

2010 Taxable Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the 2010 Taxable Bonds. See "TAX MATTERS—2010B Bonds (Taxable—Build America Bonds), 2010C Bonds (Taxable) and 2010D Bonds (Taxable—Recovery Zone Economic Development Bonds)."

### **Bankruptcy**

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Sublease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. Bankruptcy proceedings, if initiated, could subject the owners of the 2010 Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

## **STATE OF CALIFORNIA BUDGET INFORMATION**

### **State Budget**

The State Legislature has not yet adopted its 2010-11 State budget. The City takes no responsibility for informing Owners of the 2010 Bonds as to actions the State Legislature or Governor may take with respect to adoption of the State budget or changes thereto throughout 2010-11. Information about the State budget is regularly available at various State-maintained websites, such as the website for State of California Department of Finance at <http://www.dof.ca.gov>. Text of proposed and adopted budgets may be found at the website of the Department of Finance, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst on its website at <http://www.lao.ca.gov>. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found on the website of the State Treasurer at <http://www.treasurer.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

### **Proposed State Budget for Fiscal Year 2010-11**

According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

On January 8, 2010, Governor Schwarzenegger released his proposed budget for Fiscal Year 2010-11 (the "2010-11 Proposed State Budget"), which included cuts in education, healthcare, social services and transit in order to address a projected \$19.9 billion in budget shortfalls (which is comprised of a current year shortfall of \$6.6 billion, a budget year shortfall for Fiscal Year 2010-11 of \$12.3 billion and a Reserve of \$1 billion). The 2010-11 Proposed State Budget did not include any broad-based tax increases, but did include approximately \$6.9 billion of additional federal funding and provided that, if such federal funding is not provided, then certain spending reductions and extensions of revenue increases would go into effect. Given the re-emergence of a current year budget shortfall, on January 8, 2010 the Governor declared a fiscal emergency and called the State Legislature into a special session to make the needed current year budget cuts.

### **May Revision for Fiscal Year 2010-11**

On May 14, 2010, the Governor released the May Revision to the 2010-11 Proposed State Budget (the "May Revision"). The May Revision projected a budget gap of \$19.1 billion (compared to \$19.9 billion projected in the 2010-11 Proposed State Budget), which is comprised of a current year shortfall of \$7.7 billion, a budget year shortfall for Fiscal Year 2010-11 of \$10.2 billion and a Reserve of \$1.2 billion. The May Revision proposed to

address the shortfall through program reductions, various fund shifts, alternative funding and other revenues. The May Revision estimated Fiscal Year 2009-10 revenues and transfers of \$86.52 billion, total expenditures of \$86.46 billion and a year-end deficit of \$5.30 billion, which included a \$6.84 billion withdrawal from the Reserve for economic uncertainties and an allocation of \$1.54 billion to the Reserve for the liquidation of encumbrances. The May Revision projected Fiscal Year 2010-11 revenues and transfers of \$91.45 billion, total expenditures of \$83.40 billion and a year-end surplus of \$2.74 billion (net of the \$5.30 billion deficit from Fiscal Year 2009-10), of which \$1.54 billion will be Reserved for the liquidation of encumbrances and \$1.20 billion will be deposited in a Reserve for economic uncertainties. The May Revision indicated that the recession is likely over and the State's economic outlook for the near future is positive but sober, but due to the depth of the recession, the recovery will be moderate and prolonged as compared to historical standards.

On May 18, 2010, the Office of the Legislative Analyst (the "LAO") released an analysis of the May Revision entitled The 2010-11 Budget: Overview of the May Revision (the "LAO May Overview"). The LAO May Overview stated that the LAO's own updated economic and revenue forecasts are quite similar to those in the May Revision, that the estimate contained in the May Revision of the size of the State's budget problem in Fiscal Year 2010-11 is sound and that the revenue forecast set forth in the May Revision is reasonable and realistic. The LAO projects that the proposals set forth in the May Revision are sufficient to eliminate the estimated \$17.9 billion deficit in Fiscal Year 2010-11 and provide a State General Fund Reserve in the amount of \$1.2 billion. However, the LAO estimates that the budgetary measures included in the May Revision will reduce but not eliminate annual operating shortfalls through at least Fiscal Year 2014-15.

The LAO May Overview stated that the May Revision includes several billion dollars of assumptions that carry with them moderate or major implementation risk, while acknowledging that any balanced budget solution could not avoid some level of risky assumptions. The LAO May Overview recommended that the State Legislature reject the proposals in the May Revision to eliminate the CalWORKS and State funded child care programs, and noted that such proposals could result in significant reductions in federal funding for the State. The LAO May Overview cautions that the approach proposed in the May Revision with respect to the Proposition 98 minimum guarantee is legally risky, but acknowledged that the State cannot afford to support K-14 education at the level required by current law. The LAO suggested that some of the more severe cuts proposed in the May Revision could be avoided by implementing cost savings in certain areas (universities, trial courts and public safety local assistance programs) and by adopting selected revenue increases (fee and targeted tax increases, changes to tax expenditure programs, delays in tax reductions or eliminations).

The LAO May Overview stated that, even if the State Legislature adopted all of the May Revision's proposals and achieved the full estimated savings, the State would be left with a multibillion (between \$4 billion and \$7 billion) annual operating shortfall. The LAO suggested that the State Legislature adopt changes to address the remaining problem, including a stronger State "rainy day fund," realignment of certain State responsibilities and funding to local governments, changes to kindergarten and after school programs and major pension and retiree health reform.

The 2010-11 Proposed State Budget and May Revision currently do not include provisions that would have a material adverse impact on the City's general fund.

### **Potential Impact of State of California Financial Condition on the City**

There can be no assurances that, as a result of the current State financial stress, it will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. The City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the City's finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control. There can be no assurances that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

## **Future State Budgets**

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. There can be no assurances that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS AFFECTING CITY REVENUES AND APPROPRIATIONS**

### **Article XIII A of the State Constitution**

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to (1) ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (3) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the City may appeal the determination of the County Assessor of the Full Cash Value of their property. At any given point in time, appeals are pending in the City. If the assessed value of a property is reduced as a result of an assessment appeal, the reduction is borne by relevant taxing agencies, including the City.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

#### **Article XIII B of the State Constitution**

State and local government agencies in the State are each subject to annual "appropriations limits" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service" (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If county revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, et seq. of the California Government Code defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The City has estimated that its appropriations limit for "proceeds of taxes" for Fiscal Year 2010-2011 is \$203,000,000. Estimated appropriations for Fiscal Year 2010-2011 subject to the limitation total \$114,700,000.

#### **Articles XIII C and XIII D of the State Constitution**

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the general fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the City's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several new provisions affecting a "fee" or "charge," defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to

provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City has three enterprise funds that are self supporting from fees and charges, which could, depending upon judicial interpretation of Proposition 218, ultimately be determined to be property related for purposes of Article XIII D. As a result of this uncertainty, the City has, since 2008, followed the notice and public hearing requirements of Section 6 of Article XIII D before imposing or increasing any water, electricity or refuse service fees or charges. *[confirm]* In addition, the City believes that all of its water, electricity and refuse service fees and charges currently comply with all of the requirements of Section 6 of Article XIII D.

In addition to the provisions described above, Article XIII C removes prohibitions and limitations on the initiative power in matters of any "local tax, assessment, fee or charge." Consequently, the voters of the City could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. If the Article XIII D definitions are not held to limit the scope of Article XIII C initiative powers, then the Article XIII C initiative power could potentially apply to revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

### **Proposition 1A**

As part of Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A ("Proposition 1A") at the November 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State may borrow up to 8 percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than 2 fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

The 2009-10 State budget included a Proposition 1A diversion of \$1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending. Such diverted revenues must be repaid, with interest, no later than June 30, 2013. The amount of the Proposition 1A diversion from the City was approximately \$4.6 million. The City has booked such amount as a receivable.

### **Statutory Limitations**

A statutory initiative ("Proposition 62") was adopted by State voters at the November 4, 1986 General Election, which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in such election, (2) requires that any special

tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in such election within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court filed its decision in *Santa Clara County Local Transportation Authority v. Carl Guardino*, 11 Cal. 4th 220 (1995) (the “Santa Clara decision”), which upheld a Court of Appeal decision invalidating a 1/2-cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote of the electorate for the levy of a “special tax,” as required by Proposition 62. The Santa Clara decision did not address the question of whether or not it should be applied retroactively.

In deciding the Santa Clara case on Proposition 62 grounds, the Court disapproved the decision in *City of Woodlake v. Logan*, 230 Cal. App. 3d 1058 (1991) (“Woodlake”), where the Court of Appeal had held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the State Constitution. The State Supreme Court determined that the voter approval requirement of Proposition 62 is a condition precedent to the enactment of each tax statute to which it applies, while referendum refers to a process invoked only after a statute has been enacted. Numerous taxes to which Proposition 62 would apply were imposed or increased without voter approval in reliance on Woodlake. The Court notes as apparently distinguishable, but did not confirm, the decision in *City of Westminster v. County of Orange*, 204 Cal. App. 3d 623 (1988), which held unconstitutional the provision of Proposition 62 requiring voter approval of taxes imposed during the “window period” of August 1, 1985 until November 5, 1986. Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature. After the passage of Proposition 218, certain provisions of Proposition 62 (e.g. voter approval of taxes) are governed by the State Constitution.

Following the Guardino decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the State Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* (“La Habra”). In this case, the court held that a public agency’s continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

### **Future Initiatives**

Article XIII A, Article XIII B and Propositions 62, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City’s revenues or its ability to expend its revenues.

One such initiative, recently qualified for the November 2010 ballot, is Proposition 26. The proposition, if approved by majority vote, would impose a two-thirds voter approval requirement for the imposition of fees and charges by the State. It would also impose a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. The initiative, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope “a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the [State/local government] of providing the service or product to the payor.”

The City believes that the initiative is not intended to and would not apply to fees for utility services charged by special districts such as the City. The City, however, is unable to predict whether Proposition 26 will be approved by the voters or whether it would be interpreted by the courts to apply to the provision of utility services by local governments such as the City.

## **THE AUTHORITY**

### **Organization and Membership**

The Authority was formed pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and the Joint Exercise of Powers Agreement, dated as of April 24, 2000 (the "JPA Agreement"), by and between the City and the Pasadena Community Development Commission (the "Commission"). The Authority was formed by and between the City and the Commission to assist in the financing of public capital improvements.

The Authority functions as a public entity, separate and apart from the City and the Commission, and is administered by an eight-member governing board consisting of the Mayor and the members of the City Council. The City Attorney serves as counsel to the Authority. The Authority has no employees and all staff work is performed by the City, the Commission, or consultants.

### **Powers**

Under the JPA Agreement, the Authority is empowered to assist in the financing of public capital improvements through the issuance of bonds in accordance with the Act. To exercise its powers, the Authority is authorized, in its own name, to do all necessary acts, including but not limited to making and entering into contracts; employing agents and employees; and to sue or be sued in its own name.

## **THE CITY**

Information with respect to the City, including financial information and certain economic and demographic information relating to the City is provided in "**APPENDIX A - THE CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION**" attached hereto. A copy of the financial statements of the City for the fiscal year ended June 30, 2009 is attached hereto as Appendix B and should be read in its entirety.

## **RATINGS**

Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch") have assigned the 2010 Bonds municipal ratings of "\_\_\_" and "\_\_\_," respectively. Such rating reflects only the view of such organizations, and an explanation of the significance of such rating may be obtained from the rating agencies at Standard & Poor's Ratings Services, One Market Street, Steuart Tower, 15th Floor, San Francisco, CA 94105, (415) 371-5000 and Fitch Ratings, One State Street Plaza, New York, New York 10004. The City and the Authority furnished to the rating agencies certain information and materials concerning the 2010 Bonds and the City. Generally, the rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in its judgment circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2010 Bonds.

## **FINANCIAL STATEMENTS**

The City's financial statements for the fiscal year ended June 30, 2009, included in Appendix B hereto, have been audited by Mayer Hoffman McCann P.C., independent auditors, as stated in their report appearing in Appendix B hereto. Mayer Hoffman McCann P.C. has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in

this Official Statement, and no opinion is expressed by Mayer Hoffman McCann P.C. with respect to any event subsequent to its report dated December 17, 2009.

The audited financial statements of the City for the year ended June 30, 2010 will be filed with the MSRB through EMMA as soon as available.

## LITIGATION

At the time of delivery of and payment for the 2010 Bonds, officials of the City and Authority will certify that to the best of such officials' knowledge there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served or threatened, against the Authority or City, respectively, or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the 2010 Bonds or the payments of the Base Rental Payments or challenging the validity or enforceability of the Sublease or the Indenture.

At all times, including the date of this Official Statement, there are certain other claims and disputes, including those currently in litigation, that arise in the normal course of the City's activities. Such matters could, if determined adversely to the City, affect expenditures by the City, and in some cases, its revenues. Management of the City and the Office of the City Attorney are of the opinion that no pending actions are likely to have a material adverse effect on the City's ability to pay the base Rental Payments as they become due and payable under the Sublease.

## TAX MATTERS

*[subject to review and approval of Orrick Tax Department]*

### **[2010A Bonds**

In the opinion of Orrick, Herrington & Sutcliffe; Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and interest on the 2010A Bonds is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes nor is such interest included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expects to deliver an opinion at the time of issuance of the 2010 Bonds substantially in the form set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2010A Bonds is less than the amount to be paid at maturity of such 2010A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2010A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2010A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2010A Bonds is the first price at which a substantial amount of such maturity of the 2010A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2010A Bonds accrues daily over the term to maturity of such 2010A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2010A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2010A Bonds. Owners of the 2010A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2010A Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2010A Bonds in the original offering to the public at the first price at which a substantial amount of such 2010A Bonds is sold to the public.



2010A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the 2010A Bonds. The Authority has made certain representations and has covenanted to comply with certain restrictions designed to ensure that interest on the 2010A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2010A Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the 2010A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2010A Bonds may adversely affect the value of, or the tax status of interest on, the 2010A Bonds.

In addition, Bond Counsel has relied, among other things, on the opinion of Hahn & Hahn LLP, Counsel to TOR, and a certificate from TOR regarding the current qualification of TOR as an organization described in Section 501(c)(3) of the Code and the use by TOR of the facilities to be financed by the 2010A Bonds as substantially related to TOR's charitable purpose under Section 513(a) of the Code. Such opinion is subject to a number of qualifications and limitations. Furthermore, Counsel to TOR cannot give and has not given any opinion or assurance about the future activities of TOR, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service. Failure of TOR to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to use the facilities financed by the 2010A Bonds in a manner that is substantially related to TOR's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the 2010A Bonds being included in federal gross income, possibly from the date of the original issuance of the 2010A Bonds. *[subject to review by TOR Counsel.]*

Although Bond Counsel is of the opinion that interest on the 2010A Bonds is excluded from gross income for federal income tax purposes and that the interest on the 2010 Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2010A Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the 2010A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the 2010A Bonds. Prospective purchasers of the 2010A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2010A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. Bond Counsel is not obligated to defend the Bondholders regarding the tax-exempt status of the 2010A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2010A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2010A Bonds, and may cause the Authority or the Bondholders to incur significant expense.

**2010B Bonds (Taxable—Build America Bonds), 2010C Bonds (Taxable) and 2010D Bonds (Taxable—Recovery Zone Economic Development Bonds)**

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the 2010 Taxable Bonds that acquire their 2010 Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2010 Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their 2010 Taxable Bonds pursuant to this offering for the issue price that is applicable to such 2010 Taxable Bonds (i.e., the price at which a substantial amount of the 2010 Taxable Bonds are sold to the public) and who will hold their 2010 Taxable Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a 2010 Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a 2010 Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds 2010 Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2010 Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2010 Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

**For U.S. Holders**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the 2010 Taxable Bonds is exempt from State of California personal income taxes. Interest on the 2010 Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the 2010 Taxable Bonds.

The 2010 Taxable Bonds are not expected to be treated as issued with original issue discount (“OID”) for U.S. federal income tax purposes because the stated redemption price at maturity of the 2010 Taxable Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the 2010 Taxable Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the 2010 Taxable Bonds.

Disposition of the 2010 Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a 2010 Taxable Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2010 Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2010 Taxable Bond which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted tax basis in the 2010 Taxable Bond (generally, the purchase price paid by the U.S. Holder for the 2010 Taxable Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the 2010 Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the 2010 Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

#### **For Non-U.S. Holders**

Interest. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” payments of principal of, and interest on, any 2010 Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Authority through stock ownership and (2) a bank which acquires such 2010 Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the 2010 Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the 2010 Taxable Bonds. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a 2010 Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A 2010 Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that at the time of such individual’s death, payments of interest with respect to such 2010 Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and “backup withholding” requirements apply to certain payments of principal of, and interest on the 2010 Taxable Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a 2010 Taxable Bond, to certain noncorporate holders of 2010 Taxable Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any 2010 Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the 2010 Taxable Bond or a financial institution holding the 2010 Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and

the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the 2010 Taxable Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the 2010 Taxable Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a 2010 Taxable Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a 2010 Taxable Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

### **CIRCULAR 230**

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Authority and our tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;
- Any such advice is written to support the promotion or marketing of the 2010 Taxable Bonds and the transactions described herein (or in such opinion or other advice); and
- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.]

## LEGAL MATTERS

The validity of the 2010 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Certain matters will be passed upon for the Underwriters by Kutak Rock LLP, as counsel to the Underwriters. The proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto. Bond Counsel and Underwriters' Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

## UNDERWRITING

Pursuant to a Bond Purchase Agreement among the Authority, the City and BMO Capital Markets GKST Inc., as representative of the underwriters (the "Underwriters"), the 2010A Bonds are being purchased by the Underwriters at a purchase price equal to the principal amount of 2010A Bonds being issued plus/less a net original issue premium/discount of \$\_\_\_\_\_ and less an Underwriters' discount of \$\_\_\_\_\_; the 2010B Bonds are being purchased by the Underwriters at a purchase price equal to the principal amount of 2010B Bonds being issued plus/less a net original issue premium/discount of \$\_\_\_\_\_ and less an Underwriters' discount of \$\_\_\_\_\_; the 2010C Bonds are being purchased by the Underwriters at a purchase price equal to the principal amount of 2010C Bonds being issued plus/less a net original issue premium/discount of \$\_\_\_\_\_ and less an Underwriters' discount of \$\_\_\_\_\_; and the 2010D Bonds are being purchased by the Underwriters at a purchase price equal to the principal amount of 2010D Bonds being issued plus/less a net original issue premium/discount of \$\_\_\_\_\_ and less an Underwriters' discount of \$\_\_\_\_\_. The Bond Purchase Agreement provides that the Underwriters will purchase all of the 2010 Bonds if any are purchased, the obligation to make such purchase, if made, being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions.

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc. which is a direct, wholly-owned subsidiary of Harris Financial Corp. which is itself a wholly-owned subsidiary of Bank of Montreal.

The Underwriters may offer and sell Bonds to certain dealers and others at a price other than the offering price. The offering price may be changed from time to time by the Underwriters.

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of Bond Owners and beneficial owners of the 2010 Bonds to provide certain financial information and operating data relating to the City by not later than 185 days following the end of the City's fiscal year (currently ending June 30) (the "Annual Report"), commencing with the report for the fiscal year June 30, 2010, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the City or by the Trustee on behalf of the City with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption "**APPENDIX E — FORM OF CONTINUING DISCLOSURE CERTIFICATE.**" These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

## ADDITIONAL INFORMATION

References made herein to certain documents and reports are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or the Owners of any of the 2010 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

At the time of delivery and payment for the 2010 Bonds, an authorized representative of the Authority and the City will deliver a certificate stating that to the best of his or her knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein (excepting therefrom the information contained herein describing DTC, and its book entry system), in the light of the circumstances under which they were made, not misleading. Such certificate will also certify that to the best of his or her knowledge from the date of this Official Statement to the date of such delivery and payment there was no material adverse change in the information set forth herein.

PASADENA FINANCE AUTHORITY

By: \_\_\_\_\_  
Director of Finance

**APPENDIX A**

**CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION**

**APPENDIX B**

**CITY OF PASADENA CALIFORNIA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR  
ENDED JUNE 30, 2009**



**APPENDIX C**

**CITY OF PASADENA STATEMENT OF INVESTMENT POLICY**

[TO COME FROM CITY]

**APPENDIX D**

**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

*The following summary discussion of selected features of the Lease, dated as of February 1, 2006, as amended by the First Amendment to Lease, dated as of November 1, 2010 (the "Lease"), the Sublease, dated as of February 1, 2006, as amended by the First Amendment to Sublease, dated as of November 1, 2010 (the "Sublease"), and the Indenture, dated as of November 1, 2010 (the "Indenture"), are made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the 2010 Bonds are referred to the complete text of said documents, copies of which are available upon request from the Trustee or the City.*

**CERTAIN DEFINITIONS**

The following are definitions of certain of the terms used in the Lease, the Sublease or the Indenture, to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of any of the terms defined herein:

[TO COME]

**LEASE**

[TO COME]

**SUBLEASE**

[TO COME]

**INDENTURE**

Certain provisions of the Indenture setting forth the terms of the 2010 Bonds, the redemption provisions thereof and the use of the proceeds of the 2010 Bonds are set forth elsewhere in this Official Statement. See "THE 2010 BONDS," and "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS" herein.

[TO COME]

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Pasadena, California (the “City”) in connection with the issuance of the Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Capital Improvement Projects), Series 2010A, Series 2010 B (Taxable—Build America Bonds), Series 2010C (Taxable) and Series 2010D (Taxable – Recovery Zone Economic Development Bonds) (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of November 1, 2010 (the “Indenture”), between the Pasadena Public Financing Authority and \_\_\_\_\_, as trustee (the “Trustee”). The City covenants and agrees as follows:

**SECTION 1. Purpose of this Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as hereinafter defined).

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board (“MSRB”) or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

**SECTION 3. Provision of Annual Reports.**

(a) The City shall, or shall cause the Dissemination Agent to, not later than 185 days after the end of the City’s Fiscal Year (presently June 30), commencing with the report for Fiscal Year [2009-10], *[confirm timing]* provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date set forth in paragraph (a) above, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached to this Disclosure Certificate as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the City), file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

**SECTION 4. Content of Annual Reports.** The City's Annual Report shall contain or include by reference the following:

(1) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the audited financial statements of the City are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

*[identify any other required annual updates]*

The City has not undertaken in this Disclosure Certificate to provide all information an investor may want to have in making decisions to hold, sell or buy Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been filed with the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events (a "Listed Event") with respect to the Bonds, if material:

- 1 principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB);

7. other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds not listed as item 6 above;
8. modifications to rights of the Owners of the Bonds, if material;
9. Bond calls, if material;
10. tender offers;
11. defeasances;
12. release, substitution or sale of property securing repayment of the Bonds, if material;
13. rating changes;
14. bankruptcy, insolvency, receivership or similar event of the obligated person;
15. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
16. appointment of a successor or additional trustee or the change of name of a trustee, if material;

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event described as items 2, 7, 8, 9, 12, 15 or 16, the City shall as soon as practical determine if such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of the Listed Event described as items 2, 7, 8, 9, 12, 15 or 16 would be material under applicable federal securities laws or obtains knowledge of occurrence of a Listed Event described as items 1, 3, 4, 5, 6, 10, 11, 13 or 14, the City shall, in a timely manner and not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the Repository and State Repository, if any.

**SECTION 6. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**SECTION 7. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of Bonds 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 Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

CITY OF PASADENA, CALIFORNIA

By \_\_\_\_\_  
Director of Finance

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: City of Pasadena, California

Name of Bond Issue: Pasadena Public Financing Authority Lease Revenue Bonds, Series 2010A, Series 2010B (Taxable—Build America Bonds), Series 2010C (Taxable) and Series 2010D (Taxable—Recovery Zone Economic Development Bonds)

Date of Issuance: November \_\_, 2010

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 11.07 of the Sublease, dated as of February 1, 2006, as amended by the First Amendment to Sublease, dated as of November 1, 2010, between the Pasadena Public Financing Authority and the City. [The City anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Date: \_\_\_\_\_

CITY OF PASADENA, CALIFORNIA

By \_\_\_\_\_  
Director of Finance



**APPENDIX F**

**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

Pasadena Public Financing Authority  
Pasadena, California

\$ \_\_\_\_\_  
Pasadena Public Financing Authority  
Lease Revenue Bonds

\$ \_\_\_\_\_ Series 2010A  
\$ \_\_\_\_\_ Series 2010B (Taxable – Build America Bonds)  
\$ \_\_\_\_\_ Series 2010C (Taxable) and  
\$ \_\_\_\_\_ Series 2010D (Taxable – Recovery Zone Economic Development Bonds)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Pasadena Public Financing Authority (the "Authority") in connection with issuance of \$ \_\_\_\_\_ aggregate initial principal amount of its Lease Revenue Bonds, Series 2010A (the "2010A Bonds"), \$ \_\_\_\_\_ aggregate principal amount of its Lease Revenue Bonds, Series 2010B (Taxable – Build America Bonds) (the "2010B Bonds"), \$ \_\_\_\_\_ aggregate principal amount of its Lease Revenue Bonds, Series 2010C (Taxable) (the "2010C Bonds"), and \$ \_\_\_\_\_ aggregate principal amount of its Lease Revenue Bonds, 2010 Series D (Taxable – Recovery Zone Economic Development Bonds) (the "2010D Bonds" and together with the 2010A Bonds, the 2010B Bonds and the 2010C Bonds, the "2010 Bonds"). The 2010 Bonds have been issued pursuant to an Indenture, dated as of November 1, 2010 (the "Indenture"), by and between the Authority and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The 2010A Bonds consist of \$ \_\_\_\_\_ aggregate principal amount of current interest bonds and \$ \_\_\_\_\_ aggregate initial principal of capital appreciation bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Lease, dated as of February 1, 2006, as amended by a First Supplement to Lease, dated as of November 1, 2010 (collectively, the "Lease"), each by and between the City of Pasadena (the "City") and the Authority, the Sublease, dated as of February 1, 2006, as amended and supplemented by a First Supplement to Sublease, dated as of November 1, 2010 (collectively, the "Sublease"), each by and between the Authority and the City, the Tax Certificate relating to the 2010A Bonds, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Authority, the City, the Trustee and others, certificates of the Authority, the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the 2010 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease, the Sublease and the Tax Certificate, 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. We call attention to the fact that the rights and obligations under the 2010 Bonds, the Indenture, the Lease the Sublease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture, the Lease or the Sublease, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the capital appreciation bonds or the Indenture. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2010 Bonds and express no opinion with respect thereto.

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

1. The 2010 Bonds constitute the valid and binding special obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the 2010 Bonds, of the Revenues and amounts in the Bond Reserve Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.
3. The Lease and the Sublease have been duly executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City.
4. The obligation of the City to make Base Rental Payments under the Sublease does not constitute a debt of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation and does not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limit or restriction.
5. Interest on the 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and interest on the 2010 Bonds is exempt from State of California personal income taxes. Interest on the 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2010B Bonds, 2010C Bonds and 2010D Bonds (collectively, the "Taxable Bonds") is not excluded from gross income for federal income tax purposes under Section 103 of the Code. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2010 Bonds.

**Circular 230 Disclaimer:**

Investors are urged to obtain independent tax advice regarding the Taxable Bonds based upon their particular circumstances. The tax discussion in paragraph 3 above regarding the Taxable Bonds was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The advice was written to support the promotion or marketing of the Taxable Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

## APPENDIX G

### BOOK-ENTRY ONLY SYSTEM

#### Book-Entry Only System

*The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Authority and City take no responsibility for the accuracy or completeness thereof. The Authority and City cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2010 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2010 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2010 Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the 2010 Bonds. The 2010 Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate for each maturity will be issued for the 2010 Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each 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, but Beneficial Owners are 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 2010 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices shall be sent to Cede & Co. If less than all of the 2010 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. 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 the 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal payments on the 2010 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payable date, so long as DTC has received sufficient funds and corresponding detail information from the Authority or Trustee, in accordance with their respective holdings shown on DTC's records. Payments by 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 Trustee, the City or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal to Cede & Co. is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2010 Bonds at any time by giving reasonable notice to the Authority or the Trustee, or the Authority or City may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

#### **Discontinuation of Book-Entry System; Payment to Beneficial Owners**

In the event that the book-entry system described above is no longer used with respect to the 2010 Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the 2010 Bonds.

The principal of the 2010 Bonds and any premium upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the 2010 Bonds at the principal corporate trust office of the Trustee or such other location as the Trustee may specify.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the principal corporate trust office of the Trustee as defined in the Indenture, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Trustee. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at the principal corporate trust office of the Trustee together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Trustee. Upon exchange or transfer, the Trustee shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the registered owner or by a person legally empowered to do so, equal in the aggregate to the unmaturing principal amount of the Bond surrendered bearing interest at the same rate and maturing on the same date.

Neither the City, the Authority nor the Trustee will be required to exchange or transfer any Bond during the period from (a) the close of business on the applicable record date to and including the succeeding interest payment date, or (b) the close of business on the date on which notice of redemption is given to and including the redemption date.

**APPENDIX H**  
**ACCRETED VALUE TABLE**  
**[to come from the underwriters]**

**[NOTE: INCLUDE UNAUDITED INFORMATION FOR JUNE 30, 2010 WHEN AVAILABLE]**

## APPENDIX A

### THE CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION

*The financial and demographic information provided below is presented as general background data and has been collected from sources which the City deems to be reliable. Under the Indenture, neither the Trustee nor any Owner of any 2010 Bond has the right to compel the exercise of the taxing power by the City or the sale or forfeiture of any of its property. The principal and accreted value of and interest on any 2010 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 Revenues and other funds which are pledged to the payment of the 2010 Bonds, interest thereon and any premiums upon redemption pursuant to the Indenture.*

#### **General**

The City of Pasadena 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 the County of Los Angeles 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 the cities of South Pasadena and San Marino, on the east by the cities of Arcadia and Sierra Madre and on the north by the unincorporated community of Altadena and the San Gabriel Mountains.

The City provides its approximately 150,000 residents with power, water and refuse services. The Southern California Gas Company supplies natural gas, and the County of Los Angeles provides sewage services.

While the City consistently receives international recognition for the Rose Parade and Rose Bowl events, the City has achieved significant success in blending urban amenities with suburban neighborhoods. Engineering, finance and health care comprise the City's 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 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:

<u>Name</u>	<u>Occupation</u>	<u>Term Expiration</u>
Bill Bogaard, Mayor	Attorney	May 2011
Jacque Robinson (District 1)	Labor Community Organizer	May 2011
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2011
Chris Holden (District 3)	Commercial Real Estate Broker	May 2013
Steve Haderlein (District 4)	High School Instructor	May 2011
Victor Gordo, Vice-Mayor (District 5)	Attorney	May 2013
Steve Madison (District 6)	Attorney	May 2011
Terry Tornek (District 7)	Real Estate Developer	May 2013

### **City Staff**

*Michael J. Beck, City Manager*, has been City Manager for the City of Pasadena since October 1, 2008. His responsibilities include overseeing the City's over \$630 million operating budget and 14 departments with over 2,300 employees.

He has established a five-year balanced budget program to resolve a structural deficit and overcome current economic realities, developing a financial solution to unfunded liability of the Fire and Police Retirement System, begun a strategic investment plan to fund at least \$100 million for renovations to public facilities, established a business audit schedule, implemented a strategic planning process, provided leadership to the update to Pasadena's General Plan and renovation plans for the Rose Bowl Stadium, begun to right-size the City's governmental functions including streamlining operational processes, and increased the City Manager's role in the community.

Previously Mr. Beck served as Assistant City Manager for the City of Riverside, California, and Director of Economic Development and Real Estate Services for the University of California Riverside.

Mr. Beck holds a Bachelor's Degree in Business Economics and a Master's Degree in Business Administration from the University of California, Riverside.

*Andrew Green, Director of Finance*, joined the City in January 2009. His responsibilities include management of the financial affairs of the City and the Pasadena Community Development Commission, which include: preparation of the annual operating budget; preparation of the Comprehensive Annual Financial Report; purchasing; collections; workers' compensation; general liability; payroll; employee benefits; information technology; internal audit; investments; debt management and financing of major City and Community Development Commission capital improvements. Prior to his current position, he served as the Finance Director for the City of Reno, Nevada; Director of Administrative Services and Director of Finance for the City of Rialto, California, where he also served as acting City Administrator on various occasions; and as the Director of Finance for the City of San Bernardino, California. Mr. Green received his Master's Degree in Business Administration from the University of Phoenix in 2003 and his Bachelor of Arts degree in Accounting from the University of LaVerne (California) in 1979. He also holds an Associates Degree in Business Administration from San Bernardino Valley College and a Certificate from the Accounting for Governmental and Non-Profit Organizations program at the University of California at Riverside, California. While in Reno, Nevada, Mr. Green was member of the Nevada Committee on Local Government Finance representing the Nevada League of Cities and a member of the Board of Directors of the Health Access of Washoe County Community Health Center organization, which provides healthcare to low-income residents in the Washoe County area of northern Nevada. Mr. Green has been a guest lecturer on governmental finance on a number of occasions for the

University of California, San Bernardino's master's program. Mr. Green is also a member of numerous national and state municipal finance organizations.

*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 past President of the City Attorney's Association of Los Angeles County; Los Angeles County Bar Association; American Bar Association; Langston Bar Association; Black Women Lawyers Association of Los Angeles; and Henry McNeal Turner A.M.E. Church. 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 2001.

**CITY OF PASADENA  
POPULATION  
For Years 2001 through 2010**

Year (as of January 1)	Population
2001	135,511
2002	138,728
2003	141,949
2004	143,616
2005	145,219
2006	145,695
2007	146,051
2008	147,293
2009	150,185
2010	151,576

Source: State of California, Department of Finance revised, based upon revision to the US Census information with 2000 benchmark.