April 2013, CalPERS approved new actuarial policies that are aimed at returning the CalPERS system to fully-funded status within 30 years. These new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses (rather than the current 30-year rolling amortization method). CalPERS delayed the implementation of the new policy until fiscal year 2015-16. These new policies have increased the City's required contribution rates, as shown under "Annual Payments and Contribution Rates" below.

In 2014, CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The CalPERS Board of Administration also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies seen in its membership and expected continued improvements. The new actuarial assumptions will be used to set fiscal year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions was calculated in the 2014 actuarial valuation and was amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with CalPERS Board of Administration policy.

Annual Payments and Contribution Rates

Under GASB 27, an employer reports an annual pension cost ("APC") equal to the annual required contribution ("ARC") plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation. In order to calculate the dollar value of the ARC for inclusion in the financial statements, the applicable contribution rate is multiplied by the payroll of the covered employees that were paid during the relevant period.

Effective for financial statements beginning after June 15, 2014, GASB 68 replaces GASB 27. Hence, the annual report issued by CalPERS for 2015 will reflect GASB 68. GASB 68 will require additional reporting that CalPERS is intending to provide upon request by its members.

Set forth below is a history of the City's contributions to the CalPERS, including projected payments, from fiscal year 2005-06 through fiscal year 2020-21. The City contributed 100% of its APC in each completed year shown. The City estimates that approximately 60% of the payments to these plans is made from the City's General Fund. The City's contributions shown below do not include the employee pick up in prior years. See "Employee Relations."

Also set forth below are the historic and projected contribution rates to the CalPERS plans. The projected contribution rates for fiscal year 2016-17 through 2022-23 are provided by CalPERS in its August 2016 report. The CalPERS projections assume, among other things, that CalPERS earns 0.00% for fiscal year 2015-16 and 7.50% every fiscal year thereafter, that all other actuarial assumptions will be realized. In July 2016, CalPERS reported a preliminary 0.61% net return on investments for the fiscal year ended June 30, 2016. In the two prior fiscal years ended June 30, 2015 and 2014, the reported return was 2.4% and 18.4%, respectively. CalPERS investment returns for the past five, ten and twenty years ending June 30, 2015 are 10.7, 6.2 and 7.8% respectively. A complete explanation of the CalPERS assumptions can be found in the 2015 Actuarial Valuation.

TABLE A-10
ANNUAL PAYMENTS TO RETIREMENT PLANS BY CITY
($ in Millions)

Fiscal Year Ended June 30	CalPERS— Misc. Employees Total Contribution	CalPERS- General Fund Contribution Misc. Employees[2]	CalPERS— Safety Employees Total Contribution	CalPERS- General Fund Contribution Safety Employees[2]
2006	$ 7,402	$2,887	$7,402	$6,728
2007	10,056	3,295	10,056	8,498
2008	12,228	3,435	9,283	9,097
2009	12,580	3,768	9,916	9,718
2010	12,566	3,765	10,459	10,250
2011	12,518	4,381	10,346	10,139
2012	16,744	5,860	11,370	11,143
2013	17,439	5,929	10,993	10,773
2014	17,909	6,089	11,176	10,952
2015	18,552	6,308	10,533	10,322
2016	20,751	7,055	11,641	11,409
2017[1]	25,894	8,804	15,724	15,410
2018[1]	27,999	9,520	16,782	16,446
2019[1]	31,343	10,657	18,688	18,315
2020[1]	34,847	11,848	20,714	20,300
2021[1]	36,965	12,568	22,018	21,578

(1) Projected annual payment to retirement plan based on projected contribution rates on CalPERS plus unfunded Accrual Liability actuarial report dated August 2016.
(2) Historic payments are net of City "pick-up." See "Employee Relations" herein.
Source: City of Pasadena, Department of Finance.

TABLE A-11
ANNUAL CONTRIBUTION RATES
TO CALPERS RETIREMENT PLANS BY CITY

Fiscal Year Ended June 30	CalPERS Misc. Employees	CalPERS Misc. UAL$	CalPERS Safety Employees	CalPERS Safety UAL$
2011	11.4%	--	23.6%	--
2012	15.5	--	26.6	--
2013	16.2	--	25.6	--
2014	17.4	--	27.2	--
2015	19.2	--	29.3	--
2016	21.1	--	31.8	--
2017(1)	22.8	--	35.1	--
2018(2)	8.0	$18,895,540	17.141	$ 9,230,863
2019(2)	8.0	22,041,626	17.1	11,004,335
2020(2)	8.0	25,359,472	17.1	12,875,908
2021(2)	8.0	27,287,672	17.1	14,023,412
2022(2)	8.0	29,544,896	17.1	15,355,789
2023(2)	8.0	31,425,427	17.1	15,993,375

(1) Projected annual payment to retirement plan based on projected contribution rates on CalPERS actuarial report dated October 2015. Does not include City "Pick Up".
(2) Projected annual payment to retirement plan based on projected contribution rates on CalPERS plus Unfunded Accrued Liability (UAL) actuarial report dated August 2016.
Source: City of Pasadena, Department of Finance.

Funding Status of Plans. Based on the 2015 Actuarial Valuation (which is the most recent actuarial valuation available), CalPERS reported an unfunded liability, as of June 30, 2015, of $247.8 million for the City's miscellaneous employees as compared to an underfunding of $218.3 million the previous year and an unfunded liability of $129.6 million for safety employees as compared to $106.0 million the previous year. Based upon this report, the City reported that its CalPERS obligation had a funded ratio of 74.8% based upon the market value of plan assets with respect to the City's miscellaneous employees and a funded ratio of 75.6% based upon the market value of plan assets for safety employees. As noted above, CalPERS changed its amortization and smoothing policies in 2013. Beginning with the June 30, 2015 Actuarial Valuations (that set fiscal year 2015-16 CalPERS contribution rates), CalPERS no longer uses an actuarial value of assets and instead employs an amortization and rate smoothing policy that will account for all gains and losses over a fixed 30-year period with the increases and decreases in the rate phased over a 5-year period.

The City provides pension benefits for employees not covered by CalPERS or FPRS through the Public Agency Retirement System ("PARS"), a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As of December 31, 2012, the covered employees are required to contribute the full 7.5% of their earnings. Prior to such date, the City contributed an amount equal to 4.0% of the employee's earnings and the covered employee contributed 3.5%. The City's payroll for employees covered by PARS for fiscal year 2014-15 was $4,114,866. The covered employees made the total required 7.5% contributions of $308,615.

The tables below summarize the funded status of the City's retirement plans as of the most recent actuarial valuation dates. Additional information regarding the City's employee retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 18 to the City's comprehensive annual financial report, attached hereto as APPENDIX B – "CITY OF PASADENA CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2015", and in the CalPERS reports to the City, which can be accessed at www.cityofpasadena.net/Finance/Annual_Finance_Reports.

TABLE A-12
CITY OF PASADENA
RETIREMENT PLAN TREND INFORMATION
($ in thousands)

CALPERS - MISCELLANEOUS EMPLOYEES

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value*	(Overfunded) Unfunded AAL	Funded Ratio* AVA	Funded Ratio* Market Value	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2007	$585,908	$539,717	$46,191	92.1%	106.8%	$102,135	45.2%
2008	638,095	579,068	59,027	90.7	92.6	111,186	53.1
2009	732,713	607,710	125,003	82.9	60.6	116,952	106.9
2010	773,303	635,455	137,847	82.2	64.4	115,289	119.6
2011	819,327	666,290	153,037	81.3	72.3	110,571	138.4
2012	852,217	695,108	157,109	81.6	68.0	105,201	149.3
2013	882,572	641,333	241,239	72.7*	72.7*	104,378	231.1
2014	956,142	737,836	218,306	77.2	77.2	103,617	210.7
2015	982,774	734,946	247,827	74.8	74.8	104,325	237.5

(*) Beginning with the June 30, 2013 actuarial valuation, the actuarial value of assets equals the market value of assets pursuant to CalPERS' Direct Rate Smoothing Policy.

Source: CalPERS actuarial valuations through June 30, 2011 data is taken from annual valuation report dated October 2012. CalPERS actuarial valuation for June 30, 2012 and June 30, 2013 data is taken from annual valuation report dated October 2014. CalPERS actuarial valuations through June 30, 2014 data is taken from annual valuation report dated October 2015. CalPERS actuarial valuations through June 30,2015 data is taken from annual valuation report dated August 2016.

TABLE A-13
CALPERS - SAFETY EMPLOYEES

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value*	(Overfunded) Unfunded AAL	Funded Ratio* AVA	Funded Ratio* Market Value	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2007	$285,822	$238,041	$47,781	83.3%	95.4%	40,138	119.0%
2008	317,140	262,817	54,323	82.9	83.5	42,996	126.3
2009	352,610	283,880	68,730	80.5	58.7	45,516	151.0
2010	373,670	307,056	66,614	82.2	64.7	45,643	145.9
2011	403,626	331,603	72,023	82.2	73.6	44,058	163.5
2012	429,718	355,015	74,703	82.6	69.5	42,612	175.3
2013	457,271	338,082	119,189	73.9*	73.9*	41,383	288.0
2014	501,785	395,729	106,056	78.9	78.9	41,014	258.5
2015	530,414	400,797	129,617	75.6	75.6	40,318	321.5

(*) Beginning with the June 30, 2013 actuarial valuation, the actuarial value of assets equals the market value of assets pursuant to CalPERS' Direct Rate Smoothing Policy.

Source: CalPERS actuarial valuations through June 30, 2011 data is taken from annual valuation report dated October 2012. CalPERS actuarial valuation for June 30, 2012 and June 30, 2013 data is taken from annual valuation report dated October 2014. CalPERS actuarial valuations through June 30, 2014 data is taken from annual valuation report dated October 2015. CalPERS actuarial valuations through June 30, 2015 data is taken from annual valuation report dated August 2016.

TABLE A-14
FPRS

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2007	$183,046	$131,137	$51,909	71.6%	146	35.6%
2008	178,748	131,321	47,427	73.5	179	26.5
2009	177,803	119,551	58,252	67.2	-	N/A
2010	166,096	109,740	56,356	66.1	-	N/A
2011	179,284	105,811	73,473	59.0	-	N/A
2012	174,249	136,272	39,977	78.2	-	N/A
2013	168,781	127,985	40,796	75.8	-	N/A
2014	159,516	130,183	29,333	81.6	-	N/A
2015	162,154	129,984	32,170	80.2	-	N/A

Source: FPRS actuarial valuations through June 30, 2015.

Post-Retirement Medical Benefits (OPEB)

The City of Pasadena provides a subsidy to retirees of the City who are members of CalPERS or FPRS. Two different levels of subsidy toward the purchase of medical insurance from CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA) are offered. Benefit provisions are established and amended through negotiations between the City and the respective unions.

The City's current contribution requirements have been established at the individual retiree levels of $122.00 or $54.90 per month depending on bargaining unit membership and policy enacted by CalPERS pursuant to State law. These minimum requirements are established by CalPERS and adjusted annually. The prior contribution requirements were $122.00 or $54.60 per month depending on the bargaining unit or the unrepresented group of which the employee was a member. The City has historically funded these post-retirement health care benefits on a "pay-as-you-go" basis. For fiscal year 2014-15, the City's contributions totaled $623,000 (representing 22.80% of the annual other post-employment benefit ("OPEB") cost (expense)). The City's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. As of June 30, 2015, the City's unfunded actuarial accrued OPEB liability was $28,619,000.

Other than the pension benefits from the applicable retirement system and as described in this section, the City does not provide medical or other post-retirement benefits to its employees.

Insurance

The City funds a self-insured and self-administered program for workers' compensation claims exposures and general liability claims. Liability claims, losses and expenses paid averaged about $1,086,072 per year for the past 10 years and, when existing "reserves" are added, averaged around $1,114,221 in liability exposure per year over the past 10 years. The City anticipates these expenses annually and includes funding for them in its operating budget. The City carries excess liability coverage, with limits of $20 million, with a self-insured retention of $3 million dollars. The amount of self-insured liability claim expenditures and remaining reserves with respect to claims made in each of fiscal years 2006-07 through 2015-16 are reflected in the following table:

TABLE A-15
CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2006-07 through 2015-16

Fiscal Year[1] Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims[1]
2007	629,163.33	140,224.34	769,387.67	25,100.00
2008	532,823.08	1,351,869.19	1,884,692.27	1,624,138.00
2009	3,097,196.51	471,126.06	3,568,322.57	1,025,000.00
2010	639,875.83	24,824.15	664,699.98	2,565,000.00
2011	897,720.69	10,282.83	908,003.52	2,111,700.00
2012	2,003,021.32	366,982.82	2,370,004.14	5,295,579.50
2013	166,779.05	---	166,779.05	968,501.00
2014	338,386.96	40,795.50	379,182.46	3,922,731.91
2015	32,609.68	---	32,609.68	1,184,613.16
2016	97,036.00	---	97,036.00	281,494.00

(1) Reserves reflect fiscal year in which claim occurred. Payments reflect money spent on all claims during a fiscal year.

Source: City of Pasadena, Department of Finance.

The City maintains commercial property insurance on all City-owned buildings of an insurable nature (unless lease agreements require the occupant to carry such insurance) with limits of $250,000,000, subject to various application sub-limits and deductible. Policy coverage excludes earth movement, including earthquake, nuclear hazard and military action. The City does not currently maintain separate earthquake coverage under another insurance policy. The City maintains boiler & machinery, and equipment breakdown insurance, on specified types of equipment/property, with limits of $100,000,000 for each policy, subject to variety of applicable sub-limits and deductibles. In addition, the City purchases property terrorism/Nuclear, Chemical, Biological and Radiological Terrorism & Sabotage coverage, along with pollution, storage tank, and cyber liability coverage, with limits of $1,000,000 for the pollution, storage tank and cyber liability policies, subject to variety of applicable sub-limits and deductibles.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF PASADENA WATER AND POWER ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

APPENDIX C

BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2016A Bonds, payment of principal of and interest on the 2016A Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2016A Bonds, and other 2016A Bonds-related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2016A Bonds (the "2016A Bonds"). The 2016A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security bond will be issued for each maturity of the 2016A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to DTC's Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by reference.

Purchases of the 2016A Bonds under the DTC book-entry system must be made by or through Direct Participants, which will receive a credit for the 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016A Bonds, except in the event that use of the book-entry system for the 2016A Bonds is discontinued.

To facilitate subsequent transfers, all 2016A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016A Bonds, such as redemptions, defaults and proposed amendments to the Fiscal Agent Agreement. For example, Beneficial Owners of 2016A Bonds may wish to ascertain that the nominee holding the 2016A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 2016A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2016A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as security depository with respect to the 2016A Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, the 2016A Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive 2016A Bonds will be printed and delivered.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

Certain provisions of the Fiscal Agent Agreement are summarized below. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Fiscal Agent Agreement.

Definitions

"**Accreted Value**" means, with respect to any Capital Appreciation Indebtedness or any Convertible Capital Appreciation Indebtedness, the amount representing principal and interest on (i) such Capital Appreciation Indebtedness at or prior to the maturity date thereof or (ii) such Convertible Capital Appreciation Indebtedness at and prior to the expiration of the Accretion Period thereof, being, in either case, as of any date of computation an amount equal to the principal amount of such Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness at its initial offering plus the interest accrued thereon from the date of delivery thereof to the dates specified in the Supplemental Fiscal Agent Agreement or other document providing for such Capital Appreciation Indebtedness or Convertible Capital Appreciation Bond, such interest to accrue at the rate per annum established as provided in a Supplemental Fiscal Agent Agreement or other document providing for such Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness, compounded periodically, plus, with respect to matters relating to the payment upon redemption of such Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness, if such date of computation shall not be one of such specified dates, the ratable portion of the difference between the Accreted Value as of the immediately preceding such specified date (or the date of delivery thereof if the date of computation is prior to the first such specified date succeeding the date of delivery) and the Accreted Value as of the immediately succeeding such specified date, calculated based on the assumption that the Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

"**Accretion Period**" means, with respect to any particular Convertible Capital Appreciation Indebtedness, the period from the date of delivery thereof through the date specified in the Supplemental Fiscal Agent Agreement or other document providing for such Convertible Capital Appreciation Indebtedness (which date must be prior to the maturity date thereof), after which interest accruing on such Convertible Capital Appreciation Indebtedness will be payable semiannually, with the first such payment date being the applicable interest payment date immediately succeeding the expiration of the Accretion Period.

"**Annual Debt Service**" means for any Fiscal Year the aggregate amount of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"**Assumed Debt Service**" means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds and Parity Obligations if each Excluded Principal Payment were amortized for a period specified by the City (but no longer than thirty (30) years from the date of the issuance of the Bonds or Parity Obligations to which such Excluded Principal Payment relates) on a substantially level debt service basis, calculated based on a fixed interest rate equal to the rate at which the City could borrow for such period, as certified by a certificate of a financial advisor or investment banker delivered to the Fiscal Agent, who may rely conclusively on such certificate, within thirty (30) days of the date of calculation.

"**Authorized City Representative**" means any officer or agent of the City duly authorized to perform any function required of such person under the Fiscal Agent Agreement.

"**Average Annual Debt Service**" means, as of any date of calculation, an amount equal to (i) the Debt Service remaining to be paid on all Bonds and Parity Obligations on the date of calculation, divided by (ii) the number of Fiscal Years (or partial years) commencing with the Fiscal Year of the date of calculation to and including the Fiscal Year which includes the first date on which none of such Bonds or Parity Obligations remains Outstanding. Such interest and principal will be calculated on the assumption that no Bonds or Parity Obligations at the date of calculation will cease to be Outstanding except by reason of the payment when due of each principal installment (including mandatory sinking account payments).

"**Bond Obligation**" means, as of any given date of calculation, (1) with respect to any Outstanding Bond or Parity Obligation which is Current Interest Indebtedness or Convertible Capital Appreciation Indebtedness after the expiration of the Accretion Period thereof, the principal amount thereof, and (2) with respect to any Outstanding Bond or Parity Obligations which is Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness at and prior to the expiration of the Accretion Period thereof, the Accreted Value thereof.

"**Bonds**" means the City of Pasadena, California Electric Revenue Bonds, authorized by, and at any time Outstanding pursuant to, the Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement.

"**Business Day**" means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions relating to Bonds secured by a letter of credit, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the letter of credit are to be presented are authorized or obligated by law or executive order to be closed.

"**Capital Appreciation Indebtedness**" means Bonds and Parity Obligations on which interest is compounded and paid less frequently than annually (not constituting Convertible Capital Appreciation Indebtedness).

"**Certificate**," "**Statement**," "**Request**," "**Requisition**" and "**Order**" of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by an Authorized City Representative or any other person authorized by an Authorized City Representative to execute such instruments.

"**Charter**" means the Charter of the City, as it may be amended from time to time.

"**Code**" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any, successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

"**Continuing Disclosure Agreement**" means any Continuing Disclosure Agreement relating to any Series of Bonds.

"**Convertible Capital Appreciation Indebtedness**" means any Bonds and Parity Obligations as to which interest accruing is not paid prior to the expiration of the specified Accretion Period and, prior thereto, is compounded periodically on certain designated dates.

"**Costs of Issuance**" means, with respect to each Series of Bonds, all items of expense directly or indirectly payable by or reimbursable to the City and reasonably related to the authorization, issuance, sale and delivery of each Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of each Series of Bonds and any other cost, charge or fee in connection with the original issuance of each Series of Bonds.

"**Current Interest Indebtedness**" means the Bonds and Parity Obligations on which interest is paid at least annually.

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

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

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

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

(d) in determining the principal amount, payment will (unless a different provision of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking account payments or any scheduled redemption or payment of Bonds or Parity Obligations constituting Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness at or prior to the expiration of the Accretion Period on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Indebtedness or Convertible Capital Appreciation Indebtedness at or prior to the expiration of the Accretion Period;

(e) if any interest rate swap agreement is in effect with respect to, and is payable on a parity with, the Bonds or Parity Obligations to which it relates, no amounts payable under such interest rate swap agreement will be included in the calculation of Debt Service unless the sum of (1) interest payable on such Bonds or Parity Obligations, plus (2) amounts payable by the City under such interest rate swap agreement, less (3) amounts receivable by the City under such interest rate swap agreement are greater than the interest payable on the Bonds or Parity Obligations to which it relates, then, in such instance, the amount of such payments to be made that exceed the interest to be paid on the Bonds or Parity Obligations will be included in such calculation. For such purposes, the variable amount under any such interest rate swap agreement will be assumed to be equal to the assumed RBI-based rate; and

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

"**Department**" means the Water and Power Department of the City.

"**Electric System**" means the entire system and facilities of the City for the development, transmission and distribution of electric energy and power for light, heat and power purposes as said system now exists and including all additions, extensions and improvements later constructed or acquired.

"**Excluded Principal Payments**" means each payment of principal (or the principal component of lease or installment purchase payments) of Bonds or Parity Obligations which the City determines on a date not later than the date of issuance thereof that the City intends to pay with moneys which are not Gross Revenues or Net Income but from the proceeds of future debt obligations of the City and the Fiscal Agent may rely conclusively on such determination of the City.

"**Federal Securities**" means (i) direct obligations of the United States of America (including obligations held or issued in book-entry form on the books of the Department of the Treasury of the United States of America and CATS and TIGRS) or (ii) obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America.

"**Fiscal Agent**" means The Bank of New York Mellon Trust Company, N.A., acting as successor Fiscal Agent under the Fiscal Agent Agreement, or a future successor, as Fiscal Agent as provided in the Fiscal Agent Agreement.

"**Fiscal Agent Agreement**" means the Electric Revenue Bond Fiscal Agent Agreement, dated as of August 1, 1998, by and between the Fiscal Agent and the City, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Fiscal Agent Agreement delivered pursuant to the provisions of the Fiscal Agent Agreement.

"**Fiscal Year**" means any twelve (12) consecutive calendar months commencing with the first day of July and ending on the last day of the following June or such other twelve-month period as the City Council may designate.

"**Fitch**" means Fitch IBAC, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such a corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "Fitch" will be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"**Gross Revenues**" means all revenues (as defined in Section 54315 of the Government Code, which include all charges received for and all other income and receipts derived by the Department from the operation of the Electric System or arising from the Electric System) received by the Department from the services, facilities, energy and distribution of electric energy by the Department, including (i) income from investments, and (ii) for the purposes of determining compliance with certain covenants in the Fiscal Agent Agreement only, the amounts on deposit in the Stranded Investment Reserve Fund 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.

"**Information Services**" means Financial Information, Incorporated's "Daily Called Bonds Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services, "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service's "Municipal and Government," 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attention: Called Bonds Department; and Standard & Poor's Corporation's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the City may designate.

"**Investment Securities**" means (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 marked-to-market basis calculated at least weekly, of not less than 104 percent 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 S&P at the time of initial investment.

"**Light and Power Fund**" means the fund derived from (i) the payment for electrical energy generated by the Power Division of the Department and any service rendered in connection therewith; (ii) the sale, lease or other disposition of any property acquired with funds or property of said utility; (iii) the proceeds of any bonds issued for the purpose of said utility; or (iv) any special taxes at any time authorized for the purpose of said utility.

"**Maintenance and Operating Expenses**" means 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 Power Division of the Department, but excluding depreciation. "Maintenance and Operating Expenses" will include 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 under the Fiscal Agent Agreement to be treated as Maintenance and Operating Expenses.

"**Moody's**" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"**Net Income**" means the amount of the Gross Revenues less the Maintenance and Operating Expenses.

"**Opinion of Bond Counsel**" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City and satisfactory to and approved by the Fiscal Agent (who will be under no liability by reason of such approval).

"**Outstanding,**" when used as of any particular time with reference to the Bonds means all the Bonds issued and delivered by the City under the Fiscal Agent Agreement except:

(a) Bonds cancelled or surrendered for cancellation;

(b) Bonds for the payment or redemption of which money or securities in the necessary amount shall have been deposited in trust (whether at or prior to the maturity or Redemption Date of such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereto, notice of such redemption shall have been given in the proper manner; and

(c) Bonds in lieu of, or in substitution for which, other Bonds shall have been issued and delivered by the City pursuant to the Fiscal Agent Agreement.

"**Owner**" or "**Bond Owner**" or "**Bondowner,**" whenever used in the Fiscal Agent Agreement with respect to a Bond, means the person in whose name such Bond is registered.

"**Parity Obligations**" means any revenue bonds, revenue notes or other similar evidences of indebtedness heretofore or hereafter issued, or any interest rate swap agreement incurred, for the acquisition, construction and financing or refinancing of additions to, and extensions and improvements of, the Electric System, payable out of the revenues derived therefrom by the Department and which, pursuant to their terms and in accordance with the Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement, rank on a parity with the Bonds.

"**Rating Category**" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"**RBI**" means the Bond Buyer Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, and, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

"**Redemption Price**" means, with respect to any Bond (or portion thereof) the Bond Obligation thereof (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Fiscal Agent Agreement.

"**Securities Depositories**" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; and Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax-(215) 496-5085; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositaries as the City may designate.

"**Series**" whenever used in the Fiscal Agent Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Fiscal Agent Agreement.

"**Standard & Poor's**" means Standard & Poor's, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" will be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"**Stranded Investment Reserve Fund**" means the Reserve for Stranded Investment established by the City pursuant to Ordinance No. 6695 of the City Council adopted on November 25, 1996.

"**Supplemental Fiscal Agent Agreement**" means any fiscal agent agreement hereafter duly executed and delivered, supplementing, modifying or amending the Fiscal Agent Agreement, but only if and to the extent that such Supplemental Fiscal Agent Agreement is specifically authorized under the Fiscal Agent Agreement.

"**Tax Certificate**" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of a Series of Bonds executed and delivered by the City on the date of initial delivery of such Series of Bonds, including any and all exhibits attached thereto.

"**2008 Bonds**" means the City of Pasadena, California Electric Revenue Bonds, 2008 Series.

"**2009 Bonds**" means the City of Pasadena, California Electric Revenue Refunding Bonds, 2009 Series.

"**2010A Bonds**" means the City of Pasadena, California Electric Revenue Refunding Bonds, 2010A Series.

"**2012A Bonds**" means the City of Pasadena, California Electric Revenue Refunding Bonds, 2012A Series.

"**2013A Bonds**" means the City of Pasadena, California Electric Revenue/Refunding Bonds, 2013A Series.

"**2016A Bonds**" means the City of Pasadena, California Electric Revenue/Refunding Bonds, 2016A Series.

"**Variable Rate Indebtedness**" means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness.

Pledge of Net Income; Light and Power Fund

The Bonds will not constitute an indebtedness of the City, but will constitute obligations that will be payable as to both principal and interest, and any premium upon redemption thereof prior to maturity, exclusively from the Light and Power Fund and such other funds as provided in the Fiscal Agent Agreement or in any Supplemental Fiscal Agent Agreement; provided, however, that this will not preclude the payment thereof from the proceeds of bonds issued to refund the Bonds, nor preclude the use of any sum received as premium or accrued interest on the sale of the Bonds to pay principal and interest thereof, nor payment from certain other funds or moneys as provided in Subdivision 4 of Section 1414 of Article XIV of the Charter.

All Net Income is pledged to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds and any Parity Obligations in accordance with their terms, subject only to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Fiscal Agent Agreement. Said pledge will constitute a first lien on the Net Income and will be valid and binding from and after delivery by the City of the Bonds or Parity Obligations, without any physical delivery thereof or further act.

Nothing in the Fiscal Agent Agreement will restrict the issuance of additional bonds under Article XIV of the City Charter, subject to the limitations set forth in the Fiscal Agent Agreement, payable from the Light and Power Fund and ranking on a parity with or subordinate to the Bonds.

Application of Net Income

In order to carry out and effectuate the obligation of the City contained in the Fiscal Agent Agreement, the City agrees and covenants that all Gross Revenues received by it will be deposited when and as received in the Light and Power Fund pursuant to Section 1404 of the City Charter, and all money on deposit in the Light and Power Fund will be applied and used only as provided in the Fiscal Agent Agreement. The City will pay all Maintenance and Operating Expenses (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operating Expenses the payment of which is not then immediately required) from the Light and Power Fund as they become due and payable, and all remaining money on deposit in the Light and Power Fund will be set aside and deposited by the City at the following times in the following order of priority:

(1) *Parity Obligation Payment Fund; Deposits.* On or before the third Business Day before each date on which interest or principal becomes due and payable (whether after maturity or prior redemption or otherwise) on the Bonds or any Parity Obligation, the City will, from the money in the Light and Power Fund, deposit in the City of Pasadena Electric System Parity Obligation Payment Fund (the "Parity Obligation Payment Fund"), which fund is established by the Fiscal Agent Agreement pursuant to Section 1413 of Article XIV of the Charter and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City so long as any Bonds or Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Bonds and Parity Obligations on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal (including mandatory sinking account payments) becoming due and payable on all Bonds or Parity Obligations on the next succeeding date on which interest or principal becomes due and payable on the Bonds or any Parity Obligation. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal (including mandatory sinking account payments) becomes due and payable on the Bonds or any Parity Obligation at least one Business Day prior to such next applicable due date.

(2) *Parity Reserve Fund; Deposits.* On or before the third Business Day before each date on which interest or principal becomes due and payable on the Bonds or any Parity Obligation, the City will, from the remaining money on deposit in the Light and Power Fund after deposits and transfers pursuant to paragraph (1) above, deposit in the Parity Reserve Fund, which fund is established by the Fiscal Agent Agreement pursuant to Section 1413 of Article XIV of the Charter and will be maintained by the City so long as any Bonds are Outstanding, that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement.

After making the deposits and transfers required to be made above, the City may apply any remaining moneys in the Light and Power Fund for any lawful purpose of the City, including for the payment of any subordinate obligations in accordance with the instruments authorizing such subordinate obligations, and on a basis subordinate thereto, for the transfer of such remaining moneys, if any, to the General Fund of the City pursuant to Article XIV of the Charter.

Parity Reserve Fund

The City agrees and covenants to maintain the Parity Reserve Fund 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 under the Fiscal Agent Agreement. Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the Bonds and any Parity Obligations secured by the Parity Reserve Fund and will be applied only for such purposes as permitted in the Fiscal Agent Agreement. Moneys on deposit in the Parity Reserve Fund will be transferred by the City to the Parity Obligation Payment Fund to pay principal of and interest on the Bonds and Parity Obligations secured by the Parity Reserve Fund in the event amounts on deposit therein are insufficient for such purposes. 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 as permitted pursuant to the definition of "Reserve Fund Requirement," 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 by the Fiscal Agent Agreement, 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 to the contrary contained in the Fiscal Agent Agreement, 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 Fiscal Agent shall draw on such insurance policy, surety bond, letter of credit or cash deposit in any 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 Fiscal Agent 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 terms thereof. Amounts on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement will be withdrawn from the Parity Reserve Fund and transferred to the Light and Power Fund.

Investments of Moneys in Funds and Accounts

All moneys in any of the funds and accounts held by the City and established pursuant to the Fiscal Agent Agreement will be invested solely in Investment Securities. Unless otherwise provided in the Fiscal Agent Agreement or in a Supplemental Fiscal Agent Agreement with respect to any fund or account created pursuant to that Supplemental Fiscal Agent Agreement, Investment Securities purchased as an investment of moneys in any fund or account created under the provisions of the Fiscal Agent Agreement will be deemed at all times to be a part of such fund, account or subaccount and any profit realized from the liquidation of such investment and any income or interest received on account of such investment will be credited to, and any loss resulting from the liquidation of such investment will be charged to, such account. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security will be credited to the fund or account from which such accrued interest was paid.

In computing the amount in any account created under the provisions of the Fiscal Agent Agreement or a Supplemental Fiscal Agent Agreement for any purpose provided in the Fiscal Agent Agreement or a Supplemental Fiscal Agent Agreement, Investment Securities purchased as an investment of moneys therein will be valued no less frequently than annually at the amortized cost of such obligations (including accrued interest), except that Investment Securities purchased as an investment of moneys in the Parity Reserve Fund will be valued at the market value thereof. In addition, Investment Securities purchased as an investment of moneys in the Parity Reserve Fund may not have maturities extending beyond five (5) years. (See, however, "Springing Amendments to Fiscal Agent Agreement – Investment of Moneys in the Parity Reserve Fund" below.)

Except as otherwise provided in the Fiscal Agent Agreement or a Supplemental Fiscal Agent Agreement, the City will sell at the best price obtainable or present for prepayment or transfer as provided in the next sentence any obligation so purchased as an investment whenever it will be requested in writing by an Authorized City Representative to do so or whenever it will be necessary in order to provide moneys to meet any payment or transfer from any account held by it. In lieu of such sale or presentment for prepayment, the City may, in making the payment or transfer from any account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto if such investment obligations will mature or be collectable at or prior to the time the proceeds thereof will be needed and such transfer of investment obligations may be made in book-entry form. The City will not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

Covenants

Pursuant to the Fiscal Agent Agreement, the City has covenanted as follows:

Operation of Electric System; Insurance. The City covenants and agrees to operate Electric System in an efficient and economical manner and to operate, maintain and preserve the Electric System in good repair and working order. Subject in each case to the condition that insurance is obtainable at rates deemed reasonable by the City and upon terms and conditions deemed reasonable by the City, the City will procure and maintain at all times: (i) insurance on the Electric System against such risks as and in such amounts as the City deems prudent taking into account insurance coverage for similar utilities, and (ii) public liability insurance, including self-insurance, as appropriate, in such amounts as the City deems prudent taking into account insurance coverage for similar utilities.

Light and Power Fund. All receipts by the City from the sale of electric energy or otherwise derived from the Electric System of the City or the Power Division of the Water and Power Department will be credited to the Light and Power Fund. Disbursements may be made from said fund for the payment of the Maintenance and Operating Expenses of conducting the Department prior to the payment of principal or interest (including premiums, if any, upon redemption) for any revenue bonds (including the Bonds and the Parity Obligations) issued under Article XIV of the Charter. After any transfer or transfers required to be made in any month for the payment of principal or interest (including premiums, if any, upon redemption and including transfers to the Parity Reserve Fund) of revenue bonds (including the Bonds and the Parity Obligations) payable from the Light and Power Fund and issued under said Article XIV of said Charter have been made, moneys in said Fund may be used for any purpose authorized under Article XIV of said Charter.

Rates and Charges. The rates to be charged for services furnished by the Electric System will be fixed so as to provide Gross Revenues at least sufficient to pay, as the same become due, the principal of and interest on the 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 will 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 and Parity Obligations.

The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates and charges applicable to the Electric System provided to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing in the Fiscal Agent Agreement will prevent the City, in its sole and exclusive discretion, from permitting other parties to sell electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales will not relieve the City of its obligations under the Fiscal Agent Agreement.

Additional Bonds. 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 this provision as "parity indebtedness") will 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 as (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 as (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 paragraphs (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 (12) consecutive calendar month period out of the immediately preceding eighteen (18) 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 and improvements for the first thirty-six (36) 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 addition parity indebtedness but which, during all or any part of such Fiscal Year or such twelve (12) consecutive calendar month period out of the immediately preceding eighteen (18) 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 (12) 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 will limit the ability of the City to issue or incur obligations that are junior and 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.

Against Encumbrances. No bonds will be issued pursuant to Article XIV of the Charter, or under any other provisions of the Charter, or under any law of the State of California, having any priority in payment of principal or interest out of the revenues of the Power Division of the Department (that is, the revenues derived from the Electric System) over the Bonds authorized by the Fiscal Agent Agreement to be issued and payable out of said revenues. The City will not create any pledge, lien or charge upon any of the Net Income having priority over the lien of the Bonds; provided, however, that nothing in the Fiscal Agent Agreement will be construed to limit the ability of the City to issue or incur obligations secured by charges, not constituting Net Income, collected by any person to amortize or otherwise relating to the payment of the "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, the payments of which charges 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.

The City covenants that in order to fully preserve and protect the priority and security of the Bonds the City will pay from the Light and Power Fund and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Electric System which, if unpaid, may become a lien or charge upon the revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The City will also pay from the Light and Power Fund all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Electric System or upon any part thereof or upon any of the revenues therefrom.

Sale of Electric System. The Electric System will not be sold or leased or otherwise disposed of as a whole, or substantially as a whole, unless such sale, lease or other disposition be so arranged as to provide for a continuance of payments into the Light and Power Fund sufficient in amount to permit payment therefrom of the principal of and interest on, and premiums, if any, due upon the redemption of, all Bonds and Parity Obligations (including, if applicable, the imposition of any charges collected by any person to amortize or otherwise relating to the payment of "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 the Bonds the imposition of which will amortize the payment in full of such Outstanding Bonds through the maturity thereof) payable out of the Light and Power Fund, or to provide for such payments into some other fund charged with such payments. None of the works, plant, properties, facilities or other part of the Electric System or any real or personal property comprising a part of the Electric System will be sold, leased or otherwise disposed of if such sale, lease or disposition would cause the City to be unable to satisfy the requirements of the Fiscal Agent Agreement.

Accounting Records. The City will cause the books and accounts of the Power Division of the Department to be audited annually by an independent certified public accountant or firm of certified public accountants and will make available for inspection by the Owners, at the office of the City Clerk and at the Department of Finance of the City, a copy of the report of such accountants and will also furnish a copy thereof upon request to any Owner.

Tax Covenants. The City covenants with the Owners of the Bonds that, notwithstanding any other provisions of the Fiscal Agent Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The City will not, directly or indirectly, use or permit the use of proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

The City will not take any action, or fail to take any action, if any such action or failure to take action would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, or any other funds of the City, that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Bonds are Outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The City will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as "governmental bonds."

The City will not, directly or indirectly, use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Bonds.

The City will not make any use of the proceeds of the Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Fiscal Agent Agreement as if fully set forth therein. These covenants will survive payment in full or defeasance of the Bonds.

Further Assurances. The City will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Fiscal Agent Agreement and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Fiscal Agent Agreement.

Continuing Disclosure Agreement. The City will comply with and carry out all of its obligations under any Continuing Disclosure Agreement executed in connection with a Series of Bonds. Upon the failure of the City to comply with the Continuing Disclosure Agreement relating to any Series of Bonds, the Fiscal Agent may (and, at the request of any Participating Underwriter (as defined in the respective Continuing Disclosure Agreement) or the Owners of at least 25% in aggregate Bond Obligation of the related Series of Bonds, will) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, to comply with its obligations under this covenant. For purposes of this covenant, "Beneficial Owner" will have the meaning prescribed thereto in the respective Continuing Disclosure Agreement relating to such Series of Bonds.

Events of Default and Remedies

Events of Default. The following events will be Events of Default under the Fiscal Agent Agreement:

(a) Default by the City in the due and punctual payment of the principal of or premium, if any, on any Bond or Parity Obligation (whether at maturity, by acceleration, call for redemption or otherwise);

(b) Default by the City in the due and punctual payment of the interest on any Bond or Parity Obligation;

(c) Failure of the City to observe and perform any of its other covenants, conditions or agreements under the Fiscal Agent Agreement or in the Bonds for a period of 90 days after written notice from the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding, specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90 day period, failure of the City to proceed promptly to cure the same with due diligence;

(d) (1) Failure of the City generally to pay its debts as the same become due, (2) commencement by the City of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (3) consent by the City to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the City, the Electric System or any substantial part of the City's property, or to the taking possession by any such official of the Electric System or any substantial part of the City's property, (4) making by the City of any assignment for the benefit of creditors, or (5) taking of corporate action by the City in furtherance of any of the foregoing;

(e) The entry of any (1) decree or order for relief by a court having jurisdiction over the City or its property in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (2) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, the Electric System or any substantial part of the City's property, or (3) order for the termination or liquidation of the City of its affairs; or

(f) Failure of the City within 90 days after the commencement of any proceedings against it under the Federal bankruptcy laws or any other applicable Federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

The provisions of paragraph (c) above are subject to the limitation that if by reason of force majeure the City is unable in whole or in part to observe and perform any of its covenants, conditions or agreements under the Fiscal Agent Agreement, the City will not be deemed in default during the continuance of such disability. The term "force majeure" as used in the Fiscal Agent Agreement will include without limitation acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State of California or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City. The City will, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the City, and the City will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to it.

Bond Owner's Committee. If an Event of Default shall have occurred and be continuing, the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding may call a meeting of the Bond Owners for the purpose of electing a bondowners' committee (a "Bond Owners' Committee"). At such meeting the Owners of not less than a majority in aggregate Bond Obligation of Bonds then Outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting, the Owners present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Owners, to the Bond Owners' Committee. The Owners present in person or by proxy at such meeting, or at any adjourned meeting thereof (i) will prescribe the manner in which the successors of the persons elected to the Bond Owners' Committee will be elected or appointed, (ii) may prescribe rules and regulations governing the exercise by the Bond Owners' Committee of the power conferred upon it in the Fiscal Agent Agreement, and (iii) may provide for the termination of the existence of the Bond Owners' Committee. The Bond Owners' Committee is declared to be trustee for the Owners of all Bonds then Outstanding, and are empowered to exercise in the name of the Bond Owners' Committee as trustee all the rights and powers conferred in the Fiscal Agent Agreement on any Owners; provided, however, that whenever any provision of the Fiscal Agent Agreement requires the consent, approval or concurrence of the Owners of a specified percentage of Bond Obligation of Bonds, in order to exercise the right or power conferred in the Fiscal Agent Agreement on the Owners to which such percentage obtains, the Bond Owners' Committee either shall have been elected by or their election shall have been approved by or concurred in, and such committee will then represent, the Owners of such specified percentage of Bond Obligation of Bonds. A certificate of the election of the Bond Owners' Committee, including the names and addresses of its chairman and other members, will be filed with the City Clerk.

Acceleration. Upon the concurrence and continuation of an Event of Default specified in paragraphs (d), (e) or (f) above, the Bond Owners' Committee or, if there is none, the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding may, by written notice to the City, declare the entire unpaid principal of the Bonds due and payable and, thereupon, the entire unpaid principal of the Bonds will forthwith become due and payable. Upon any such declaration the City will forthwith pay to the Owners of the Bonds the entire unpaid principal of, premium, if any, and accrued interest on the Bonds, but only from Net Income and other moneys specifically pledged for such purpose. If at any time after such a declaration and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the Fiscal Agent Agreement, the principal of all Bonds that have matured or been called for redemption pursuant to any sinking fund provision and all arrears of interest have been paid and any other Events of Default which may have occurred have been remedied, then the Bond Owners' Committee or, if there is none, the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding may, by written notice to the City, rescind or annul such declaration and its consequences. No such rescission or annulment will extend to or affect any subsequent default or impair any right consequent thereon.

Receiver. Upon the occurrence and continuation of an Event of Default for a period of 90 days, the Bond Owners' Committee or, if there is none, the Owners of 25% in aggregate Bond Obligation of Bonds then Outstanding will be entitled to the appointment of a receiver upon application to any court of competent jurisdiction in the State of California. Any receiver so appointed may enter and take possession of the Electric System, operate, maintain and repair the same, to the extent permitted by law impose and prescribe rates, fees and other charges, and receive and apply all Net Income thereafter arising therefrom in the same manner as the City itself might do. No bond will be required of such receiver.

Other Remedies; Rights of Bond Owners. Upon the occurrence and continuation of an Event of Default the Owners may proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Fiscal Agent Agreement.

No remedy conferred by the Fiscal Agent Agreement upon or reserved to the Owners is intended to be exclusive of any other remedy, but each such remedy will be cumulative and will be in addition to any other remedy given to the Bond Owners under the Fiscal Agent Agreement or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or will be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default by the Owners will extend to or will affect any subsequent default or Event of Default or will impair any rights or remedies consequent thereon.

Unconditional Right To Receive Principal, Accreted Value, Premium and Interest. Nothing in the Fiscal Agent Agreement will, however, affect or impair the right of any Owner to enforce, by action at law, payment of the principal and Accreted Value of, premium, if any, or interest on any Bond at and after the maturity thereof, or on the date fixed for redemption or upon the same being declared due prior to maturity as provided in the Fiscal Agent Agreement, or the obligation of the City to pay the principal and Accreted Value of, premium, if any, and interest on each of the Bonds issued to the respective holders thereof at the time and place, from the source and in the manner expressed in the Fiscal Agent Agreement and in the Bond.

The Fiscal Agent

Appointment; Duties, Immunities and Liabilities of Fiscal Agent. The Fiscal Agent is authorized and directed to mail interest payments to the Owners. The Fiscal Agent is authorized and directed to pay the principal of and, where applicable, premium on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in the Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement, and to provide for the authentication of Bonds, and will perform all other duties assigned to or imposed on it as provided in the Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement. The Fiscal Agent will keep accurate records of all funds administered by it and all Bonds paid and discharged by it. The Fiscal Agent initially appointed and any successor thereof may be removed by the City and a successor or successors appointed; provided that each such successor will be a bank or a trust company doing business in and having an office in the city where the predecessor did business and had an office. So long as any Bonds are Outstanding and unpaid, the Fiscal Agent or any successor thereof designated by the City will continue to be the Fiscal Agent of the City for all of said purposes until the designation of a successor as Fiscal Agent.

A Fiscal Agent appointed under the Fiscal Agent Agreement may resign at any time upon 90 days written notice and after appointment of a successor. Upon merger, consolidation, or reorganization of a Fiscal Agent, the City will appoint a new Fiscal Agent, which may be the corporation resulting from such reorganization.

Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained in the Fiscal Agent Agreement and in the Bonds will be taken as statements, promises, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds, and will incur no responsibility in respect thereof, other than in connection with its duties or obligations in the Fiscal Agent Agreement or in the Bonds or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent will be under no responsibility or duty with respect to the issuance of the Bonds for value. The Fiscal Agent will not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own gross negligence or default.

Modification or Amendment of the Fiscal Agent Agreement

Amendments Permitted. The Fiscal Agent Agreement and the rights and obligations of the City, the Owners of the Bonds and the Fiscal Agent may be modified or amended from time to time and at any time by a Supplemental Fiscal Agent Agreement, which the City and the Fiscal Agent may enter into when the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Fiscal Agent Agreement is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding has been filed with the Fiscal Agent; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Fiscal Agent Agreement.

In lieu of satisfying certain requirements of the Fiscal Agent Agreement, the Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds and of the Fiscal Agent may also be modified or amended at any time by a Supplemental Fiscal Agent Agreement entered into by the City and the Fiscal Agent which will become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Bonds have been filed with the Fiscal Agent, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which is not in default under any such policy of municipal bond insurance or letter of credit. A copy of each such Supplemental Fiscal Agent Agreement will be sent by the City to Fitch and Standard & Poor's.

No such modification or amendment will (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any mandatory sinking account payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Income prior to or on a parity with the lien created by the Fiscal Agent Agreement, or deprive the Owners of the Bonds of the lien created by the Fiscal Agent Agreement on such Net Income (in each case, except as expressly provided in the Fiscal Agent Agreement), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Fiscal Agent Agreement, but it will be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Fiscal Agent and the City of any Supplemental Fiscal Agent Agreement pursuant to these provisions, the Fiscal Agent will mail a notice, setting forth in general terms the substance of such Supplemental Fiscal Agent Agreement to the Owners of the Bonds at the addresses shown on the registration books of the Fiscal Agent. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Fiscal Agent Agreement.

The Fiscal Agent Agreement and the rights and obligations of the City, of the Fiscal Agent and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Fiscal Agent Agreement, which the City and the Fiscal Agent may enter into without the consent of any Bond Owners or any providers of any letter of credit or policy of municipal bond insurance for the Bonds but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City contained in the Fiscal Agent Agreement other covenants and agreements thereafter to be observed; to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Fiscal Agent Agreement to or conferred upon the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Fiscal Agent Agreement, or in regard to matters or questions arising under the Fiscal Agent Agreement, as the City may deem necessary or desirable, and that will not materially and adversely affect the interests of the Owners of the Bonds;

(3) to modify, amend or supplement the Fiscal Agent Agreement in such manner as to permit its qualification under the Trust Fiscal Agent Agreement Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and that will not materially and adversely affect the interests of the Owners of the Bonds;

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Indebtedness, Convertible Capital Appreciation Indebtedness or Parity Obligations with such interest rate, payment, maturity and other terms as the City may deem desirable that does not adversely affect the interests of the Owners of any Series of Bonds then Outstanding;

(5) to provide for the issuance of Bonds in book-entry form or bearer form, provided that no such provision will materially and adversely affect the interests of the Owners of the Bonds;

(6) to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation and to make such provisions as are necessary or appropriate to ensure such exclusion;

(7) to provide for the issuance of an additional Series of Bonds; and

(8) for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Defeasance

Discharge of Fiscal Agent Agreement. The Bonds may be paid by the City in any of the following ways:

(a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Fiscal Agent Agreement) to pay or redeem such Outstanding Bonds; or

(c) by delivering to the Fiscal Agent, for cancellation by it, such Outstanding Bonds.

If the City shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Fiscal Agent Agreement by the City, then and in that case, at the election of the City (evidenced by a Certificate of the City, filed with the Fiscal Agent, signifying the intention of the City to discharge all such indebtedness and the Fiscal Agent Agreement), and notwithstanding that any Bonds shall not have been surrendered for payment, the Fiscal Agent Agreement and the pledge of Net Income made under the Fiscal Agent Agreement and all covenants, agreements and other obligations of the City under the Fiscal Agent Agreement will cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the City, the Fiscal Agent will cause an accounting for such period or periods as may be determined by the City to be prepared and filed with the City and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, as evidenced by a verification report, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Fiscal Agent, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Fiscal Agent Agreement) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Fiscal Agent Agreement or provision shall have been made for the giving of such notice, then all liability of the City in respect of such Bond will cease, terminate and be completely discharged, provided that the Owner thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the City will remain liable for such payment, but only out of such money or securities deposited with the Fiscal Agent as aforesaid for their payment, subject, however, to the continuing duties of the Fiscal Agent under the Fiscal Agent Agreement.

The City may at any time surrender to the Fiscal Agent for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Fiscal Agent. Whenever in the Fiscal Agent Agreement it is provided or permitted that there be deposited with or held in trust by the Fiscal Agent, an escrow agent or other fiduciary in trust, money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Fiscal Agent, an escrow agent or other fiduciary in trust, will be:

(a) lawful money of the United States of America in an amount equal to the Bond Obligation of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Fiscal Agent Agreement or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, the amount to be deposited or held will be the Bond Obligation or Redemption Price of such Bonds and all unpaid interest thereon to the Redemption Date; or

(b) Federal Securities, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Fiscal Agent (upon which opinion the Fiscal Agent may conclusively rely), provide money sufficient to pay the Bond Obligation or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such Bond Obligation or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in provided in the Fiscal Agent Agreement or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice;

provided, in each case, that the Fiscal Agent shall have been irrevocably instructed (by the terms of the Fiscal Agent Agreement or by Request of the City) to apply such money to the payment of such Bond Obligation or Redemption Price and interest with respect to such Bonds.

Special Insurance Provisions

So long as the payment of principal of and interest on any Bond is insured by a municipal bond insurance policy issued simultaneously with the delivery of that Series of Bonds, notwithstanding anything in the Fiscal Agent Agreement to the contrary, the bond insurer may be deemed to be the sole Owner of the Bonds it insures for the purpose of exercising any remedies or any voting right or privilege or giving any consent or direction or taking any other action that the Owner of a Bond may be entitled to take pursuant to the Fiscal Agent Agreement.

Springing Amendments to Fiscal Agent Agreement

Terms of Amendments. The amendments described below in "Reserve Fund Requirement" and "Investment of Moneys in the Parity Reserve Fund" will become effective upon the earlier to occur of: (i) the first date upon which the City has filed with the Fiscal Agent the written consent of a majority of the aggregate principal amount of Bond Obligations of the Bonds Outstanding as of the effective date of the Eighth Supplement to the Fiscal Agent Agreement (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 (ii) the first date upon which all of the Outstanding 2008 Bonds, 2009 Bonds, 2010A Bonds and 2012A Bonds have been defeased, paid or discharged in accordance with their terms and shall no longer be Outstanding for purposes of the Fiscal Agent Agreement.

Reserve Fund Requirement. The definition of "Reserve Fund Requirement" set forth in the Fiscal Agent Agreement is amended and restated in its entirety as follows:

"Reserve Fund Requirement" means, 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.

Investment of Moneys in the Parity Reserve Fund. The last sentence of the second paragraph of the Section herein entitled "Investment of Moneys in Funds and Accounts" is amended and restated in its entirety as follows:

"Investment Securities purchased as an investment of moneys in the Parity Reserve Fund may not have maturities extending beyond ten (10) years."

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2016A Bonds, Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, proposes to render its final opinion with respect to the 2016A Bonds in substantially the following form:

_________, 2016

City of Pasadena
Pasadena, California

$
City of Pasadena, California
Electric Revenue/Refunding Bonds, 2016A Series

Ladies and Gentlemen:

We have acted as bond counsel to the City of Pasadena, California (the "City") in connection with the issuance of the City's Electric Revenue/Refunding Bonds, 2016A Series (the "2016A Bonds") in the aggregate principal amount of $_________. The 2016A Bonds are being issued pursuant to the Charter of the City, as amended (the "Charter"), including Article XIV thereof, Ordinance No. ____ (the "Ordinance"), adopted by the City Council of the City (the "Council") on ________, 2016, 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 a Ninth Supplement to Electric Revenue Bond Fiscal Agent Agreement, dated as of _________, 2016, each by and between the City and the Fiscal Agent (collectively, the "Fiscal Agent Agreement").

In our capacity as bond counsel, we have reviewed the Charter, the Ordinance, resolutions adopted by the City Council, the Fiscal Agent Agreement, certifications of the City, the Fiscal Agent and others, opinions of counsel to the City and the Fiscal Agent, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Fiscal Agent Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2016A Bonds to be included in gross income for federal income tax purposes.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The City is authorized and empowered by law, including the Charter, to adopt the Ordinance, to execute and deliver the Fiscal Agent Agreement, to issue the 2016A Bonds, to use

the proceeds from the sale thereof for the purposes stated in the Ordinance and the Fiscal Agent Agreement and to pledge the Net Income of the Electric System to the payment of the 2016A Bonds.

2. The Fiscal Agent Agreement has been, pursuant to law, including the Charter and the Ordinance, duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the City. The Fiscal Agent Agreement creates a valid pledge, to secure the payment of the principal of and interest on the 2016A Bonds, of the Net Income as and to the extent set forth in the Fiscal Agent Agreement and subject to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The 2016A Bonds are valid and binding special obligations of the City and are payable exclusively from the Light and Power Fund of the City's Water and Power Department and certain other funds as provided in the Fiscal Agent Agreement, and 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. The general fund of the City is not liable for the payment of any 2016A 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 2016A Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any 2016A Bond may 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 2016A 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 2016A Bonds, interest thereon and any premiums upon redemption.

4. Under existing law, interest on the 2016A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenant described below, interest on the 2016A 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. The 2016A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, the interest on the 2016A Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, the receipt or accrual of interest on the 2016A Bonds owned by a corporation may affect the computation of its alternative minimum taxable income, upon which the alternative minimum tax is imposed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2016A Bonds for interest thereon to be and remain excluded from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2016A Bonds to be included in gross income retroactive to the date of issue of the 2016A Bonds. The City has covenanted in the Fiscal Agent Agreement to maintain the exclusion of interest on the 2016A Bonds from the gross income of the owners thereof for federal income tax purposes.

The opinions expressed in paragraphs 2 and 3 above are qualified to the extent that the enforceability of the 2016A Bonds and the Fiscal Agent Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the 2016A Bonds and the Fiscal Agent Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California (including, but not limited to, rights of indemnification).

Our opinions expressed in paragraph 4 above are rendered in reliance on representations and certifications of the City made in a Tax Certificate dated the date hereof pertaining to the use, expenditure, and investment of the proceeds of the 2016A Bonds. Except as stated in paragraph 4 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the 2016A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2016A Bonds, or the interest thereon, if any action is taken with respect to the 2016A Bonds or the proceeds thereof upon the advice or approval of other counsel.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2016A Bonds.

Very truly yours,