

**NEW ISSUE — BOOK-ENTRY ONLY**

RATINGS<sup>†</sup>

Standard & Poor's: \_\_\_\_\_

Fitch: \_\_\_\_\_

*In the opinion of Sidley Austin LLP, Special Counsel, under existing law and assuming compliance with certain covenants in the documents pertaining to the 2015A Certificates and requirements of the Internal Revenue Code of 1986, as amended, as described herein, the portion of each Base Rental Payment due under the Sublease designated as and comprising interest with respect to the 2015A Certificates is not includable in the gross income of the Owners of the 2015A Certificates for federal income tax purposes. In the further opinion of Special Counsel, the portion of each Base Rental Payment due under the Sublease designated as and comprising interest with respect to the 2015A Certificates is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Such portion of each Base Rental Payment, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Special Counsel, the portion of each Base Rental Payment due under the Sublease designated as and comprising interest with respect to the 2015A Certificates is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.*



\$[ ]\*

**Refunding Certificates of Participation, Series 2015A  
Evidencing and Representing Proportional,  
Undivided Interests of the Owners  
Thereof in Base Rental Payments to Be Made by the  
CITY OF PASADENA, CALIFORNIA**

Dated: Date of Delivery

Due: \_\_\_\_\_, as set forth on the inside front cover.

The Refunding Certificates of Participation, Series 2015A (the "2015A Certificates") are being delivered pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 2003 (as amended and supplemented, the "Trust Agreement"), among the City of Pasadena (the "City"), the Pasadena Public Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The 2015A Certificates are being delivered in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the Securities Depository for the 2015A Certificates and individual purchases of 2015A Certificates will be made in book-entry form only, in authorized denominations of \$5,000 or any multiple thereof. Interest represented by the 2015A Certificates will be payable on each February and August commencing February 1, 2016. Principal and interest represented by the 2015A Certificates will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the 2015A Certificates. See APPENDIX E "BOOK-ENTRY SYSTEM" herein.

The 2015A Certificates are subject to optional and mandatory prepayment prior to their scheduled maturity under the circumstances described herein. See "THE 2015A CERTIFICATES— Prepayment" herein.

The 2015A Certificates are being executed and delivered (i) to advance refund the City's Refunding Certificates of Participation, Series 2008C (the "Refunded Certificates"), and (ii) to pay the costs of issuance of the 2015A Certificates. See "THE REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2015A Certificates represent proportional, undivided interests in base rental payments (the "Base Rental Payments") to be made by the City under the Amended and Restated Sublease, dated as of January 1, 2003 (as amended and supplemented, the "Sublease"), between the Authority and the City, for the lease of certain real property and improvements (the "Leased Property"). The Trust Agreement and the Sublease provide for the delivery of certificates of participation in the Base Rental Payments from time to time (all such certificates of participation, the "Certificates") as well as interest rate swap agreements, liquidity facilities and credit enhancement relating to Certificates which are payable from the Base Rental Payments. The 2015A Certificates are executed and delivered as parity obligations with all other Certificates.

Under the Sublease, Base Rental Payments are payable from any legally available funds of the City in amounts sufficient to pay the principal and interest represented by the Certificates, amounts due under liquidity facilities, credit enhancement and interest swap agreements relating to Certificates. The Base Rental Payments are subject to abatement under certain circumstances when there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. See "SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES— Rental Abatement" and "RISK FACTORS" herein.

**MATURITY SCHEDULE**

(See Inside Front Cover)

THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE BASE RENTAL PAYMENTS AND SUCH PAYMENT IS NOT SECURED BY A PLEDGE OF ANY REVENUES OR FUNDS OF THE CITY. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION 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. NEITHER THE 2015A CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

For a discussion of certain risk factors which should be evaluated prior to purchase of the 2015A Certificates, see "RISK FACTORS" herein.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the 2015A Certificates. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The 2015A Certificates are offered when, as and if executed and delivered, subject to approval by Sidley Austin LLP, San Francisco, California, Special Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Sidley Austin LLP, San Francisco, California, as Disclosure Counsel and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, P.C. It is expected that the 2015A Certificates will be available for delivery through the facilities of DTC on or about November 19, 2015.*

**Wells Fargo Securities**

Dated: \_\_\_\_\_

\* Preliminary, subject to change.

† For an explanation of ratings, see "RATINGS" herein

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to purchase any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$[\_\_\_\_\_] \*  
 Refunding Certificates of Participation, Series 2015A  
 Evidencing and Representing Proportional,  
 Undivided Interests of the Owners  
 Thereof in Base Rental Payments to Be Made by the  
 CITY OF PASADENA, CALIFORNIA

Maturity Date (February 1)	Principal Amount	Interest Rate	Yield	CUSIP Number <sup>†</sup>
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\* Preliminary, subject to change.

† Copyright 2015, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the applicable 2015A Certificates. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2015A Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2015A Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2015A Certificates.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2015A Certificates by any person in any jurisdiction which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2015A Certificates. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the City since the date hereof.

The information in this Official Statement has been provided by the City and sources the City considers reliable. The Underwriter makes no representation as to the accuracy or sufficiency of the information contained in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information in APPENDIX E – “BOOK-ENTRY SYSTEM” attached hereto has been furnished by The Depository Trust Company and no representation has been made by the City or the Underwriter as to the accuracy or completeness of such information.

The information set forth herein other than that provided by the City, although obtained from sources which are believed by the City to be reliable, is not guaranteed by the City as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date thereof. This Official Statement is submitted with respect to the sale of the 2015A Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such documents.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as

“plan,” “expect,” “estimate,” “budget,” “project,” “projection” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The 2015A Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such Act. The Trust Agreement has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such Act.

The City maintains a website at [www.ci.pasadena.ca.us](http://www.ci.pasadena.ca.us). However, references to any internet website in this Official Statement are shown for reference and convenience only; the information contained within such websites is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the certificates.

**CITY OF PASADENA, CALIFORNIA**

**CITY COUNCIL**  
and  
**PASADENA PUBLIC FINANCING AUTHORITY**

Terry Tornek, Mayor/Chairman  
Tyron A. L. Hampton, Council Member/Board Member  
Steve Madison, Council Member/Board Member  
John J. Kennedy, Council Member/Board Member  
Margaret McAustin, Council Member/Board Member  
Gene Masuda, Vice Mayor /Vice Chairman  
Victor M. Gordo, Council Member/Board Member  
Andy Wilson, Council Member/Board Member

**CITY STAFF**

Michael J. Beck, *City Manager*  
Matthew E. Hawkesworth, *Director of Finance*  
Vic Erganian, *City Treasurer and Deputy Director of Finance*  
Mark Jomsky, *City Clerk*

**CITY ATTORNEY**

Michele Beal Bagneris

**SPECIAL SERVICES**

**SPECIAL AND DISCLOSURE COUNSEL**

Sidley Austin LLP  
San Francisco, California

**TRUSTEE**

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

**VERIFICATION AGENT**

Grant Thornton LLP

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
General .....	1
The City.....	1
The Trust Agreement and the Certificates .....	2
Base Rental Payments .....	2
Purpose of 2015A Certificates .....	3
Summaries Not Definitive.....	3
Additional Information.....	3
THE REFUNDING PLAN.....	4
THE 2015A CERTIFICATES.....	5
General .....	5
Prepayment.....	5
Partial Prepayment .....	7
Notice of Prepayment.....	7
SCHEDULE OF 2015A CERTIFICATE PAYMENTS .....	7
SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES.....	8
General .....	8
Rental Payments.....	8
Covenant to Budget and Appropriate.....	9
Pledge of Base Rental Payments .....	9
Base Rental Payment Funds.....	9
Certificate Reserve Funds .....	10
Insurance .....	12
Substitution, Addition or Removal of Leased Property .....	13
Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds.....	14
Rental Abatement.....	14
OUTSTANDING INDEBTEDNESS.....	15
Other Certificates .....	15
Additional Certificates .....	16
Swap Agreement .....	16
BASE RENTAL PAYMENTS .....	17
ESTIMATED SOURCES AND USES OF FUNDS.....	19
THE LEASED PROPERTY .....	19
Civic Auditorium.....	19
Fire Station No. 33 .....	19
Fire Station No. 31 .....	19
Rose Bowl Aquatics Center .....	20
Pasadena City Hall .....	20
Health Center .....	21
Corporation Yards.....	21
Hale Building .....	21
Convention Center.....	21
THE CITY.....	21
THE AUTHORITY.....	22
RISK FACTORS.....	22

Lease Obligation—No Tax Pledge .....	22
No Pledge of Other City Funds .....	22
Sublease Has No Limit on Additional Obligations .....	22
Rental Abatement .....	23
Limited Recourse on Default; Reletting of the Leased Property .....	23
Limitation on Enforcement of Remedies .....	23
No Acceleration.....	24
Bankruptcy .....	24
Substitution, Addition or Removal of Leased Property .....	25
Earthquakes and Natural Disasters.....	25
Certain Other Risks with Respect to the Leased Property .....	26
Reserve Funds .....	26
Economic Conditions in the State of California.....	26
Hazardous Substances .....	26
Investment of Funds .....	27
Change in Law .....	27
FINANCIAL STATEMENTS .....	27
TAX MATTERS .....	27
Original Issue Discount .....	28
Original Issue Premium.....	29
Information Reporting and Backup Withholding.....	29
State Tax Exemption .....	29
Future Developments .....	30
APPROVAL OF LEGALITY .....	30
LITIGATION .....	30
CONTINUING DISCLOSURE .....	31
RATINGS.....	31
UNDERWRITING.....	31
MUNICIPAL ADVISOR.....	32
VERIFICATION .....	32
EXECUTION AND DELIVERY .....	33
APPENDIX A – THE CITY OF PASADENA .....	A-1
APPENDIX B – EXCERPTS FROM AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2014.....	B-1
APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS .....	C-1
APPENDIX D – PROPOSED FORM OF OPINION OF SPECIAL COUNSEL .....	D-1
APPENDIX E – BOOK-ENTRY SYSTEM .....	E-1
APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT .....	F-1

## OFFICIAL STATEMENT

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**Refunding Certificates of Participation, Series 2015A  
Evidencing and Representing Proportional,  
Undivided Interests of the Owners  
Thereof in Base Rental Payments to Be Made by the  
CITY OF PASADENA, CALIFORNIA**

### INTRODUCTION

#### General

The purpose of this Official Statement, including the cover page and appendices hereto, is to provide certain information concerning the City of Pasadena (the “City”) and the sale and delivery of \$[\_\_\_\_\_] aggregate principal amount of Refunding Certificates of Participation, Series 2015A (the “2015A Certificates”), evidencing and representing proportional, undivided interests of the registered owners thereof (the “Owners”) in base rental payments (the “Base Rental Payments”) to be made by the City as the rental for certain real property and improvements (the “Leased Property”) pursuant to the Amended and Restated Sublease, dated as of January 1, 2003 (as the same has been and may be amended and supplemented, the “Sublease”), including as supplemented by Supplement No. 6 to Amended and Restated Sublease, dated as of November 1, 2015 (“Supplement No. 6 to Sublease”), each between the Pasadena Public Financing Authority (the “Authority”) and the City.

Capitalized terms used and not otherwise defined in this Official Statement have the meaning ascribed to them in APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions of Certain Terms.”

#### The City

The City was incorporated in 1886 and became a freeholder charter city in 1901. The City adopted its city manager form of government by amendments to the City Charter in 1921. The City Council is responsible for the administration of the City. The City covers nearly 23 square miles and is located in the County of Los Angeles (the “County”) in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by 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. See APPENDIX A – “THE CITY OF PASADENA” herein for further information regarding the City.

The City’s basic financial statements for the fiscal year ended June 30, 2014 are attached hereto in APPENDIX B– “EXCERPTS FROM AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2014.” These financial statements, including Management’s Discussion and Analysis, the auditor’s report and the notes thereto, should be read in their entirety.

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\* Preliminary, subject to change.



## **The Trust Agreement and the Certificates**

The 2015A Certificates are being delivered pursuant to the Amended and Restated Trust Agreement, dated as of January 1, 2003 (as the same has been and may be amended and supplemented, the “Trust Agreement”), including the Sixth Supplemental Trust Agreement, dated as of November 1, 2015 (the “Sixth Supplemental Trust Agreement”), each among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Pursuant to the Trust Agreement and the Sublease, the Trustee is authorized to deliver certificates of participation from time to time evidencing and representing proportional, undivided interests in the Base Rental Payments (all such certificates of participation delivered under the Trust Agreement being referred to as the “Certificates”). Upon the issuance of the 2015A Certificates, there will remain Outstanding under the Trust Agreement, in addition to the 2015A Certificates, three Series of Certificates, in the aggregate principal amount of \$ \_\_\_\_\_ and one Swap Agreement. See “OUTSTANDING INDEBTEDNESS” and APPENDIX A – “BONDED AND OTHER INDEBTEDNESS—Long Term Debt Obligations Payable from the General Fund” herein.

### **Base Rental Payments**

Under the Sublease, the City is to pay the Base Rental Payments in consideration of the City’s right to the use and possession, and the quiet use and enjoyment, of the Leased Property. The City’s obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of title defect, material damage or destruction, there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. See “RISK FACTORS—Rental Abatement” herein. The Authority has assigned its rights to receive Base Rental Payments and substantially all of its other rights under the Sublease to the Trustee pursuant to the Amended and Restated Assignment Agreement, dated as of January 1, 2003 (the “Assignment Agreement”), between the Authority and the Trustee.

Base Rental Payments are to be paid to the Trustee for deposit in Base Rental Payment Funds established under the Trust Agreement with respect to each Series of Certificates. The Base Rental Payments made by the City are to be applied to amounts due with respect to the Certificates, including payments to Liquidity Providers, Credit Providers, and Qualified Swap Providers. The rights to the Base Rental Payments and the amounts held by the Trustee under the Trust Agreement (other than the Rebate Fund) have been pledged to the Owners of the Certificates, the Credit Providers, the Liquidity Providers and the Qualified Swap Providers on a parity basis. The Base Rental Payments are to be applied as provided in the Trust Agreement. See “SOURCE OF PAYMENT OF THE 2015A CERTIFICATES—Base Rental Payment Funds.”

Under the Sublease, Base Rental Payments are to be made in an amount sufficient to pay the principal and interest with respect to all Certificates, including the 2015A Certificates, and amounts due under all Liquidity Facilities, Credit Enhancement and Swap Agreements. While the Base Rental Payments are payable from any legally available funds, the City expects to make Base Rental Payments from amounts in its General Fund to the extent revenues of affiliated entities operating portions of the Leased Property are not available. The City has entered into agreements to make payments from its General Fund in addition to the Base Rental Payments. See APPENDIX A - “THE CITY OF PASADENA” and Notes 9 through 16 of the Notes to Basic Financial Statements included in APPENDIX B – “EXCERPTS FROM AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2014.” None of the Base Rental Payments or any of such other payments are secured by a pledge of amounts in the General Fund or any other revenues or funds of the City. The City has covenanted to include the Base Rental Payments due in each fiscal year in the City operating budget for such fiscal year. See “SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES—Covenant to Budget and Appropriate.”

**THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE BASE RENTAL PAYMENTS AND SUCH PAYMENT IS NOT SECURED BY A PLEDGE OF ANY REVENUES OR FUNDS OF THE CITY. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION 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. NEITHER THE 2015A CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.**

### **Purpose of 2015A Certificates**

The 2015A Certificates are being executed and delivered (i) to advance refund a portion of the City's Refunding Certificates of Participation, Series 2008C (the "Refunded Certificates") and (ii) to pay the costs of issuance of the 2015A Certificates. See "THE REFUNDING PLAN" herein.

### **Summaries Not Definitive**

Brief descriptions of the 2015A Certificates, the City and the Leased Property are included in this Official Statement, together with summaries of the Trust Agreement, the Sublease, the Lease, and the Assignment Agreement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the 2015A Certificates, the Trust Agreement, the Lease, the Sublease and the Assignment Agreement are qualified in their entirety by reference to the actual documents, copies of which are available for inspection at the corporate trust office of the Trustee at The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite 400, Los Angeles, California 90071.

### **Additional Information**

The City regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Owner may obtain a copy of any such report, as available, from the City. The City may charge a fee for copying, handling and postage in connection with such requests. Additional information regarding this Official Statement may be obtained by contacting the Director of Finance of the City at the following address:

Mr. Matthew E. Hawkesworth  
Director of Finance  
City of Pasadena  
100 North Garfield Avenue  
Pasadena, California 91109  
(626) 744-4350  
(626) 744-7093 (Fax)

See "CONTINUING DISCLOSURE" herein.

## THE REFUNDING PLAN

The proceeds of the 2015A Certificates will be used to advance refund a portion of the City's Certificates of Participation, Series 2008C (the "Refunded Certificates") and (ii) to pay the costs of issuance of the 2015A Certificates.

The table below describes the Refunded Certificates in greater detail. Depending upon market conditions, the City may elect to eliminate or add Refunded Certificates.

<b>Maturity Date (February 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP<sup>†</sup> Number</b>
2019	\$ 1,850,000	5.000%	702204 ML9
2020	1,940,000	5.000	702204 MM7
2021	2,040,000	5.000	702204 MN5
2022	2,140,000	4.250	702204 MP0
2023	2,230,000	4.300	702204 MQ8
2024	2,330,000	5.000	702204 MR6
2025	1,445,000	4.500	702204 MT2
2025	1,000,000	5.000	702204 MS4
2026	2,560,000	4.500	702204 MU9
2027	2,675,000	4.600	702204 MV7
2028	2,795,000	5.000	702204 MW5
2029	2,935,000	5.000	702204 MX3
2033	13,295,000	5.000	702204 MY1
2038	15,800,000	4.750	702204 NA2
2038	300,000	5.000	702204 MZ8

<sup>†</sup> A registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for the convenience of reference only. Neither the City nor the Underwriters take any responsibility for the accuracy of such numbers.

A portion of the net proceeds from the sale of the 2015A Certificates shall be deposited with The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"), to the credit of the "City of Pasadena, California Refunding Certificates of Participation, Series 2015A Escrow Fund" (the "Escrow Fund"). The remaining portion of net proceeds from the sale of the 2015A Certificates shall be paid to the Trustee and shall be used to pay costs of issuance relating to the 2015A Certificates.

The amount deposited in the Escrow Fund, plus earnings on such amount, will be sufficient to enable the Escrow Agent to pay the redemption price (par) of the Refunded Certificates on \_\_\_\_\_, as well as to pay the interest due on the Refunded Certificates on and before such date. The sufficiency of the amounts on deposit in the Escrow Fund, together with interest earnings thereon, to pay the redemption prices of the Refunded Certificates, as well as the interest payable on the Refunded Certificates to their respective redemption dates, will be verified by Grant Thornton LLP (the "Verification Agent"). As a result of the deposit in the Escrow Fund and application thereof as described above, and assuming the accuracy of the Verification Agent's computations, the Refunded Certificates will be defeased and the obligation of the City to make Base Rental Payments will cease. The amounts on deposit in the Escrow Fund will not be available to make payments on the Certificates. The deposit of moneys into the Escrow

Fund will constitute irrevocable deposits for the benefit of the holders of the respective Refunded Certificates.

Any surplus moneys in the Escrow Fund, following the redemption of the Refunded Certificates and payment of costs of issuance, or surplus moneys received by the City from the sale of the 2015A Certificates, following payment of costs of issuance, shall be returned to the City.

## **THE 2015A CERTIFICATES**

### **General**

The 2015A Certificates will be dated as of their date of delivery and will be payable as to interest from such date, semiannually on each February 1 and August 1, commencing February 1, 2016 (each, an "Interest Payment Date"). Interest evidenced by the 2015A Certificates will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The 2015A Certificates will be delivered in authorized denominations of \$5,000 or any multiple thereof. The 2015A Certificates will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, ("DTC"), which will act as securities depository for the 2015A Certificates. Payments of principal and interest evidenced by the 2015A Certificates will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest with respect to the 2015A Certificates to the Beneficial Owners. See APPENDIX E - "BOOK-ENTRY SYSTEM" attached hereto.

The 2015A Certificates are being delivered as a Series of Additional Certificates pursuant to the Trust Agreement. Each Owner of 2015A Certificates will have the same rights upon an Event of Default as the Owner of any other Series of Certificates, except as any such rights of the Owners of future Series of Additional Certificates may be limited as provided in the Supplemental Trust Agreement under which such Additional Certificates are executed and delivered. See "SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES," "OUTSTANDING INDEBTEDNESS-Additional Certificates," APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

DTC will act as securities depository for the 2015A Certificates. The 2015A Certificates are being delivered in fully registered form and, when issued, will be registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered 2015A Certificate will be executed and delivered for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the 2015A Certificates, as nominee of DTC, references herein to the Owners of the 2015A Certificates shall mean Cede & Co. and shall not mean the actual purchasers of the 2015A Certificates (the "Beneficial Owners"). The information under this caption and in Appendix E concerning DTC and DTC's book-entry system is based solely on information provided by DTC, and no representations can be made by the City or the Trustee concerning the accuracy thereof. See APPENDIX E - "BOOK-ENTRY SYSTEM" attached hereto for a further description of DTC and its book-entry system.

### **Prepayment**

***Optional Prepayment.*** The 2015A Certificates maturing on or after February 1, 20\_\_, are subject to optional prepayment by the City on or after \_\_\_\_ 1, 20\_\_, in whole, or in part, at the direction of the City, among such maturities as selected by the City and by lot within any maturity, on any date, at the prepayment price of 100% of the principal amount of the 2015A Certificates to be prepaid, plus accrued interest represented thereby to the date fixed for prepayment.

**Mandatory Prepayment From Net Proceeds.** The 2015A Certificates are subject to prepayment on any date prior to their respective principal payment dates, as a whole, or in part, at the direction of the City, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a prepayment price equal to the sum of the principal amount represented thereby plus accrued interest represented thereby to the date fixed for prepayment, without premium; provided, however, that notwithstanding the foregoing, such prepayment may be effected with respect to the 2015A Certificates by defeasing such 2015A Certificates or portions thereof to maturity pursuant to the Trust Agreement.

**Mandatory Sinking Account Payments.** The 2015A Certificates maturing on February 1, 20\_\_ and bearing interest at \_\_% are subject to mandatory sinking fund prepayment in the amount of the principal thereof, without premium, in the years and amounts as set forth below.

<b>Mandatory Prepayment Dates (February 1)</b>	<b>Principal Amount</b>	<b>Mandatory Prepayment Dates (February 1)</b>	<b>Principal Amount</b>
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\* Final Maturity

The 2015A Certificates maturing on February 1, 20\_\_ and bearing interest at \_\_\_\_\_% are subject to mandatory sinking fund prepayment in the amount of the principal thereof, without premium, in the years and amounts as set forth below.

<b>Mandatory Prepayment Dates (February 1)</b>	<b>Principal Amount</b>	<b>Mandatory Prepayment Dates (February 1)</b>	<b>Principal Amount</b>
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\* Final Maturity

The amount of each prepayment required by the Trust Agreement with respect to the 2015A Certificates will be reduced proportionately as directed by Certificate of the City, which shall include a revised sinking fund schedule in the event and to the extent of any and all optional prepayments of 2015A Certificates pursuant to the Trust Agreement.

## Partial Prepayment

Upon surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates representing the unpaid principal amount of the Certificates surrendered.

## Notice of Prepayment

The Trustee will give the Securities Depository at least two Business Days' notice of the record date selected by it for the purpose of a prepayment of 2015A Certificates, which will comply with the requirements of the Trust Agreement. The Trustee will give notice of the prepayment of 2015A Certificates, not less than 30 nor more than 60 days prior to the prepayment date to the respective Owners of any 2015A Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee. Notice of any prepayment shall either (i) state that the proposed prepayment is conditioned on there being on deposit in the applicable fund or account on the prepayment date sufficient money to pay the full prepayment price of the Certificates to be prepaid or such other conditions as so expressly stated, or (ii) be sent only if sufficient money to pay the full prepayment price of the Certificates to be prepaid is on deposit in the applicable fund or account. So long as DTC or its nominee is the registered owner of the 2015A Certificates, all notices of prepayment will be sent only to DTC.

## SCHEDULE OF 2015A CERTIFICATE PAYMENTS

The following table shows the annual debt service due with respect to the 2015A Certificates.

<b>Period Ending (June 30)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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<u>\$</u>	<u>\$</u>	<u>\$</u>
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\* Mandatory sinking account payments.

## SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES

### General

For the right to the use and possession of, and the continued quiet use and enjoyment of, the Leased Property, the City covenants under the Sublease to pay Base Rental Payments. The full faith and credit of the City is not pledged for the payment of the Base Rental Payments and such payment is not secured by a pledge of or lien on any revenues or funds of the City. While the Base Rental Payments are payable from any legally available funds of the City, the City expects to pay the Base Rental Payments from amounts in its General Fund to the extent revenues of affiliated entities operating portions of the Leased Property are not available. The City covenants in the Sublease to include each fiscal year's Base Rental Payments in that fiscal year's operating budget. The City has in the past, and may in the future, incur obligations payable from its General Fund in addition to the obligation to make Base Rental Payments.

For information regarding the City, including financial information, see APPENDIX A-"THE CITY OF PASADENA" and APPENDIX B - "EXCERPTS FROM AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2014." The City's audited financial statements for the year ended June 30, 2014, should be read in their entirety.

### Rental Payments

**Base Rental Payments.** The Sublease requires the City to pay Base Rental Payments with respect to the Leased Property at the times and in the amounts set forth in the Sublease, a portion of which Base Rental Payments will be applied to the payment of interest represented by the Certificates and to amounts due under any swap agreements. In connection with the delivery of the 2006B Certificates, the City entered into a Swap Agreement which, upon the refunding of the 2006B Certificates, was re-associated with the City's Variable Rate Demand Refunding Certificates of Participation, Series 2008A (the "Swap Agreement"). Payments by the City under the Swap Agreement are to be made from Base Rental Payments as provided in the Trust Agreement. See "OUTSTANDING INDEBTEDNESS-Swap Agreement" herein. The interest components of the Base Rental Payments will be paid by the City as, and will constitute interest paid on, the principal components of the Base Rental Payments to be paid by the City under the Sublease.

**Additional Rental.** The Sublease also requires the City to pay, as rental under the Sublease in addition to the Base Rental Payments, to the Authority or the Trustee, such amounts ("Additional Rental") in each year as will be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Sublease or the assignment thereof, the Trust Agreement or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the City under the Sublease, including, but not limited to, all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property, including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of any Certificates), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Certificates or the Trust Agreement.

**Total Rental.** The Base Rental Payments and Additional Rental for each Lease Year or portion thereof during the term of the Sublease will constitute the total rental for such Lease Year or portion thereof for the lease of the Leased Property.

## **Covenant to Budget and Appropriate**

Under the Sublease, the City covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental payments in its operating budget for each fiscal year and to make all necessary appropriations for such Base Rental Payments and Additional Rental payments. In addition, to the extent permitted by law, the City covenants to take such action as may be necessary to amend or supplement the budget appropriations for payments under the Sublease at any time and from time to time during any fiscal year in the event that the actual Base Rental Payments and Additional Rental paid in any fiscal year exceeds the pro rata portion of the appropriations then contained in the City's budget. The Sublease provides that the City's agreements and covenants thereunder shall be deemed to be and shall be construed to be duties imposed by law and that it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the agreements and covenants in the Sublease agreed to be carried out and performed by the City.

## **Pledge of Base Rental Payments**

The Authority and the City have irrevocably pledged and transferred to the Trustee, for the benefit of the Owners and each Credit Provider, Liquidity Provider and Qualified Swap Providers with respect to Certificates, all of their right, title and interest in and to all amounts on deposit from time to time, in the funds and accounts established under the Trust Agreement (other than the Rebate Fund) and in and to the Base Rental Payments, which will be used for the punctual payment of the interest and principal represented by the Certificates, or to reimburse any Credit Provider for payment of any such amounts and to pay the amounts payable under any Swap Agreement, as such payments will become due and payable in the amounts specified in writing by the applicable Qualified Swap Provider, and the Base Rental Payments will not be used for any other purpose while any of the Certificates remain Outstanding or the City has any obligation to any Credit Provider, Liquidity Provider or Qualified Swap Provider. The pledge constitutes a first and exclusive lien on the funds established under the Trust Agreement and the Base Rental Payments in accordance with the terms thereof subject in all respects to the power of the City to cause the delivery of Additional Certificates pursuant to the Trust Agreement which will be on a parity with the Outstanding 2006A Certificates, 2008A Certificates, 2008B Certificates, 2008C Certificates and 2015A Certificates.

## **Base Rental Payment Funds**

All Base Rental Payments will be paid directly by the City to the Trustee and if received by the Authority at any time, will be deposited by the Authority with the Trustee within one Business Day after the receipt thereof. A pro rata amount of Certificates, based on the aggregate amount Outstanding of all Base Rental Payments, the proceeds of rental interruption insurance and liquidated damages, if any, will be deposited by the Trustee in each Base Rental Payment Fund and all amounts on deposit therein will be held in trust by the Trustee, which funds the Trustee agrees to establish and maintain for the benefit of the Owners, each Credit Provider, Liquidity Provider and Qualified Swap Provider, until all required Base Rental Payments are paid in full pursuant to the Sublease and until such date as the Certificates are no longer Outstanding and no amounts remain owing to any Credit Provider, Liquidity Provider or Qualified Swap Provider; provided, however, and notwithstanding the foregoing, if the Trustee receives a Base Rental Payment in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in each Base Rental Payment Fund not needed for any other purpose under the Trust Agreement, and if the amount then in all Certificate Reserve Funds is at least equal to the Certificate Reserve Fund Requirement, and no amounts are then due to any related Credit Provider, Liquidity Provider or Qualified Swap Provider and there exists no Event of Default



under the Trust Agreement, then amounts in the Base Rental Payment Funds not needed to make such payments may be utilized by the Trustee to make any regular periodic payment due to a Reserve Agreement Provider under a Reserve Agreement.

The Trust Agreement provides that the Trustee is to deposit the amounts on deposit in the Base Rental Payment Funds at the time and in the priority in the following respective funds:

*Interest Fund.* The Trustee, on each Interest Payment Date, shall deposit in each Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component with respect to the related Series of Certificates coming due on such Interest Payment Date. Moneys in the Interest Fund shall be used and withdrawn by the Trustee for the purpose of paying the interest represented by the Certificates when due and payable or for reimbursing any Credit Provider for such payment and for making any payment due to any Qualified Swap Provider not including any amounts owing to any Qualified Swap Provider as a result of the early termination of its Qualified Swap.

*Principal Fund.* The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall deposit in each Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date.

*Mandatory Sinking Account Payment Date.* Moneys in the Principal Funds shall be used and withdrawn by the Trustee for the purpose of paying the principal represented by the Certificates when due and payable at maturity or upon earlier prepayment from Mandatory Sinking Account Payments.

*Prepayment Fund.* The Trustee, on the prepayment date specified in the Written Request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Sublease, shall deposit in the Prepayment Fund established with respect to the Certificates of a Series to be prepaid that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Moneys in a Prepayment Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest represented by the Certificates to be prepaid or for reimbursing the related Credit Provider for such payment and for paying amounts owing to the related Qualified Swap Provider as a result of the early termination of its Qualified Swap.

All Base Rental Payment Funds, all Interest Funds and all Principal Funds are secured and pledged to the payment of all Certificates and to the obligations owing to each Credit Provider, Liquidity Provider and Qualified Swap Provider. To the extent amounts on deposit in any Base Rental Payment Fund, Interest Fund or Principal Fund are insufficient to pay the interest or principal represented by all Certificates or reimburse any Credit Provider for such payment and to pay all amounts owing to any Qualified Swap Provider, the Trustee shall transfer from such other Base Rental Payment Funds, Interest Funds or Principal Funds, if available, so that all Certificates and all amounts owing to such providers shall be on a parity, and no Owner of any Certificate shall enjoy any payment or security in excess of those received by any other Owner. No amounts drawn or paid under any Qualified Swap, Credit Enhancement or Liquidity Facility by the provider thereof with respect to any Series of Certificates shall be applied to the payment of any amounts owed to any Owners of any unrelated Series of Certificates or to any unrelated Qualified Swap Provider, Credit Provider or Liquidity Provider.

### **Certificate Reserve Funds**

Under the Trust Agreement, there are separate Certificate Reserve Funds for each of the 2006A Certificates, the 2008B Certificates, the 2008C Certificates and the 2015A Certificates. However, all

such Certificate Reserve Funds secure all Outstanding Certificates and are funded, in the aggregate, in an amount equal to the Certificate Reserve Fund Requirement. As of the delivery date of the 2015A Certificates, the amount of the Certificate Reserve Fund Requirement will be \$\_\_\_\_\_.

As described below under “Proposed Amendments to the Trust Agreement and Sublease,” following receipt of the consent of the majority of all Outstanding Certificates, the requirement that each series of Certificates under the Trust Agreement be secured by a Certificate Reserve Fund will be eliminated.

The term “Certificate Reserve Fund Requirement” is defined under the Trust Agreement to mean, as of any date of calculation, the least of: (i) maximum prospective annual Base Rental Payments with respect to Outstanding Certificates to be made by the City under the Sublease; (ii) 10% of the outstanding principal amount of the Certificates; or (iii) 125% of the average annual Base Rental Payments with respect to Outstanding Certificates to be made by the City under the Sublease, in accordance with the Tax Certificate. For purposes of the foregoing, it shall be assumed that the interest component of the Base Rental Payments relating to any Series of the Certificates for which a Qualified Swap is in effect will be equal to the swap rate and that the interest component of the Base Rental Payments relating to any Series of Certificates evidencing interest at a variable or auction rate (for which No Qualified Swap is in effect) will be equal to the Insured “AAA” MMD (Municipal Market Data) scale on the date of initial calculation of the Certificate Reserve Fund Requirement in connection with the delivery of such Series of Certificates (which date of calculation shall be not more than 30 days prior to the date of delivery of such Series of Certificates). See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Trust Agreement – Certificate Reserve Fund.”

Moneys in the Certificate Reserve Funds will be used and withdrawn by the Trustee solely for the purposes provided in the Trust Agreement. If, on any Interest Payment Date, the amount on deposit in any Interest Fund is insufficient to pay the interest due with respect to the related Certificates on such Interest Payment Date, or to reimburse any Credit Provider for payment of such interest and to pay any obligation of the City then due under a related Qualified Swap, the Trustee will transfer from any Certificate Reserve Fund and deposit in the related Interest Fund an amount sufficient to make up such deficiency. If, on any Principal Payment Date or any Mandatory Sinking Account Payment Date, the amount on deposit in any Principal Fund is insufficient to pay the principal due with respect to the related Certificates on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee will transfer from any Certificate Reserve Fund and deposit in the related Principal Fund an amount sufficient to make up such deficiency. Subject to the conditions of the Trust Agreement, moneys on deposit in any Certificate Reserve Fund will be withdrawn and applied by the Trustee for the final payment on any Outstanding Certificates and then to pay any amounts owing to any related Credit Provider, Liquidity Provider or Qualified Swap Provider.

The Trust Agreement provides that if at any time the aggregate balance in all Certificate Reserve Funds shall be reduced below the Certificate Reserve Fund Requirement, the first Base Rental Payments thereafter payable by the City under the Sublease and not needed to pay the interest and principal components of the Certificates on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date shall be used to increase the aggregate balance in the Certificate Reserve Funds to such required Certificate Reserve Fund Requirement. The Trust Agreement further provides that if after the payment of principal and interest on any Interest Payment Date, the aggregate balance in the Certificate Reserve Funds is in excess of the Certificate Reserve Fund Requirement, the Trustee will, subject to certain investment requirements, transfer such excess to each Base Rental Payment Fund pro rata, based on the principal amount represented by the related Outstanding Certificates. At the termination of the Sublease in accordance with its terms, any balance remaining in any Certificate Reserve Fund, subject to the last sentence in the immediately preceding paragraph, shall be released and

may be transferred to such other fund or account of the City, or otherwise used by the City for any other lawful purposes, as the City may direct. For purposes of determining the amount on deposit in each Certificate Reserve Fund, all investments shall annually be valued at the cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). **The City shall have no obligation to replenish any Certificate Reserve Fund, except, as described in this paragraph, from Base Rental Payments not needed to pay the interest and principal components of the Certificates.**

The City, upon notice to the Rating Agencies and the applicable Credit Provider, may substitute one or more Reserve Facilities from a financial institution, the long-term unsecured obligations of which (at the time of substitution) are rated not less than “Aa” by Moody’s and “AA” by S&P in substitution for or in place of all or any portion of any cash then on deposit in a Certificate Reserve Fund, under the terms of which the Trustee is unconditionally entitled to draw amounts when required under the Trust Agreement. “Reserve Facility” means one or more letters of credit, lines of credit, liquidity facilities or other credit enhancement issued by a financial institution or other form of credit enhancement and any replacements thereto, including, but not limited to insurance, surety bonds and guarantees delivered to the Trustee which alone or in the aggregate, together with the cash in the Certificate Reserve Funds, provides for satisfaction of the Certificate Reserve Fund Requirement in accordance with the Trust Agreement. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Trust Agreement—Certificate Reserve Fund” for a summary of the procedures the Trustee will follow if all or a portion of the Certificate Reserve Fund Requirement is satisfied by one or more Reserve Facilities. As described below under “Proposed Amendments to the Trust Agreement and Sublease Agreement”, following receipt of the consent of the majority of all Outstanding Certificates, the minimum rating for a Reserve Facility will be reduced to a rating from Moody’s or S&P in the AA category (without regard to gradation).

Notwithstanding anything in the Trust Agreement to the contrary, all Certificate Reserve Funds shall be deemed to be one fund which fund secures and is pledged to the payment of all Certificates and to the obligations owing to each Credit Provider, Liquidity Provider and Qualified Swap Provider.

## **Insurance**

The Sublease requires the City to maintain specified insurance coverage with respect to the Leased Property, including title insurance, property damage insurance, use and occupancy insurance, workers’ compensation insurance and public liability insurance. There will be no new title insurance policy issued in connection with the Series 2015A Certificates, although a title insurance policy was issued in connection with the originally issued Certificates. The Trust Agreement permits the issuance of refunding certificates of participation without obtaining a new policy of title insurance. In the Lease the City has represented that it is the fee owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease—Insurance.” The insurance required by the Sublease is part of the City’s overall risk management program described under “THE CITY—Insurance.” The City believes that its current risk management program satisfies the requirements of the Sublease.

As an alternative to providing the workers’ compensation insurance and public entity liability insurance required by the Sublease, the City may provide a self-insurance or self-funding method or plan of protection for any part or all of the requirements for such insurance and, through such a plan or method, provide for deductible or retention amounts greater than those contemplated by the Sublease. Any such self-insurance or self-funding maintained by the City will comply with certain terms set forth in the Sublease.

The City will collect, adjust and receive all moneys which may become due and payable under any insurance against loss or damage to the Leased Property and use and occupancy insurance, may

compromise any and all claims thereunder and will transfer the proceeds of such insurance to the Trustee for application as provided in the Sublease or in the Trust Agreement. The Trustee will not be responsible for the sufficiency of any insurance required by the Sublease. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

The Sublease provides that the required use and occupancy insurance may be part of the insurance for loss or damage to the Leased Property; provided that the City may apply amounts payable for the loss of use and occupancy only to make Base Rental Payments.

### **Substitution, Addition or Removal of Leased Property**

The City may amend the Sublease and the Lease to substitute real property and/or improvements (the "Substituted Property") for existing Leased Property, to add real property and/or improvements (the "Additional Property") or to remove real property or improvements from the definition of Leased Property, upon compliance with all of the conditions set forth in the Sublease. After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected will be released from the leasehold under the Sublease and under the Lease.

The City will be required to deliver to the Authority, each Qualified Swap Provider and the Trustee: (i) a certificate of the City containing a description of all or part of the Leased Property to be released and, in the event of a Substitution or Addition, a description of the Substituted Property to be substituted in its place or the Additional Property to be added, as the case may be; (ii) a certificate of the City stating that the annual fair rental value of the Leased Property after a Substitution, Addition or Removal, in each year during the remaining term of the Sublease, is, with respect to a Substitution or Removal, at least equal to the maximum annual Base Rental Payments attributable to the Leased Property prior to said Substitution or Removal, or, with respect to an Addition, at least equal to the maximum annual Base Rental Payments attributable to the Leased Property after such Addition, as determined by the City on the basis of an appraisal of the Leased Property after said Substitution, Addition or Removal, conducted by a member of the American Institute of Real Estate Appraisers or the American Society of Appraisers designated by the City; (iii) an opinion of Counsel to the effect that the amendments to the Sublease and the Lease have been duly authorized, executed and delivered and constitute the valid and binding obligations of the City and the Authority enforceable in accordance with their terms; (iv) in the event of a Substitution or Addition, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of Base Rental Payments for the Substituted or Additional Property, as the case may be, bears to the total principal portion of Base Rental Payments, insuring the City's leasehold interest in the Substituted Property or Additional Property, as the case may be (except any portion thereof which is not real property), subject to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Certificates; (v) in the event of a Substitution or an Addition, an opinion of the City Attorney to the effect that the exceptions, if any, contained in the title insurance policy referred to in (iv) above do not interfere with the beneficial use and occupancy of the Substituted Property or Additional Property, as the case may be, described in such policy by the City for the purposes of leasing or using the Substituted Property or Additional Property, as the case may be; (vi) an opinion of Counsel that the Substitution, Addition or Removal does not cause the interest represented by the Certificates to be includable in gross income of the Owners thereof for federal income tax purposes; (vii) a Certificate of the City stating that the City has complied with the insurance requirements of the Sublease with respect to any Substituted Property or Additional Property; (viii) evidence that the City has delivered to each of the Rating Agencies then rating any Certificates and each Credit Provider copies of the certificates and appraisal described in (i) and (ii) above; and (ix) in the case of a Substitution or Removal, written consent of each Credit Provider to

such Substitution or Removal. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Sublease” herein.

As described below under “Proposed Amendments to the Trust Agreement and Sublease”, following receipt of the consent of the majority of all Outstanding Certificates, the requirement for an appraisal in clause (ii) above will be eliminated.

### **Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds**

If prior to the termination of the term of the Sublease: (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property, or any portion thereof, or the estate of the City or the Authority in the Leased Property, or any portion thereof, is defective or will be taken under the exercise of the power of eminent domain by any governmental body, or by any person, or firm or corporation acting under governmental authority, then the City and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed will be paid to the City; provided that the City, at its option, and provided that the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amount of principal and interest represented by Outstanding Certificates attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the entire Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon will cause said proceeds to be used for the prepayment of Outstanding Certificates pursuant to the Trust Agreement. In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either: (i) to repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments; or (ii) to prepay the Outstanding Certificates, together with any payment then due to any Qualified Swap Provider, as provided above, then the City may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; provided that the failure of the City to so budget and/or appropriate will not be a breach of or default under the Sublease.

### **Rental Abatement**

Except to the extent of (i) amounts held by the Trustee in any Base Rental Payment Fund or any Certificate Reserve Fund; (ii) amounts received in respect of use and occupancy insurance; and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, or to any Credit Provider, Liquidity Provider or Qualified Swap Provider, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the City of any portion of the Leased Property, rental payments due under the Sublease will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments will be abated only by an amount equal to the difference. In the event that rental is abated, in whole or in part, due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the City agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property. See “RISK FACTORS—Rental Abatement.”

**Proposed Amendments to the Trust Agreement and the Sublease**

The City is proposing to make certain amendments to the Trust Agreement and the Sublease. The amendments will not become effective until approved by a majority of the principal amount of the Certificate holders. *By the purchase of the Series 2015A Certificates, the purchasers will be deemed to have consented to the amendments.*

The proposed amendments include the following changes:

- (a) the elimination of the requirement for any additional series of Certificates issued pursuant to the Trust Agreement to be secured by a Certificate Reserve Fund or allowing for a stand alone reserve fund for an additional series of Certificates;
- (b) the elimination of the requirement for an appraisal by a member of the American Institute of Real Estate Appraisers or the American Society of Appraisers in connection with the substitution, addition or removal of property under the Sublease;
- (c) the lowering of the minimum rating for a Reserve Facility from at least a “Aa” by Moody’s and “AA” by S&P to a rating from Moody’s or S&P in the “AA” category (without regard to gradation); and
- (d) the elimination of the right to take possession of and relet the Leased Property under the Sublease.

**OUTSTANDING INDEBTEDNESS**

**Other Certificates**

Upon the issuance of the 2015A Certificates, there will also remain Outstanding four Series of Certificates (the 2006A Certificates, the 2008A Certificates, the 2008B Certificates and the 2008C Certificates), as set forth below:

<b>Issue</b>	<b>Dated Date</b>	<b>Original Par Amount</b>	<b>Outstanding Par Amount</b>
Certificates of Participation (Conference Center Project), Series 2006A (Capital Appreciation Certificates)	September 7, 2006	27,139,972	\$20,274,622
Variable Rate Demand Refunding Certificates of Participation, Series 2008A	April 18, 2008	134,720,000	134,720,000
Refunding Certificates of Participation, Series 2008B	May 15, 2008	27,650,000	12,290,000
Refunding Certificates of Participation, Series 2008C	July 16, 2008	71,450,000	\$[_____]*
<b>Total</b>		<b>\$189,509,972</b>	<b>\$[167,284,622]</b>

\* Preliminary, subject to change

## **Additional Certificates**

In addition to the Prior Certificates and the 2015A Certificates, the City, the Authority and the Trustee may, with prior notice to each Credit Provider, by execution of a Supplemental Trust Agreement without the consent of the Owners, provide for the delivery of Additional Certificates representing additional Base Rental Payments. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Trust Agreement.” Additional Certificates executed and delivered under the Trust Agreement will be on a parity with the Outstanding Prior Certificates and the 2015A Certificates and each Owner thereof will have the same rights upon an Event of Default as the Owner of any other Certificate executed and delivered under the Trust Agreement, except as any such rights of the Owners of any Additional Certificates may be limited as provided in any Supplemental Trust Agreement under which such Additional Certificates are executed and delivered. As described above in “Proposed Amendments to the Trust Agreement and Sublease,” following receipt of the consent of the majority of all Outstanding Certificates, the requirement that each series of Certificates under the Trust Agreement be secured by a Certificate Reserve Fund will be eliminated. See “SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES—Certificate Reserve Funds.”

## **Swap Agreement**

In connection with the delivery of the 2006B Certificates, the City entered into the 2006 Swap Agreement with Depfa Bank plc. Upon the refunding of the 2006B Certificates, the City re-associated the 2006 Swap Agreement (the “Swap Agreement”) with the City’s Variable Rate Demand Refunding Certificates of Participation, Series 2008A. The obligations of Depfa Bank plc. were assigned to Royal Bank of Scotland (“RBC”) on March 30, 2011. In general, the Swap Agreement provides that RBC (the “Swap Provider”) is obligated to pay to the City a variable interest rate based on 64% of the one-month LIBOR index and the City is obligated to pay to the Swap Provider a fixed interest rate, in each case calculated on an initial notional amount of \$133,000,000 which notional amount declines approximately proportionately with the outstanding principal amount of the 2008A Certificates. Specifically, under the Swap, the City pays a fixed rate of 3.456% and receives a rate equal to 64% of the LIBOR index. The Swap expires on February 1, 2034, unless terminated earlier. As of June 30, 2015, the rating of the counterparty RBC was Aa3. Also as of June 30, 2015, the swap had a marked to market value of \$(31,742,622) to the City.

The Swap Agreement provides protection to the City against interest rate fluctuations arising from the variable interest rate applicable to the 2008A Certificates. However, such Swap Agreement does not alter the City’s obligation with respect to the payment of principal and interest with respect to the 2008A Certificates.

The City may at any time enter into a Qualified Swap with respect to one or more Series of Certificates. However, any such Qualified Swap requires approval by any Credit Provider providing Credit Enhancement with respect to a Series of Certificates. “Qualified Swap” means any financial arrangement (i) that is entered into by the City with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the City will pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of an Outstanding Series, and that such entity will pay to the City an amount based on the interest accruing on the same amount, at a variable rate of interest computed according to a formula set forth in such arrangement (which may be, but need not be, the same as the actual rate of interest payable with respect to such Series) or that one will pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by the Treasurer or Director of Finance of the City as a Qualified Swap with respect to a Series. “Qualified Swap Provider” means an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability or whose payment

obligations under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated (at the time the subject Qualified Swap is entered into) at least as high as the “Aa” rating category by Moody’s and the “AA” rating category by S&P (without regard to any modifiers within such category), or the equivalent thereof by any successor thereto. The Authority and the City have pledged and transferred to the Trustee, for the benefit of the Owners and each Credit Provider, Liquidity Provider and Qualified Swap Provider, all of their right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Rebate Fund) and in and to the Base Rental Payments and all Certificate Reserve Funds secure and are pledged to the payment of all Series and to the obligations owing to each Credit Provider, Liquidity Provider and Qualified Swap Provider. See “SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES–Pledge of Base Rental Payments; Base Rental Payment Funds” and “–Certificate Reserve Funds.”

Amounts owed by the City to a Qualified Swap Provider under a Qualified Swap are payable from the Base Rental Payments owed under the Sublease. The City’s obligation to make such payments is subject to the conditions applicable to its obligation to make Base Rental Payments as set forth in the Sublease. Amounts paid by the City under a Qualified Swap are to be deposited into the Base Rental Payment Fund established for the related Series of Certificates under the Trust Agreement and disbursed by the Trustee when required. Qualified Swaps provide for early termination in certain circumstances, which could result in the City being required to make an unanticipated termination payment which could be substantial. Such termination payment, if due, is payable by the City as a Base Rental Payment but the City’s obligation to make such payment is generally subject to the same conditions applicable to its obligation to make Base Rental Payments as set forth in the Sublease. Since a Qualified Swap is subject to termination upon the occurrence of a number of events, no assurance can be given that any Qualified Swap will continue to be in existence. Accordingly, the Qualified Swaps do not provide a source of credit or security for the related Series of Certificates.

The City does not contemplate entering into a Qualified Swap with respect to the 2015A Certificates.

**BASE RENTAL PAYMENTS**

While the Base Rental Payments are payable from any legally available source of funds, the City expects to make such payments from its General Fund to the extent revenues of affiliated entities operating portions of the Leased Property are not available. The principal affiliated entity is the Pasadena Center Operating Company, a California nonprofit public corporation, which operates the Pasadena Civic Auditorium and the Pasadena Conference Center. In addition to the Sublease, the City has entered into a number of other agreements which provide that the City make rental and other payments from the General Fund and other available sources of funds. See APPENDIX A-“THE CITY OF PASADENA” and generally Notes 9 through 16 of the Notes to Basic Financial Statements in APPENDIX B – “EXCERPTS FROM AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2014.”

The following table lists the projected Base Rental Payments with respect to the Prior Certificates, the Swap Agreement and the 2015A Certificates.



**CITY OF PASADENA  
PROJECTED BASE RENTAL PAYMENT OBLIGATIONS <sup>(1)</sup>**

<b>Fiscal Year Ended June 30</b>	<b>Prior Certificates <sup>(2)(3)</sup></b>	<b>2015A Certificates</b>	<b>Aggregate Base Rental Payments</b>
2016	\$13,917,013		
2017	14,374,183		
2018	14,691,538		
2019	13,121,500		
2020	10,225,912		
2021	10,554,418		
2022	10,900,174		
2023	11,260,174		
2024	12,052,756		
2025	12,470,418		
2026	12,935,425		
2027	13,373,290		
2028	13,848,758		
2029	14,342,283		
2030	14,869,437		
2031	15,410,631		
2032	15,988,915		
2033	15,830,576		
2034	18,930,866		
2035	11,679,750		
2036	-		
2037	-		
2038	-		
Total	\$	\$	\$

<sup>(1)</sup> Does not include any Additional Rental (including any termination fees under letter of credit agreements) or any termination payments with respect to the Swap Agreement or fees or expenses of trustees, remarketing agents, auction agents, broker-dealers or other professionals in connection with the Certificates.

<sup>(2)</sup> Includes fixed interest payments by the City under the Swap Agreement of 3.536% per annum and assumes variable rate received by the City under the Swap Agreement will equal the interest represented by the 2008A Certificates.

<sup>(3)</sup> Excludes refunded portion of the 2008C Certificates.

**ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds with respect to the 2015A Certificates are as follows:

Sources:

Principal Amount	\$ _____
Plus Original Issue Premium	_____
Less Underwriter’s Discount	( _____ )
Funds held under various Certificate Reserve Funds	_____
<b>Total Sources</b>	<b>\$ _____</b>

Uses:

Deposit to 2015A Escrow Fund	\$ _____
Deposit to Cost of Issuance Fund <sup>(1)</sup>	_____
<b>Total Uses</b>	<b>0</b>

<sup>(1)</sup> The amount deposited in the Cost of Issuance Fund will be used to pay legal fees, printing costs, rating agencies fees, escrow agent fee, financial advisor fee and other miscellaneous expenses.

**THE LEASED PROPERTY**

Under the Sublease, the City is obligated to make Base Rental Payments for the occupancy and use of the Leased Property. The Leased Property consists of: (i) the Civic Auditorium, (ii) Fire Station No. 33, (iii) Fire Station No. 31, (iv) the Rose Bowl Aquatics Center, (v) the Pasadena City Hall, (vi) the Pasadena Community Health Center (the “Health Center”), (vii) the Corporation Yards, (viii) the Hale Building and (ix) the Convention Center, each described below.

**Civic Auditorium**

The Civic Auditorium as well as the underlying real property constitute a portion of the Leased Property. The Civic Auditorium is located at 300 East Green Street on three acres of real property and is a prominent building in the Pasadena Civic Center area. The facility was built from 1930 to 1932 in an Italian Renaissance design. The facility has three distinct sections: the pavilion, the auditorium and the exhibition hall. The pavilion section houses the ticket offices, main foyer and lobby, administrative offices and a large lecture hall. The auditorium seats 3,000 people and has excellent acoustics. The walls have a series of panels prepared from drawings by Raphael, and its ceilings feature decorative plaster and are hand painted.

**Fire Station No. 33**

Fire Station No. 33 as well as the underlying real property constitute a portion of the Leased Property. Fire Station No. 33 was completed in 1950 and is located at 515 North Lake Avenue. The fire station is approximately 10,400 square feet. There are two floors above ground and one floor below ground. Approximately 75% of the space is occupied by fire-fighting equipment and approximately 25% is office and living space. Other structures on this parcel include a classroom and training tower facility as well as a service garage facility. The parcel is zoned commercial and is L-shaped in nature.

**Fire Station No. 31**

Fire Station No. 31 and the improvements constructed thereon as well as the underlying real property constitute a portion of the Leased Property. The fire station is a two-story, masonry and glass

structure, which was completed in 1991 and is located at 145 South Fair Oaks Avenue bounded by Dayton Street on the north and Valley Street on the south. The site is 13,122 square feet. The facility has a total square footage of 8,966. It houses the apparatus room, station offices, lobby area, kitchen, dining room, restroom, living room, sleeping quarters and study areas. The facility has three bays and houses one ladder truck and one engine company. Five to six fire personnel are assigned to this facility.

### **Rose Bowl Aquatics Center**

The improvements and underlying real property comprising the Rose Bowl Aquatics Center, located at 360 N. Arroyo Boulevard, constitute a portion of the Leased Property. The improvements were completed during the summer of 1990. They consist of an aquatics facility, located near the Rose Bowl at Arroyo Boulevard north of Seco Street, which includes two Olympic-size swimming pools, one of which has competition diving facilities, a small children's pool, a clubhouse and appropriate landscaping.

### **Pasadena City Hall**

The improvements and underlying real property comprising City Hall, located at 100 N. Garfield Avenue, constitute a portion of the Leased Property. City Hall is the central feature of Pasadena's Civic Center, located on Garfield Avenue. Completed in 1927, this three-story building is made of reinforced concrete and features a patio in the center, accented by landscaping of flowers, trees and a fountain. It is a rectangular edifice outlining a spacious court. The real property underlying City Hall consists of 2.79 acres of land. The east side is a one-story arcade; the other three sides are three stories high, with small towers at each corner and a dome over the west entrance. The dome is a massive circular tower rising perpendicular for six stories. Atop the dome is the lantern, a column-supported cupola 41 feet high, surmounted by an urn and ball. The highest point is 206 feet above ground.

During initial construction, the contractor was required to guarantee that City Hall would meet a compression test of 2,000 pounds per square inch for 28 days, considerably above the usual specification for that era. With the proceeds of the 2004 Certificates, the City seismically retrofitted City Hall by: (i) installing a base isolation system, involving the strengthening and connecting of the existing building foundations and creating a "moat" (building movement space) around the entire perimeter of the building to allow for ground movement; (ii) structurally tying together the building's walls and columns before they are separated from their footing by flexible isolators designed to carry the building loads and laterally cushion the building from earthquake forces; and (iii) creating a new east basement and structural east arcade along Euclid Avenue to connect the north and south wings of the building as part of the structural solution.

City Hall underwent a general rehabilitation which began in June 2003, including the addition of new access ramps at both the Garfield and Euclid entries as well as a replacement of the stair case at the new east side. Courtyard walkways requiring removal for structural work were replaced. Some planting and tree removal were required at the interior courtyard and the perimeter of the building to effect the "moat" work. The main exterior work included patching and painting of exterior plaster, roof and gutter repairs, cleaning and repair of exterior cast stone elements, window rehabilitation, door repair, accessibility upgrades, cleaning and restoration of the clock, skylight cleaning and repairs and installation of a new skylight at the historic northwest corner location. With respect to the building's interior, all original historic interior spaces and features were rehabilitated. Existing historic elevator cabs were restored and upgraded and new elevators were installed to replace existing council elevators and provide accessibility to the fourth floor and fifth level observation deck in the dome. Some original restrooms were restored and new restrooms were also added. The entire building was upgraded to meet life safety and accessibility requirements. Finally, new mechanical, plumbing, electrical and fire/life safety systems were installed.

The City reoccupied the renovated City Hall in April 2007 when the rehabilitation was completed. As of June 30, 2015, City Hall had an insurable value of \$145,751,840.

### **Health Center**

The Health Center property is located at 1845 North Fair Oaks Avenue and consists of three separate buildings. The buildings were constructed in 1929, 1956 and 1976, respectively. The gross square area of the three buildings is approximately 61,000 square feet. The City acquired the land and the buildings in December 1993 at a cost of approximately \$1,700,000. The Health Center was renovated in 1996.

### **Corporation Yards**

The real property underlying the City's Corporation Yards consists of approximately 23.61 acres located at 233 West Mountain Street. The Corporation Yards are used in connection with the operation and storage of certain vehicles and equipment of the City.

### **Hale Building**

The Hale Building is an approximately 32,500 square foot building and is located at 281 Ramona Street. The land on which the Hale Building is located totals 25,596 square feet. The building, which now houses the City's Permit Center, was built in 1929 for the Southern California Gas Company. After acquiring the facility in 1986, the City restored the historic 1929 lobby of the Hale Building, which now serves as the Permit Center service counter. The two-story building features the original decorative ceiling, unusual painted plaster walls (hidden for years by wood paneling) and the original tile flooring. The building is listed in the National Register of Historic Places as part of the Civic Center district of the City.

### **Convention Center**

The Pasadena Convention Center is located on a 9.15-acre, U-shaped site adjacent to the City's Civic Auditorium and the Pasadena Ice Skating Center. The facility consists of a 55,000 square foot exhibit hall building, a 25,000 square foot ballroom, 25,000 square feet of pre-function space, a full service kitchen, a 22,000 square foot outdoor plaza, and a two level convention and conference center building of approximately 28,000 square feet for meetings. Attached is a 650 space underground parking garage. The Convention Center is located at 300 East Green Street and is situated in the City's Downtown Redevelopment Project Area encompassing the heart of the central business district. As of June 30, 2015, the Convention Center had an insurable value of \$120,891,372.

## **THE CITY**

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 approximately 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 South Pasadena and San Marino, on the east by Arcadia and Sierra Madre, and on the north by the unincorporated community of Altadena and the San Gabriel Mountains. See APPENDIX A – "THE CITY OF PASADENA" herein for further information regarding the City.

## THE AUTHORITY

The Authority is a joint exercise of powers authority created by and existing under the laws of the State established pursuant to that certain Joint Exercise of Powers Agreement, dated April 24, 2000, between the City and the Pasadena Community Development Commission (the "Commission"). The Authority is a public entity separate from the City and the Commission. The Authority is administered by a Governing Board which consists of the members of the City Council. THE AUTHORITY IS NOT OBLIGATED IN ANY MANNER WHATSOEVER TO MAKE BASE RENTAL PAYMENTS OR ADDITIONAL RENTAL PAYMENTS. THE AUTHORITY HAS NO TAXING POWER.

In 2011, the State of California enacted ABx1 26, which required the dissolution of all California redevelopment agencies, including the Commission, and the disposition and winding up of the operations of such redevelopment agencies. The City will covenant under the Sixth Supplemental Trust Agreement to take whatever action is necessary to preserve the existence of the Authority.

## RISK FACTORS

The following risk factors associated with investing in 2015A Certificates, along with all other information in this Official Statement, should be considered by potential investors in evaluating an investment in the 2015A Certificates. The following list is not intended to be comprehensive of all risks of investing in the 2015A Certificates and no significance should be associated with the order of presentation of the risk factors.

### **Lease Obligation—No Tax Pledge**

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE SUBLEASE DOES NOT CONSTITUTE AN OBLIGATION 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. NEITHER THE 2015A CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

### **No Pledge of Other City Funds**

The 2015A Certificates are payable from Base Rental Payments made by the City under the Sublease. While the Base Rental Payments are payable from any legally available funds, the City expects to make Base Rental Payments from amounts in its General Fund to the extent revenues of affiliated entities operating portions of the Leased Property are not available. The City has not pledged any moneys in the General Fund nor any revenue source to secure the obligations represented by the 2015A Certificates. No assurances can be given as to the amount and source of money available to the City at any particular time to make Base Rental Payments. In the event the City's revenue sources are less than its total obligations, the City could fund municipal services and other obligations payable from its General Fund before making Base Rental Payments and other payments due under the Sublease.

### **Sublease Has No Limit on Additional Obligations**

As of June 30, 2014, the City had outstanding \$123,890,000 of taxable pension bonds, and had entered into leasing arrangements with respect to \$76,589,936 of outstanding certificates of participation

(including the 2015A Certificates) and \$6,180,000 of outstanding revenue bonds, all of which are payable from the City's General Fund.

The Sublease does not prohibit the City from incurring additional obligations payable from general revenues on a parity with the Base Rental Payments either as Additional Certificates under the Sublease or under other agreements. See "OUTSTANDING INDEBTEDNESS—Additional Certificates" herein. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. See APPENDIX A – "THE CITY OF PASADENA—City Financial Information—General Fund Comparative Financial Statements" herein.

### **Rental Abatement**

Under the Sublease, Base Rental Payments will be abated during any period in which, by reason of title defect, damage or destruction, there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof to the extent agreed upon by the City and the Authority. See "SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES—Rental Abatement." If Base Rental Payments are abated, no assurances can be given that moneys held by the Trustee under the Trust Agreement, or the proceeds of rental interruption insurance, will be sufficient to pay the debt service with respect to the 2015A Certificates. In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Certificate Reserve Funds after such payments may be less than the Certificate Reserve Fund Requirement. **If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental Payments and the resulting Base Rental Payments, together with moneys in the Certificate Reserve Funds, are insufficient to make all payments with respect to the 2015A Certificates during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Owners under the Sublease or Trust Agreement for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest represented by the 2015A Certificates as a result of abatement of the City's obligation to make Base Rental Payments under the Sublease is not an event of default under the Trust Agreement or the Sublease.**

Notwithstanding the provisions of the Sublease specifying that the extent of any Base Rental Payment abatement is to be agreed upon by the City and the Authority, in the event of the City's failure to have use and possession of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the City may not be sufficient to pay all or that portion of the remaining principal and interest represented by the 2015A Certificates.

### **Limited Recourse on Default; Reletting of the Leased Property**

The enforcement of any remedies provided for in the Sublease and in the Trust Agreement could prove to be both expensive and time-consuming. Although the Sublease and the Trust Agreement provide that if there is a default by the City, the Trustee, as assignee of the Authority, may take possession of and relet the Leased Property, no assurance can be given that there are prospective tenants who would wish to lease the Leased Property or that the amounts received from any such reletting would be sufficient to pay the Base Rental Payments represented by the 2015A Certificates when due.

### **Limitation on Enforcement of Remedies**

The ability of the Trustee to exercise remedies in the event of a default under the Sublease may be especially difficult because of the essential nature of the Leased Property, its commercial and historical value, as well as the problems associated with taking possession and evicting government operations.

Consequently, the Trustee may find it more difficult, time consuming or expensive to exercise its legal remedies than in a lease structure that did not involve governmental services. Consequently, it is likely that the Trustee's only practical remedy will be to sue the City as rent becomes due and it will be unable to exercise upon the collateral and take possession of, and relet, the Leased Property. Any suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. If the Trustee is unable to take possession and relet the Leased Property, the Owners of the 2015A Certificates may not receive payment of Base Rental Payments represented by the 2015A Certificates, or such payment may be delayed. See "THE LEASED PROPERTY."

### **No Acceleration**

In the event of a default under the Sublease, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Sublease. The City will only be liable for Base Rental Payments on an annual basis as they come due and the Trustee would be required to seek separate judgments for the annual Base Rental Payments. In addition, any such suit for money damages could be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

### **Bankruptcy**

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement, the Lease 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. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the 2015A Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the 2015A Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The adjustment of similar obligations is currently being litigated in federal court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. The Adjustment Plans in these cities propose significant reductions in the amounts payable by the cities under lease revenue obligations substantially identical or similar to the 2015A Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, the City could either reject the Sublease or the Lease or assume the Sublease or the Lease despite any provision of the Sublease or the Lease that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease, the Trustee, on behalf of the Owners of the 2015A Certificates, would have a pre-petition unsecured claim that may be substantially limited in

amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the 2015A Certificates. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Lease (or the Sublease) to a third party, regardless of the terms of the transaction documents. If the City rejects the Sublease, the Trustee, on behalf of the Owners of the 2015A Certificates, would have a pre-petition unsecured claim and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the 2015A Certificates. Moreover, such rejection may terminate both the Sublease and the Lease and the obligations of the City to make payments thereunder.

### **Substitution, Addition or Removal of Leased Property**

The Sublease permits the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property. Although the Sublease requires various certificates designed to ensure that the substitute property has an annual fair rental value upon becoming part of the Leased Property equal to the maximum annual amount of the Base Rental Payments remaining due with respect to the Leased Property being replaced, it does not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within the City's boundaries. Therefore, release or substitution of all or a portion of the Leased Property could have an adverse effect on the security for the 2015A Certificates. See "SOURCE OF PAYMENT FOR THE 2015A CERTIFICATES—Substitution, Addition or Removal of Leased Property."

### **Earthquakes and Natural Disasters**

The City is in a seismically active region of the State. Major fault systems traversing Southern California and affecting the Pasadena area include the San Andreas and Newport-Inglewood fault systems. A major earthquake along these regional systems, a local fault, or as yet unknown faults has the potential to result in seismic-induced ground shaking in the City. Much of the City, including some or all of the Leased Property, overlies sandy, stony or gravelly soil. This soil is more porous and loosely compacted than bedrock and thus subject to greater impacts from seismic ground shaking than bedrock. Some or all of Leased Property lies within four miles of the Sierra Madre fault to the north and within two miles of the Raymond Hill fault to the south. These faults are the only faults considered active within the City. No known faults traverse the Leased Property. A significant earthquake along one or more of these or other faults is probable during the period the 2015A Certificates will be Outstanding.

Earthquake insurance is only required to be provided to the extent such insurance is commercially available from reputable insurance companies. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Sublease." The City does not carry earthquake insurance for the Leased Property because the City has determined that it is not available at commercially reasonable rates. In the event that a portion or all of the Leased Property is damaged or destroyed by earthquake, the City's obligation to make Base Rental Payments would be abated. In addition, if a portion or all of the Leased Property were damaged or destroyed in an earthquake, rental interruption insurance would not provide coverage for any abatement of Base Rental Payments and the City would have no obligation to repair such damage. In the event of a serious earthquake affecting the City, it is possible that the Federal Emergency Management Agency ("FEMA") would provide financing to aid the rebuilding of some or all of the Leased Property; however, there can be no assurance that FEMA or any other entity would provide such aid or that, if provided, it would cover the cost of reconstruction.

The City is also not required under the Sublease to maintain flood insurance on the Leased Property. In the event of damage or destruction to the Leased Property caused by perils for which the



City is not required to provide insurance under the Lease, the City will not be obligated to repair, replace or reconstruct the Leased Property. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Sublease” and “-Rental Abatement” herein.

### **Certain Other Risks with Respect to the Leased Property**

A portion of the Leased Property includes Pasadena City Hall, the Hale Building and the Civic Center, each an historic building. In the event of a casualty to any of such portions of the Leased Property, the City may not be able to restore or rebuild these buildings in a way that would restore the inherent value of these historic properties. Further, the Civic Center hosts significant celebrity gatherings and awards shows and various community events. Additionally, a significant portion of the Leased Property is located near the route of the Tournament of Roses Rose Parade and the Rose Bowl, both of which attract national attention and sizeable crowds. The City has no way of quantifying the probabilities of a terrorist attack on the Rose Parade, Rose Bowl, the Civic Center or any of the Leased Property, and has not received threats directed to any particular property of the City. The City is not required under the Sublease to carry terrorism risk insurance. In the event of damage or destruction to some or all of the Leased Property caused by a terrorist attack for which the City is not required to provide insurance under the Sublease, the City will not be obligated to repair, replace or reconstruct the Leased Property. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease” and “-Rental Abatement” herein.

### **Reserve Funds**

At the time of delivery of the 2015A Certificates, the Certificate Reserve Funds under the Trust Agreement will be funded in an amount equal to the Certificate Reserve Fund Requirement, which as of the date of delivery of the 2015A Certificates will be \$\_\_\_\_\_. In the event of abatement or default, the amounts on deposit in the Certificate Reserve Funds may be significantly less than the amount of Base Rental Payments due during any period of abatement or default.

### **Economic Conditions in the State of California**

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State’s General Fund revenues may affect appropriations made by the State to public agencies, including the City. See APPENDIX A – “THE CITY OF PASADENA–State of California Budget Information”

### **Hazardous Substances**

The City knows of no existing hazardous substances which require remedial action on or near the Leased Property. However, it is possible that such substances do currently or potentially exist and that the City is not aware of them. The City does not currently carry insurance covering the risk of hazardous substances. Owners and operators of real property may be required by law to remedy conditions of property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the City and/or the value of the Leased Property.

## **Investment of Funds**

The Certificate Reserve Funds and all other funds held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions of Certain Terms” for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or the funds and accounts held by the City could have a material adverse affect on the source of payment for the 2015A Certificates and/or the financial condition of the City.

## **Change in Law**

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City Council will not enact legislation that will amend the laws of the State Constitution or the City Charter, respectively, in a manner that could result in a reduction of the City’s General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, APPENDIX A – “THE CITY OF PASADENA—Constitutional and Statutory Limits on Taxes, Revenues and Appropriations.”

## **FINANCIAL STATEMENTS**

The audited basic financial statements (the “Financial Statements”) of the City for the year ended June 30, 2014, included in APPENDIX B – “EXCERPTS FROM AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2014,” have been examined by Brown Armstrong Accounting Corporation, Certified Public Accountants (the “Auditor”), to the extent and for the period indicated in its report (the “Report”), which also appears in APPENDIX B. The Financial Statements and the Report should be read in their entirety.

The Financial Statements and Report for the year ended June 30, 2014 and for prior years are on file for public inspection with the City Clerk. The City has not requested nor received the consent of the Auditor to the reproduction of its Report in APPENDIX B – “EXCERPTS FROM AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2014.” The Auditor has not reviewed or expressed any opinion regarding any portion of this Official Statement other than the Financial Statements as stated in the Report.

## **TAX MATTERS**

In the opinion of Special Counsel, under existing law and assuming compliance with certain covenants in the Trust Agreement, the Sublease and other documents relating to the 2015A Certificates and requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of proceeds of the 2015A Certificates and the timely payment of certain investment earnings to the United States, the portion of each Base Rental Payment due under the Sublease designated as and comprising interest with respect to the 2015A Certificates is not includable in the gross income of the Owners of the 2015A Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause the portion of each Base Rental Payment due under the Sublease designated as and comprising interest with respect to the 2015A Certificates to be included in gross income retroactively to the date of execution and delivery of the 2015A Certificates.

In the further opinion of Special Counsel, the portion of each Base Rental Payment due under the Sublease designated as and comprising interest with respect to the 2015A Certificates is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Such portion of each Base Rental Payment, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

Ownership of, or the receipt or accrual of interest on or with respect to, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Special Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2015A Certificates should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Sublease or other documents pertaining to the 2015A Certificates may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Special Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of the portion of each Base Rental Payment due under the Sublease designated as and comprising interest with respect to the 2015A Certificates on and after the date on which any such change occurs or action is taken or not taken upon the advice or approval of counsel other than Special Counsel.

### **Original Issue Discount**

The excess, if any, of the amount payable at maturity of any maturity of the 2015A Certificates purchased as part of the initial public offering over the issue price of that maturity constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of a maturity of 2015A Certificates with original issue discount (a "Discount Certificate") is excluded from gross income for federal income tax purposes to the same extent as the portion of each Base Rental Payment due under the Sublease designated and comprising interest with respect to the 2015A Certificates. In general, the issue price of a maturity of 2015A Certificates is the first price at which a substantial amount of 2015A Certificates of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers), and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Certificate is increased by the amount of such accruing original issue discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Certificate for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Certificate that is a corporation is included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Certificate is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of Discount Certificates should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of a Discount Certificate has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Certificate that is not purchased in the initial public offering at the first price at which a substantial amount of such substantially identical 2015A Certificates is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Certificate should consult his or her tax advisor with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Certificate and with respect to state and local tax consequences of owning and disposing of such Discount Certificate.

### **Original Issue Premium**

Certain of the 2015A Certificates may be purchased in the initial offering for an amount in excess of their principal amount (the "Premium Certificates"). The excess of the tax basis of a purchaser of a Premium Certificate (other than a purchaser who holds a Premium Certificate as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Premium Certificate is "certificate premium." Certificate premium is amortized for federal income tax purposes over the term of a Premium Certificate based on the purchaser's yield to maturity in the Premium Certificate, except that in the case of a Premium Certificate prepayable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Certificate. An Owner of a Premium Certificate is required to decrease his or her adjusted basis in such Premium Certificate by the amount of certificate premium attributable to each taxable year in which such purchaser holds such Premium Certificate. The amount of certificate premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of Premium Certificate should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of certificate premium attributable to each taxable year and the effect of certificate premium on the sale or other disposition of a Premium Certificate, and with respect to the state and local tax consequences of owning and disposing of a Premium Certificate.

### **Information Reporting and Backup Withholding**

Interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest with respect to the 2015A Certificates to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

### **State Tax Exemption**

In the further opinion of Special Counsel, the portion of each Base Rental Payment due under the Sublease designated as and comprising interest with respect to the 2015A Certificates is exempt from personal income taxes imposed by the State.

## **Future Developments**

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the 2015A Certificates to be subject, directly or indirectly, to federal income taxation or to state or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the 2015A Certificates. Prospective purchasers of the 2015A Certificates should consult their tax advisors regarding any future, pending or proposed federal or state tax legislation, regulations, rulings or litigation as to which Co-Bond Counsel expresses no opinion.

For example, various proposals have been made in Congress and by the President (the “Proposed Legislation”), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the 2015A Certificates, to a tax payable by certain bondholders with adjusted gross income in excess of thresholds specified in the Proposed Legislation. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the 2015A Certificates to a tax or cause interest on the 2015A Certificates to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation on their individual situations.

A copy of the proposed form of opinion of Special Counsel is attached hereto as APPENDIX D – “PROPOSED FORM OF OPINION OF SPECIAL COUNSEL.”

## **APPROVAL OF LEGALITY**

Legal matters incident to the execution and delivery of the 2015A Certificates are subject to the approving opinion of Sidley Austin LLP, San Francisco, California, Special Counsel. A form of such opinion is attached hereto in APPENDIX D – “PROPOSED FORM OF OPINION OF SPECIAL COUNSEL,” and copies of such opinion with respect to the 2015A Certificates will be available at the time of delivery of the 2015A Certificates. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Sidley Austin LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Underwriter’s Counsel.

## **LITIGATION**

There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of the City, threatened against or affecting the City: (i) which would materially and adversely impact the City’s ability to complete the transactions described in or contemplated by this Official Statement; (ii) to restrain or enjoin the delivery of any of the 2015A Certificates or the payments to be made by the City pursuant to the Sublease; (iii) in any way contesting or affecting the validity of the Trust Agreement, the Sublease, any of the 2015A Certificates or the transactions relating to the Leased Property as described in “THE LEASED PROPERTY,” or contesting in any way the completeness or accuracy of this Official Statement; or (iv) wherein an unfavorable decision, ruling or finding would materially and adversely affect the City or the validity or enforceability of the Trust Agreement, the Sublease or the 2015A Certificates.

A number of suits and claims are pending against the City and related entities. See APPENDIX A – “THE CITY OF PASADENA— THE CITY OF PASADENA—Retirement Systems—SB481

Litigation.” In the opinion of the City, the results of such legal activities will not have a material adverse effect on the financial position or results of operations of the City or such entities.

### **CONTINUING DISCLOSURE**

The City has agreed to enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), for the benefit of the Holders and Beneficial Owners of the 2015A Certificates to provide annual financial statements of the City (the “Annual Report”), by not later than 240 days after the end of the City’s fiscal year (presently June 30), commencing with the report for the 2014-15 fiscal year. The City has also agreed in the Continuing Disclosure Agreement to provide notices within 10 business days of the occurrence of certain listed events. See “APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”). The City is not required to make any voluntary disclosures under the terms of the Continuing Disclosure Agreement.

The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. Notwithstanding any provision of the Trust Agreement, failure of the City to comply with the requirements of the Rule or the Continuing Disclosure Agreement will not be considered an Event of Default under the Trust Agreement and will not result in the acceleration of the maturity of any 2015A Certificate; provided however that the Trustee, may, and in some cases, must, and a Holder or a Beneficial Owner may take such actions as may be necessary and appropriate to cause the City to comply with the disclosure obligations described above. For purposes of the Continuing Disclosure Agreement only, “Beneficial Owner” means any person which has the power, directly or indirectly, to vote or give consent with respect to, or to dispose of ownership of, any 2015A Certificate (including persons holding 2015A Certificates through any nominees, depositories or other intermediaries). See APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

### **RATINGS**

Standard & Poor’s Ratings Services (“S&P”), a Standard and Poor’s Financial Services LLC business, has assigned the 2015A Certificates the rating of “\_\_\_” and Fitch Ratings (“Fitch”) has assigned the rating of “\_\_\_.” An explanation of the significance of the ratings may be obtained from Standard & Poor’s at 55 Water Street, New York, New York 10004 and Fitch Ratings at 99 Church Street, New York, New York 10004.

Such ratings express only the views of S&P or Fitch and are not a recommendation to buy, sell or hold the 2015A Certificates. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by S&P or Fitch, if in their judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2015A Certificates.

### **UNDERWRITING**

Wells Fargo Bank, National Association (the “Underwriter”) has agreed to purchase the 2015A Certificates, for reoffering, at a purchase price of \$\_\_\_\_\_ (representing the principal amount of the 2015A Certificates of \$[\_\_\_\_\_], plus a [net original premium of \$\_\_\_\_\_] and less an Underwriter’s discount of \$\_\_\_\_\_). The Underwriter will purchase all of the 2015A Certificates if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2015A Certificates.

The Underwriter provided the following two paragraphs for inclusion in this Official Statement. The City does not guarantee the accuracy or completeness of the information contained therein and it should not be construed as a representation of the City.

Wells Fargo Bank, National Association (“WFBNA”), the sole underwriter of the 2015A Certificates has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the 2015A Certificates. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2015A Certificates with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the 2015A Certificates. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

#### **MUNICIPAL ADVISOR**

Urban Futures Incorporated (the “Municipal Advisor”) has acted as Municipal Advisor to the City in conjunction with the issuance of the 2015A Certificates. The Municipal Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, issuance of the 2015A Certificates. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the 2015A Certificates.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

#### **VERIFICATION**

Concurrently with the issuance of the 2015A Certificates, Grant Thornton LLP (the “Verification Agent”) will deliver a report with respect to the mathematical accuracy of certain computations, contained in schedules provided to them, which were prepared by the Underwriter, relative to the sufficiency of moneys and securities deposited into the Escrow Fund established pursuant to an escrow agreement to pay, when due the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded Certificates. The report of the Verification Agent will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the aforesaid computations and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

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**EXECUTION AND DELIVERY**

The preparation, execution and distribution of this Official Statement have been authorized by the City.

CITY OF PASADENA

By: \_\_\_\_\_  
Matthew E. Hawkesworth  
Director of Finance



**APPENDIX A**  
**THE CITY OF PASADENA**

**APPENDIX B**

**EXCERPTS FROM AUDITED BASIC FINANCIAL STATEMENTS OF  
THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2014**

**APPENDIX C**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX D**  
**PROPOSED FORM OF OPINION OF SPECIAL COUNSEL**

**APPENDIX E**  
**BOOK-ENTRY SYSTEM**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the securities (the “2015A Certificates”). The 2015A Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the 2015A Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2015A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015A Certificates 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015A Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2015A Certificates, except in the event that use of the book-entry system for the 2015A Certificates is discontinued.

To facilitate subsequent transfers, all 2015A Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015A Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015A Certificates;

DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015A Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2015A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015A Certificates, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bond documents. For example, Beneficial Owners of the 2015A Certificates may wish to ascertain that the nominee holding the 2015A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015A Certificates 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. (nor any other DTC nominee) will consent or vote with respect to 2015A Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co. a consenting or voting right to those Direct Participants to whose accounts the 2015A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and redemption proceeds, distributions, and interest payments on the 2015A Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payment date 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 Participants and not of DTC or of its nominee, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and redemption proceeds, distributions, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its 2015A Certificates purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such 2015A Certificates by causing the Direct Participant to transfer the Participant's interest in the 2015A Certificates, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2015A Certificates in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the 2015A Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2015A Certificates to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the 2015A Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event

that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**The City cannot and do not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the 2015A Certificates paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the 2015A Certificates or any error or delay relating thereto.**

**Neither the City nor the Trustee will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the 2015A Certificates; (iii) any notice that is permitted or required to be given to Holders under the Bond Indenture; (iv) the selection by DTC, any Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the 2015A Certificates; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.**

**APPENDIX F**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**