

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.

“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 has 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 depositories 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.

“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.

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 Fiscal Agent for the Owners of all Bonds then Outstanding, and are empowered to exercise in the name of the Bond Owners' Committee as Fiscal Agent 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.

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2010A Bonds, Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, proposes to render its final opinion with respect to the 2010A Bonds in substantially the following form:

[Closing Date]

City of Pasadena
Pasadena, California

\$ _____
City of Pasadena, California
Electric Revenue Refunding Bonds, 2010A 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, 2010A Series (the "2010A Bonds") in the aggregate principal amount of \$ _____. The 2010A 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 June __, 2010, and by 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 Sixth Supplement to Electric Revenue Bond Fiscal Agent Agreement, dated as of July 1, 2010, 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 the 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any Bond 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 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 2010A Bonds, interest thereon and any premiums upon redemption.

4. The Internal Revenue Code of 1986 (the "Code") establishes certain requirements that must be met subsequent to the issuance and delivery of the 2010A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the 2010A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2010A Bonds. Pursuant to the Fiscal Agent Agreement, the City has covenanted to maintain the exclusion of the interest on the 2010A Bonds from the gross income of the owners thereof for federal income tax purposes.

In our opinion, under existing statutes, regulations, rulings and court decisions, interest on the 2010A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenant, interest on the 2010A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. However, we note that interest on the 2010A Bonds owned by a corporation (other than an "S" corporation or a qualified mutual fund, real estate mortgage investment conduit, real estate investment trust, or financial asset securitization investment trust) is includable in its adjusted current earnings for purposes of calculating its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed.

Except as stated in the preceding two paragraphs, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the 2010A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2010A Bonds, or the interest thereon, if any action is taken with respect to the 2010A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other bond 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.

The opinions expressed in paragraphs 2 and 3 above are qualified to the extent that the enforceability of the 2010A 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 2010A 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).

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2010A Bonds.

Very truly yours,

APPENDIX G
NOTICE INVITING BIDS