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**PASADENA PUBLIC FINANCING AUTHORITY  
VARIABLE RATE DEMAND LEASE REVENUE BONDS  
(ROSE BOWL REFINANCING AND IMPROVEMENT PROJECTS), SERIES 2006**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2006

Pasadena Public Financing Authority  
117 East Colorado Boulevard  
Pasadena, California 91109

City of Pasadena  
117 East Colorado Boulevard  
Pasadena, California 91109

Ladies and Gentlemen:

The undersigned, Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “**Underwriter**”), offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the Pasadena Public Financing Authority (the “**Authority**”) and the City of Pasadena (the “**City**”), which will be binding upon the Authority, the City and the Underwriter upon the acceptance hereof by the Authority and the City. This offer is made subject to its acceptance by the Authority and the City by execution of this Purchase Agreement and its delivery to the Underwriter at or prior to 5:00 P.M., California time, on the date hereof. Upon such acceptance and delivery, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Authority, the City and the Underwriter. All terms used herein and not otherwise defined shall have the respective meanings ascribed to such terms in the Indenture or the Sublease (as such terms are hereafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriter, all (but not less than all) of the \$ \_\_\_\_\_ aggregate principal amount of the Pasadena Public Financing Authority Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects), Series 2006 (the “**Bonds**”). The Underwriter will purchase the Bonds at a purchase price of \$ \_\_\_\_\_ (representing the principal amount of the Bonds, less

Underwriter's discount of \$ \_\_\_\_\_, and less/plus net original issue discount/premium of \$ \_\_\_\_\_).

2. Authorizing Instruments and Law.

(a) The Bonds shall be issued pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1 and 4 of Chapter 5 of Division 7 of Title I (commencing with Section 6500) of the Government Code (the "**Act**") of the State of California (the "**State**"), Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, the Resolution of the Authority adopted on February 6, 2006 (the "**Authority Resolution**"), the Resolution of the City adopted on February 6, 2006 (the "**City Resolution**") and the Bond Indenture, dated as of February 1, 2006 (the "**Indenture**"), by and between the Authority and Deutsche Bank National Trust Company, as trustee (the "**Trustee**"). The Bonds shall be payable from Base Rental Payments to be paid by the City to the Authority pursuant to the Sublease, dated as of February 1, 2006 (the "**Sublease**"), by and between the Authority and the City, relating to the Leased Property and the other funds pledged therefore pursuant to the Indenture. In connection therewith, the Authority and the City also have entered into a Lease, dated as of February 1, 2006 (the "**Lease**"), providing for the lease of the Leased Property by the City to the Authority. Pursuant to the Indenture, the Authority will assign to the Trustee certain of its rights, title and interest in and to the Sublease, including its right to receive the Base Rental Payments due and payable thereunder.

(b) The Authority will use the proceeds of the Bonds to (i) prepay obligations of the City with respect to the outstanding City of Pasadena 1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvements Project) (the "**1991 Certificates**"), originally executed and delivered pursuant to the Trust Agreement, dated as of December 1, 1991, among Bank of America National Trust and Savings Association, as trustee (the "**1991 Trustee**"), the City and the Pasadena Civic Improvement Corporation (the "**Corporation**"), (ii) prepay the obligations of the City with respect to the outstanding City of Pasadena 1996 Certificates of Participation (Additional Rose Bowl Improvements Project) (the "**1996 Certificates**" and, together with the 1991 Certificates, the "**Certificates**"), executed and delivered pursuant to the Amended and Restated Trust Agreement, dated as of June 1, 1996, among BNY Western Trust Company, as trustee (the "**1996 Trustee**"), the City and the Corporation, (iii) finance certain improvements to the City's Rose Bowl Stadium, (iv) finance certain improvements to the City's City Hall, (v) fund a Reserve Fund and (vi) pay certain costs of issuing the Bonds.

The Authority will prepay the Certificates by depositing into separate escrow funds with respect to the 1991 Certificates and the 1996 Certificates (collectively, the "**Escrow Funds**") proceeds from a draw under the Prior Letter of Credit, and will reimburse such draw with a portion of the proceeds of the Bonds, together with other available funds. The Escrow Fund with respect to the 1991 Certificates will be established under an Escrow Agreement, dated as of February \_\_, 2006 (the "**1991 Escrow Agreement**"), by and between the City and the 1991 Trustee, as escrow agent. The Escrow Funds with respect to the 1996 Certificates will be established under an Escrow Agreement, dated as of February \_\_, 2006 (the "**1996 Escrow Agreement**" and, together with the 1991 Escrow Agreement, the "**Escrow Agreements**"), by

and between the City and the 1996 Trustee, as escrow agent (the 1991 Trustee and the 1996 Trustee being collectively referred to herein as the “**Escrow Agents**”).

(c) The Bonds will initially bear interest at a Weekly Rate and may be converted to bear interest at a Daily Rate, Unit Pricing Rate, Term Rate, Auction Rate, Indexed Rate, Stepped Coupon Rate, R-FLOAT Rate or a Fixed Rate, based on the Mode specified for the Bonds by the Authority from time to time, subject to the terms of the Indenture. The Authority and the City hereby acknowledge and confirm that the purchase and sale of the Bonds is a negotiated transaction and that the Underwriter is not acting as a fiduciary or as an agent of the Authority or the City, but rather is acting solely in the capacity as Underwriter under this Purchase Agreement for its own account.

(d) The Bonds shall be dated, shall mature, shall be subject to redemption and tender for purchase, shall be payable from the sources, shall be secured and shall have such other terms and conditions as described in the Official Statement relating to the Bonds, dated February \_\_, 2006 (such Official Statement, including the cover page, any materials incorporated by reference therein, all appendices, exhibits, reports and statements included therein or attached thereto and any amendments or supplements thereto, being herein called the “**Official Statement**”). In addition, the Bonds will be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Indenture.

(e) While the Bonds bear interest at a Weekly Rate, payment of the principal, Purchase Price of, and interest on the Bonds will be supported initially by an irrevocable, direct-pay letter of credit (the “**Letter of Credit**”) to be issued concurrently with the issuance of the Bonds by Citibank, N.A. (the “**Bank**”) pursuant to and subject to the terms of a Letter of Credit Reimbursement Agreement (the “**Reimbursement Agreement**”), dated as of February 1, 2006, by and between the City and the Bank.

(f) The Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as remarketing agent (the “**Remarketing Agent**”), will enter into a Remarketing Agreement, dated as of February 1, 2006 (the “**Remarketing Agreement**”), related to the remarketing of Bonds tendered or deemed tendered for purchase in accordance with the terms of the Indenture.

(g) In connection with the issuance of the Bonds, the City has entered into an interest rate swap agreement in the form of an ISDA Master Agreement, Schedule and Credit Support Annex and related Transactions (collectively, the “**Swap Agreement**”) with Deutsche Banks AG, New York Branch.

3. Public Offering. The Underwriter agrees to make an initial public offering of all of the Bonds at a price not in excess of the initial offering price or prices set forth in the Official Statement. The Underwriter may change the initial offering price or prices as it deems necessary in connection with the offering of the Bonds without any requirement of prior notice, and may offer and sell the Bonds to certain institutions at prices lower than those stated in the Official Statement. The Authority and the City hereby authorize the use by the Underwriter of this Purchase Agreement, the Indenture, the Sublease, the Lease, the Remarketing Agreement, the Reimbursement Agreement, the Tax Certificate, the Escrow Agreements and the Official Statement, and any supplements or amendments thereto, and the information contained in each

of such documents, in connection with the public offering and sale of the Bonds (each as defined herein and, collectively, the “**Legal Documents**”).

4. Delivery of Official Statement.

(a) The Authority hereby consents to and ratifies the use by the Underwriter of the Official Statement in connection with the public offering of the Bonds by the Underwriter. The Authority hereby represents and warrants that the Official Statement was “deemed final” by the Authority as of its date for purposes of Rule 15c2-12 (“**Rule 15c2-12**”) promulgated by the Securities and Exchange Commission of the United States (the “**SEC**”) under the Securities Exchange Act of 1934, as amended, except for permitted omissions.

(b) The Authority authorizes the Underwriter to file, and the Underwriter agrees to file, the Official Statement with (i) at least one of the nationally recognized municipal securities information repositories (“**NRMSIRs**”) and (ii) the Municipal Securities Rulemaking Board (“**MSRB**”), or its designee. If and to the extent permitted or required by applicable SEC or MSRB rules, the Underwriter also shall file the Official Statement with other repositories approved by the SEC, either in addition to or in lieu of the filings referred to above. If an amended Official Statement is prepared in accordance with Section 4(d) during the “new issue disclosure period,” and if required by applicable SEC or MSRB rules, the Underwriter also shall make the required filings of the amended Official Statement.

(c) The Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Authority, the City and the Underwriter. If the Official Statement has been prepared in electronic form, the Authority and the City hereby confirm that they do not object to distribution of the Official Statement in electronic form.

(d) The Authority shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter. The Authority and the City covenant with the Underwriter to notify the Underwriter promptly if, on or prior to the 25th day after the End of the Underwriting Period, any event shall occur, or information comes to the attention of the Authority or the City, that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and if in the opinion of the Authority, the City or the Underwriter such event requires the preparation and distribution of a supplement or amendment to the Official Statement, to prepare and furnish to the Underwriter, at the Authority’s expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the Authority and the City and approved by the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the Closing Date, the Authority and the City also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

(e) For purposes of this Purchase Agreement, (i) the “End of the Underwriting Period” shall occur when the Underwriter no longer retains an unsold balance of the Bonds and, unless otherwise advised in writing by the Underwriter by the Closing Date, the End of the Underwriting Period shall be the Closing Date, and (ii) the “new issue disclosure period” shall end on the 25th day after the Closing.

5. The Closing. At 8:00 A.M., California time, on February \_\_, 2006, or at such other time or on such earlier or later date as we may mutually agree upon (the “**Closing Date**”), the Authority will deliver or cause to be delivered through the facilities of The Depository Trust Company, New York, New York (“**DTC**”) for the account of the Underwriter in New York, New York, or at such other place as the Authority and the Underwriter may mutually agree upon, the Bonds in definitive form, bearing proper CUSIP numbers, duly executed and authenticated, and at the offices of Orrick, Herrington & Sutcliffe LLP (“**Bond Counsel**”) in Los Angeles, California, the other documents hereinafter mentioned; and, subject to the conditions of this Purchase Agreement, the Underwriter will accept such delivery and pay the purchase price thereof (such delivery and payment being herein referred to as the “**Closing**”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee of DTC, and will be in the form of a separate single fully-registered Bond in the full aggregate amount of the Bonds. The Bonds will be made available for review at least one (1) business day prior to the Closing.

6. Representations and Warranties of the Authority. The Authority hereby agrees with, and makes the following representations and warranties to, the Underwriter, as of the date hereof and as of the Closing Date, which representations and warranties shall survive the Closing:

(a) The Authority is a joint exercise of powers authority duly created and existing under the constitution and laws of the State and has full legal right, power and authority under the constitution and laws of the State, including the Act, to adopt the Authority Resolution, to execute and deliver this Purchase Agreement, the Indenture, the Sublease, the Lease, the Remarketing Agreement, the Tax Certificate and the Official Statement (collectively, the “**Authority Documents**”) and the Official Statement, to issue, sell and deliver the Bonds as provided herein, and to carry out and to consummate the transactions contemplated on the part of the Authority by the Authority Documents;

(b) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved (i) the execution, delivery and distribution of the Official Statement, (ii) the issuance and sale of the Bonds upon the terms set forth in the Authority Documents and (iii) the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Authority Documents to be executed by it and the Bonds;

(c) The Bonds will be issued in conformity with and entitled to the benefit and security of the Authority Documents, including the pledge of any amounts specified thereunder;

(d) This Purchase Agreement (assuming due execution and delivery by the other parties hereto) constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms; the other Authority Documents, when duly executed and delivered by the respective other parties thereto, will constitute the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms; and the Bonds, when issued, authenticated and delivered in accordance with the Authority Documents and sold to the Underwriter as provided herein, will be the legal, valid and binding special obligations of the Authority enforceable in accordance with their terms; in all cases, except as such enforceability may be limited by bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally from time to time in effect and by general principles of equity and except as any rights to indemnification and contribution may be limited by public policy;

(e) The Authority is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Authority under any of the foregoing; and the adoption, execution and delivery of the Bonds, the Authority Documents and the compliance with the provisions on the Authority's part contained therein, will not in any material respect conflict with or constitute a breach of or default under any United States or State constitutional provision, law or administrative regulation or any judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority is or to which any of its property or assets are otherwise subject, and such adoption, execution, delivery or compliance will not result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority to be pledged to secure the Bonds or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Authority Documents;

(f) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Authority of its obligations under the Authority Documents and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(g) The Official Statement as of its date does not and will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, the Authority makes no statement or representation as to the information contained under the captions "THE BANK" or "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" in the Official Statement;

(h) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, agency, public board or body, pending and served or, to the knowledge of the Authority, threatened against the Authority, (i) affecting the existence of the Authority or the titles of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the adoption of the Authority Resolution or the issuance, sale or delivery of the Bonds or the payment by the Authority of the amounts pledged by the Authority under the Indenture, (iii) in any way contesting or affecting the validity or enforceability of, or the power or authority of the Authority to issue, adopt or to enter into, the Bonds, the Authority Resolution or the Authority Documents, (iv) contesting in any way the completeness or accuracy of the Official Statement, (v) wherein an unfavorable decision, ruling or finding would materially adversely affect the ability of the Authority to pay the Bonds (from amounts received from the City pursuant to the Sublease and the other funds pledged therefore pursuant to the Indenture), or (vi) which contests the status of the interest on the Bonds as excludable from federal gross income or as exempt from State personal income tax, all as described in the Official Statement;

(i) The Authority Documents and the Bonds conform to the description thereof contained in the Official Statement, if any; and

(j) Any certificate signed by an authorized officer of the Authority and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter as to the statements made therein.

7. Covenants of the Authority. The Authority hereby covenants with the Underwriter that:

(a) Prior to the Closing Date, except as otherwise contemplated by the Official Statement, the Authority shall not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interests that will be pledged to the payment of the Bonds pursuant to the Authority Documents;

(b) The Authority shall apply the proceeds of the Bonds in accordance with the provisions of the Authority Documents and as contemplated by the Official Statement;

(c) The Authority shall cooperate with the Underwriter in the qualification of the Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriter may request; provided that the Authority shall not be required to qualify as a foreign corporation in, or submit to the general jurisdiction of, any other state; and

(d) The Authority shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exclusion from gross income for federal income tax purposes, or the exemption from State personal income tax, of the interest on the Bonds.

8. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a chartered city and municipal corporation, organized and existing under its charter and the Constitution and laws of the State, with full right, power and authority to execute, deliver and perform its obligations under (i) this Purchase Agreement; (ii) the Sublease; (iii) the Lease; (iv) the Reimbursement Agreement, (v) the Swap Agreement and (vi) the Escrow Agreements (collectively, the “City Documents”), and to carry out and consummate the transactions contemplated on the part of the City by the City Documents and the Official Statement;

(b) By all necessary official action of the City, the City has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations contained in, the Official Statement and the City Documents and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded.

(c) This Purchase Agreement (assuming due execution and delivery by the other parties hereto) constitutes a legal, valid and binding obligation of the City enforceable in accordance with its terms; the other City Documents, when duly executed and delivered by the respective other parties thereto, will constitute the legal, valid and binding obligations of the City enforceable in accordance with their respective terms; in all cases, except as such enforceability may be limited by bankruptcy, insolvency, reorganization and other laws affecting creditors’ rights generally from time to time in effect and by general principles of equity and except as any rights to indemnification and contribution may be limited by public policy.

(d) The Official Statement as of its date does not and will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, the City makes no statement or representation as to the information contained under the captions “THE BANK” or “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT” in the Official Statement;

(e) The City is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the City under any of the foregoing; and the adoption, execution and delivery of the City Documents and the compliance with the provisions on the City’s part contained therein, will not in any material respect conflict with or constitute a breach of or default under any United States or State constitutional provision, law or administrative regulation or any judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or to which any of its property or assets are otherwise subject, and such adoption, execution, delivery or compliance will not result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City to be pledged to secure the Bonds or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the City Documents;



(f) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory authority, public board or body, pending and served or, to the knowledge of the City Attorney, threatened against the City (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the City Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from taxation; or (iii) contesting the completeness or accuracy of the Official Statement or asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(g) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under the City Documents and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds; and

(h) The City shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exclusion from gross income for federal income tax purposes, or the exemption from State personal income tax, of the interest on the Bonds.

9. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants of the Authority and the City contained herein and upon the accuracy of the statements to be contained in the documents and instruments to be delivered at the Closing. Accordingly, the Underwriter's obligations under this Purchase Agreement to purchase, accept delivery of and pay for the Bonds are subject to the following conditions precedent:

(a) On the Closing Date, the representations and warranties of the Authority and the City contained in this Purchase Agreement shall be true, complete and correct in all material respects as if made on and as of the Closing Date;

(b) The Authority and the City shall have complied with all agreements, performed all obligations and satisfied all the conditions on their respective parts to be performed at or prior to the Closing under the Authority Documents or the City Documents, respectively;

(c) The Bonds shall have been duly executed and delivered and authenticated and the Official Statement shall have been executed and delivered by the Authority at or prior to the Closing;

(d) On the Closing Date, (i) the Legal Documents shall have been duly executed and delivered by the appropriate parties thereto, shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter; (ii) the Letter of Credit shall have been duly executed, issued and delivered; (iii) the proceeds of the sale of the Bonds shall have been paid to the Trustee for deposit for use as described in the Legal Documents; and (iv) the Authority and the City shall have adopted and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by this Purchase Agreement.

(e) The Underwriter shall have the right to cancel its obligation to purchase the Bonds if between the date hereof to and including the Closing Date any of the following events (each a “**Termination Event**”) shall occur and, in the Underwriter’s reasonable judgment, the market price or marketability of the Bonds shall be materially adversely affected:

(i) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the State or shall have been favorably reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation or temporary regulation, release or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or State authority, with respect to federal or state taxation upon revenues or other income of the general character of that to be derived by the Authority from its operations, or upon interest received on obligations of the general character of the Bonds; or

(ii) there shall exist any event or circumstance that in the Underwriter’s reasonable judgment either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement or information provided by the Underwriter) or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

(iii) there shall have occurred (1) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (2) the occurrence of any other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere relating to the effective operation of the government of, or the financial community in, the United States; or

(iv) there shall be in force a general suspension of trading on the New York Stock Exchange or other major exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction; or

(v) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and be in force; or

(vi) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Bonds or any comparable securities of the Authority, any obligations of the general character of the Bonds or the Legal Documents, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended, or otherwise, or would be in violation of any provision of the federal securities laws; or any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds or issued a stop order or similar ruling relating thereto; or

(vii) there shall have occurred any material adverse change in the affairs of the Authority or the City; or

(viii) there shall be established any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, the Underwriter established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(ix) a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering or sale of the Bonds, including all the underlying obligations as contemplated by this Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Trust Indenture Act of 1939, as amended; or

(x) any rating on the Bonds or the Certificates is reduced or withdrawn by Standard & Poor's or Fitch; or

(xi) there shall have occurred, after the signing hereof, a payment default with respect to the debt obligations of the Authority or the City or proceedings under the bankruptcy laws of the United States or of the State shall have been instituted by the Authority or the City.

Upon termination of this Purchase Agreement as permitted by this Section 9, all obligations of the Underwriter, the Authority and the City under this Purchase Agreement shall

terminate, without liability of one to the other, except for the Authority's obligations to pay expenses as set forth in Section 10 below.

(f) *Closing Documents.* The Underwriter shall receive on the Closing Date, in form and substance satisfactory to Bond Counsel and to the Underwriter, each item specified below, unless waived by the Underwriter:

(i) The Legal Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter from the forms of such documents provided to the Underwriter on or prior to the date hereof;

(ii) Certified copies of the City Resolution approving the issuance of the Bonds and authorizing the execution and delivery of the City Documents;

(iii) Certified copies of the Authority Resolution authorizing the issuance of the Bonds and the execution and delivery of the Authority Documents;

(iv) An approving opinion of Bond Counsel, dated the Closing Date and substantially in the form appended to the Official Statement, together with a reliance letter from such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the City and the Authority may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it;

(v) A supplemental opinion of Bond Counsel, addressed to the City, the Authority and the Underwriter and dated the Closing Date, substantially in the form attached hereto as Exhibit A.

(vi) A defeasance opinion of Bond Counsel, addressed to the City and dated the Closing Date, in form satisfactory to the Underwriter;

(vii) An opinion of Hawkins Delafield & Wood LLP, as counsel to the Underwriter ("**Underwriter's Counsel**"), dated the Closing Date and addressed to the Underwriter, in such form and covering such matters as shall be required by and acceptable to the Underwriter.

(viii) An opinion of the City Attorney, dated the Closing Date and addressed to the City, the Authority, the Bank and the Underwriter, in form and substance acceptable to Bond Counsel and the Underwriter, substantially to the following effect:

(A) The City is a municipal corporation and chartered city duly organized and validly existing under its charter and the Constitution and laws of the State and the City has the power and authority to execute and deliver the City Documents and to perform its obligations thereunder and has taken all necessary action to authorize such execution and delivery and the performance of those obligations;

(B) The City Resolution approving and authorizing the execution and delivery of the City Documents and approving the Official Statement has been duly adopted at a meeting of the City Council of the City that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been modified, amended or rescinded;

(C) The City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, the City Documents constitute legal, valid and binding obligations of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought (regardless of whether such enforcement is considered in a proceeding in equity or at law) and by the limitations on legal remedies against municipal corporations in the State;

(D) To the best knowledge of such counsel, the execution and delivery of the City Documents and performance by the City under the City Documents and the obligations created thereunder, and the consummation of the transactions contemplated by such documents do not conflict with or constitute on the part of the City a violation of, breach of or default under any existing federal, State or City laws, rules, regulations, ordinances or other legal requirements, including, but not limited to, the City Charter or any judgment, order or decree of any court or governmental agency or authority known to them to which the City is subject or any indenture, note, mortgage or other obligation or instrument to which the City is a party or to which any of its property is subject;

(E) Except as otherwise disclosed in the Official Statement and to the knowledge of such counsel, there is no litigation, proceeding, action, suit or investigation, at law or in equity, before or by any court, governmental board or body, pending and served or overtly threatened in writing against the City, challenging the creation, organization or existence of the City, or contesting or affecting the validity of the Bonds or the City Documents, or seeking to restrain or enjoin the payment of the Base Rental Payments or Additional Rental Payments under the Sublease, or contesting the power or authority of the City to enter into or perform its obligations under any of the City Documents, or seeking to restrain or enjoin the issuance of the Bonds, nor is there any basis therefore, wherein an unfavorable decision, ruling or finding would materially adversely affect the City's ability to perform its obligations under the City Documents or as described in the Official Statement;

(F) All consents, approvals, authorizations and orders of a governmental or regulatory authority, if any, which are required to be obtained by the City for the consummation of the transactions contemplated by the Official Statement or as conditions precedent to the execution and delivery of the Bonds

or an of the City Documents have been obtained (provided no opinion is expressed as to any action required under state securities or blue sky laws in connection with the purchase or distribution of the Bonds by the Underwriter); and

(G) Without having undertaken to determine independently and without assuming any responsibility for the accuracy, completeness or fairness of the statements concerning the City contained in the Official Statement nothing has come to such counsel's attention which would lead such counsel to believe that the statements concerning the City contained therein (except for the financial, demographic and statistical data and summaries included therein as to which no advice need be given), as of the date of the Official Statement or the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein concerning the City, in light of the circumstances under which they were made, not misleading.

(ix) An opinion of the City Attorney, as counsel to the Authority dated the Closing Date and addressed to the City, the Authority, the Bank and the Underwriter, in form and substance acceptable to Bond Counsel and the Underwriter, substantially to the following effect:

(A) The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State, and the Authority has the power and authority to execute and deliver the Authority Documents and to perform its obligations thereunder and has taken all necessary action to authorize such execution and delivery and the performance of those obligations;

(B) The Authority Resolution approving and authorizing the execution and delivery of the Authority Documents has been duly adopted at a meeting of the Board of Directors of the Authority that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded;

(C) The Authority Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, the Authority Documents constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought (regardless of whether such enforcement is considered in a proceeding in equity or at law) and by the limitations on legal remedies against public entities in the State;

(D) To best knowledge of such counsel, the execution and delivery of the Authority Documents and performance by the Authority under the Authority Documents and the obligations created thereunder, and the consummation of the transactions contemplated by such documents do not conflict with or constitute on the part of the Authority a violation of, breach of or default under any existing federal, State or City laws, rules, regulations, ordinances or other legal requirements or any judgment, order or decree of any court or governmental agency or authority known to them to which the Authority is subject or any indenture, note, mortgage or other obligation or instrument to which the Authority is a party or to which any of its property is subject;

(E) Except as otherwise disclosed in the Official Statement and to the knowledge of such counsel, there is no litigation, action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental board or body, pending and served or overtly threatened in writing against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Bonds or the Authority Documents, or contesting the power or authority of the Authority to enter into or perform its obligations under the Authority Documents or which questions the issuance of the Bonds, nor is there any basis therefore, wherein an unfavorable decision, ruling or finding would materially adversely affect the Authority's ability to perform its obligations under the Authority Documents or as described in the Official Statement;

(F) All consents, approvals, authorizations and orders of a governmental or regulatory authority, if any, which are required to be obtained by the Authority for the consummation of the transactions contemplated by the Official Statement or as conditions precedent to the execution and delivery of the Bonds or an of the Authority Documents have been obtained (provided no opinion is expressed as to any action required under state securities or blue sky laws in connection with the purchase or distribution of the Bonds by the Underwriter); and

(G) Without having undertaken to determine independently and without assuming any responsibility for the accuracy, completeness or fairness of the statements concerning the Authority contained in the Official Statement nothing has come to such counsel's attention which would lead such counsel to believe that the statements concerning the Authority contained therein (except for the financial, demographic and statistical data and summaries included therein as to which no advice need be given), as of the date of the Official Statement or the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein concerning the Authority, in light of the circumstances under which they were made, not misleading.

(x) The opinion of counsel to the Trustee dated the Closing Date, addressed to the City, the Authority and the Underwriter, in form and substance satisfactory to the Underwriter, the Bank and Bond Counsel;

(xi) The opinion of counsel to each of the Escrow Agents dated the Closing Date, addressed to the City, the Authority and the Underwriter, in form and substance satisfactory to the Underwriter, the Bank and Bond Counsel;

(xii) A Certificate of the City dated the Closing Date, signed on behalf of the City by a duly authorized officer of the City to the effect that the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(xiii) A certificate of the Authority dated the Closing Date, signed on behalf of the Authority by a duly authorized officer of the Authority, to the effect that the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(xiv) A certificate of the Trustee, dated the Closing Date and addressed to the Authority, the City and the Underwriter, in form and substance satisfactory to the Underwriter, the Bank and Bond Counsel;

(xv) A certificate of each of the Escrow Agents, dated the Closing Date and addressed to the Authority, the City and the Underwriter, in form and substance satisfactory to the Underwriter, the Bank and Bond Counsel;

(xvi) A specimen copy of the Letter of Credit duly executed by the Bank;

(xvii) A certificate of the Bank, dated the Closing Date, signed by an authorized officer of the Bank, to the effect that the information contained under the caption "THE BANK" in the Official Statement is true and correct in all material respects;

(xviii) An opinion of Sidley Austin LLP, counsel to the Bank, dated the Closing Date and addressed to the City, the Authority, the Trustee and the Underwriter, in form and substance satisfactory to the Underwriter;

(xix) A certificate, dated the Closing Date, of Grant Thornton, independent certified public accountants (the "Verification Agent"), to the effect that it has verified the accuracy of the mathematical computations of the adequacy of the amounts to be held by the Escrow Agents to make full and timely payment of all principal and interest due with respect to the Certificates to be prepaid with the funds held pursuant to the Escrow Agreements, as are then outstanding on the dates specified in the Official Statement at the then applicable prepayment price;

(xx) Evidence that the federal tax information form 8038-G has been executed by the Authority;

(xxi) Evidence from Standard & Poor's and Fitch Ratings that the Bonds have been rated "\_\_\_\_\_" and "\_\_\_\_\_" respectively;



(xxii) A copy of the Blanket Letter of Representations to DTC relating to the Bonds signed by the Authority; and

(xxiii) True and complete copies of all opinions, certificates and other documents delivered to the Trustee under the Legal Documents; and such additional legal opinions, certificates, instruments and other documents as the Underwriter or Bond Counsel reasonably may request, in form and substance satisfactory to the Underwriter or Bond Counsel, as the case may be, to evidence (A) compliance by the Authority and the City with legal requirements reasonably relating to the transactions contemplated by the Official Statement and this Purchase Agreement, (B) the truth and completeness, as of the time of the Closing, of the representations and warranties of the Authority and the City contained in this Purchase Agreement, the certificates and other documents referred to in this Purchase Agreement and the statements and information contained in the Official Statement, and (C) the due performance or satisfaction by the Authority and the City at or prior to the Closing of all agreements then to be satisfied.

If the City or the Authority shall be unable to satisfy the conditions contained in this Purchase Agreement or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter, the City, nor the Authority shall be under further obligation hereunder, except as further set forth in Section 10.

10. Expenses. (a) The Underwriter shall be under no obligation to pay, and the Authority and the City shall pay from available funds or direct the Trustee under the Legal Documents to pay from the proceeds of the Bonds (to the extent permitted under applicable law) or from other funds of the Authority or the City, all expenses that are incidental to the performance of the Authority's and the City's obligations under this Purchase Agreement, including but not limited to:

(i) all expenses in connection with the printing of the Official Statement and any amendment or supplement thereto; all expenses in connection with the printing, issuance and delivery of the Bonds; the fees and expenses of Bond Counsel, the fees of the Bank and the fees and expenses of its counsel; the fees and expenses of the financial advisors, accountants, any verification consultant and all other consultants; the fees and disbursements of the Trustee, the Escrow Agents and any paying agent and their respective counsel; all expenses in connection with obtaining a rating or ratings for the Bonds; all expenses of the Authority in connection with the preparation, printing, execution and delivery, and any recording or filing, of any Legal Documents or other instrument; the Authority's administrative fees; all fees and expenses in connection with the interest rate swap agreement and related transactions; and all other expenses and costs of the Authority incident to its obligations in connection with the authorization, issuance, sale and distribution of the Bonds. If the Authority, the City and the Underwriter agree, the Authority and the City shall reimburse the Underwriter for all travel and other expenses of officials of the Authority and the City initially paid by the Underwriter in connection with the issuance and delivery of the Bonds.

(ii) The Underwriter shall pay the costs of qualifying the Bonds for sale in the various states chosen by the Underwriter, all advertising expenses in connection with the public offering of the Bonds, the fees and disbursements of Underwriter's Counsel and all other expenses incurred by the Underwriter in connection with the public offering, purchase and distribution of the Bonds.

(b) In the event that the Authority fails to deliver the Bonds or the Underwriter terminates its obligation under this Purchase Agreement for a reason permitted under Section 9(e), the Authority shall reimburse the Underwriter for its reasonable out-of-pocket expenses (including the fees and disbursements of Underwriter's Counsel) relating to this Purchase Agreement and the transactions contemplated hereby.

11. [reserved]

12. Notice. Any notice or other communication to be given to the City or the Authority under this Purchase Agreement may be given by delivering the same in writing to P.O. Box 1775, Pasadena, California 91109-7215. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Merrill Lynch, Pierce, Fenner & Smith Incorporated, 4 World Financial Center, 9th Floor, New York, NY 10080, Attention: Municipal Money Markets Desk; telephone (212) 449-5101; telecopy (212) 449-6440.

13. Entire Agreement. This Purchase Agreement, when accepted by the Authority and the City, shall constitute the entire agreement among the Authority, the City and the Underwriter and will be made solely for the benefit of the signatories hereto (including the successors or assigns) and no other person shall acquire or have any right hereunder or by virtue hereof. The term "successor" shall not include any holder of any Bonds merely by virtue of such holding. All representations, warranties, agreements and indemnities contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any of the Underwriter, and shall survive the delivery of and payment for the Bonds and any termination of this Purchase Agreement.

14. Severability. If any provision of this Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

15. State Law Governs. This Purchase Agreement shall be governed by the laws of the State relating to contracts made and to be performed in the State.

16. Headings. Section headings have been included in this Purchase Agreement as a matter of convenience of reference only and are not to be used in the interpretation of any provisions of this Purchase Agreement.

17. No Assignment. None of the Underwriter, the Authority or the City may assign this Purchase Agreement.

18. Counterparts. This Purchase Agreement may be executed in one or more counterparts with the same force and effect as if all signatures appeared on a single instrument.

MERRILL LYNCH, PIERCE, FENNER &  
SMITH INCORPORATED

By \_\_\_\_\_  
Authorized Officer

Accepted as of  
the date first stated above:

PASADENA PUBLIC FINANCING AUTHORITY

By \_\_\_\_\_  
Cynthia J. Kurtz  
Executive Director

ATTEST:

\_\_\_\_\_  
Jane L. Rodriguez  
Secretary

CITY OF PASADENA

By \_\_\_\_\_  
[name]  
[title]

ATTEST:

\_\_\_\_\_  
Jane L. Rodriguez  
City Clerk