
REIMBURSEMENT AGREEMENT

Dated as of February 1, 2009

Among

CITY OF PASADENA,

PASADENA PUBLIC FINANCING AUTHORITY

and

BANK OF AMERICA, N.A.

Relating to
Pasadena Public Financing Authority
Variable Rate Demand Lease Revenue Bonds
(Rose Bowl Refinancing and Improvement Projects) Series 2006

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This REIMBURSEMENT AGREEMENT, dated as of February 1, 2009 (as the same may be amended, modified, supplemented and restated from time to time, this "Agreement"), is entered into among CITY OF PASADENA, a municipal corporation and chartered city of the State of California (the "City"), PASADENA PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized under the laws of the State of California (the "Authority"), and BANK OF AMERICA, N.A., a national banking association (the "Bank").

W I T N E S S E T H:

WHEREAS, the City has requested the Bank to issue an irrevocable direct-pay letter of credit to replace an irrevocable direct-pay letter of credit that presently provides credit and liquidity support for certain limited recourse revenue bonds previously issued by the Authority; and

WHEREAS, the Bank is willing to issue such a letter of credit upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises contained herein and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Bank to issue the Letter of Credit defined below, the City and the Bank hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. The following terms shall have the following meanings as used herein:

"Additional Rental" has the meaning set forth in the Bond Indenture.

"Adjusted Letter of Credit Amount" means at any time (i) the principal amount of the Bonds then Outstanding plus (ii) an amount equal to the interest accruing thereon at an assumed interest rate of 12 percent per annum during a period of 37 days (calculated on the basis of a 365 day year).

"Affiliate" means, as to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Assignee" has the meaning set forth in Section 9.5(b).

"Authority" has the meaning set forth in the initial paragraph.

“Authority Related Documents” means the Related Documents to which the Authority is a party.

“Authorized Denomination” means any denomination of the Bonds authorized pursuant to the Bond Indenture.

“Authorized City Representative” means the Manager of the City, the Director of Finance of the City and/or the Treasurer of the City.

“Bank” has the meaning set forth in the initial paragraph.

“Bank Rate” means for any day a fluctuating rate per annum equal to the greater of (i) the Federal Funds Rate plus 3% and (ii) the Prime Rate plus 2%, in each case in effect on such day.

“Bank-Related Persons” means the Bank, its Affiliates and the officers, directors, employees, agents and attorneys-in-fact of the Bank and Affiliates.

“Base Rental Payments” has the meaning set forth in the Sublease.

“Bond Indenture” means the Bond Indenture, dated as of February 1, 2006, between the Authority and Deutsche Bank National Trust Company, in its capacity as trustee, together with all future supplements and amendments thereto.

“Bonds” means the Pasadena Public Financing Authority Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects) Series 2006, initially issued and authenticated in an aggregate principal amount of \$47, 300,000.

“Business Day” has the meaning set forth in the Bond Indenture. The Bank initially designates Los Angeles as the city in which its designated office is located.

“Charter” means the charter of the City as in effect on the date hereof.

“City” has the meaning set forth in the initial paragraph.

“City Administrative Code” means the Pasadena Municipal Code as in effect on the date hereof.

“City Council” means the governing body of the City.

“City Related Documents” means the Related Documents to which the City is a party.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Commitment Fee” has the meaning set forth in Section 3.2.

“Commitment Fee Rate” has the meaning set forth in Section 3.2.

“Credit Facility Bonds” has the meaning set forth in the Bond Indenture.

“Custodian Agreement” means the Custodian Agreement of even date herewith among the Bank, the City and Deutsche Bank National Trust Company, in its capacity as custodian, the form of which is attached hereto as Exhibit B.

“Daily Rate” has the meaning set forth in the Bond Indenture.

“Date of Issuance” means the date on which the Letter of Credit is issued by the Bank and delivered to the Trustee.

“Debt” means for any Person (without duplication) (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (ii) all obligations of such Person for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iii) all obligations secured by any Lien upon property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (iv) all obligations of such Person as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such Person, (v) all obligations of such Person on or with respect to letters of credit, banker’s acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money, (vi) certificates of participation evidencing an undivided ownership interest in payments made by such Person (A) as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such Person, (B) as purchaser under an installment sale agreement or (C) otherwise as an obligor in connection therewith, and (vii) all Debt of any other Person of the kind referred to in clauses (i) through (vi) above which is guaranteed (regardless of form) directly or indirectly in any manner by such Person.

“Default” means any condition or event which with the giving of notice or lapse of time or both could reasonably be expected to, unless cured or waived, become an Event of Default.

“Default Rate” means, as of any date of determination, a rate per annum equal to the greater of (i) the Bank Rate in effect on such date plus 3% and (ii) 13%.

“Deposit Amounts” has the meaning set forth in Section 2.8.

“Dollars” and the sign “\$” means lawful money of the United States of America.

“Drawing” means a drawing made or permitted to be made pursuant to the terms of the Letter of Credit.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

“Event of Default” has the meaning set forth in Section 8.1.

“Excess Amounts” has the meaning set forth in Section 2.4(d).

“Excess Interest” has the meaning set forth in Section 3.4(c).

“Existing Credit Facility” means the letter of credit supporting the Bonds in effect immediately prior to the issuance and delivery of the Letter of Credit.

“Existing Reimbursement Agreement” means the reimbursement agreement between the City and Citibank, N.A., relating to the Existing Credit Facility.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank.

“Fitch” means Fitch, Inc. and its successors, and if such Person shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any nationally recognized securities rating agency designated by the City that is acceptable to the Bank in its sole discretion.

“Government Acts” means any act or omission to act, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Holder” has the meaning set forth in the Bond Indenture.

“Incorporated Provisions” has the meaning set forth in Section 7.6 of this Agreement.

“Investment Securities” has the meaning assigned to that term in the Bond Indenture.

“Joint Exercise of Powers Agreement” means the joint exercise of powers agreement, dated April 24, 2000, by and between the City and the Pasadena Community Redevelopment Commission creating the Pasadena Public Financing Authority.

“Lease” means the Lease, dated as of February 1, 2006, between the City, as lessor, and the Authority, as lessee, together with all future supplements and amendments thereto.

“Leased Property” has the meaning set forth in the Bond Indenture.

“Letter of Credit” means an irrevocable direct-pay letter of credit in the form of Exhibit A hereto, with blanks appropriately completed, executed and issued by the Bank in favor of the Trustee for the benefit of the Holders of the Bonds.

“Liquidity Advance” and “Liquidity Advances” have the meanings set forth in Section 2.4(a) hereof.

“Liquidity Advance Maturity Date” has the meaning set forth in Section 2.4(a) hereof.

“Liquidity Drawing” means a Drawing made under the Letter of Credit for the purpose of purchasing Bonds tendered for purchase pursuant to Section 4.06 of the Bond Indenture and not remarketed.

“Liquidity Rate” means, with respect to any Liquidity Advance, (i) on any day prior to the date that is 31 days from and including the date such Liquidity Advance was made, a fluctuating rate of interest equal to the Bank Rate; and (ii) on any day on or after the date that is 31 days from and including the date such Liquidity Advance was made through and including the date that is 60 days from the date such Liquidity Advance was made, a fluctuating rate of interest equal to the Bank Rate plus 1%.

“Liquidity Term Loan” has the meaning set forth in Section 2.4(b) hereof.

“Lien” means, with respect to any property, tangible or intangible, real or personal, any mortgage, lien, pledge, charge, security interest or other encumbrance of any kind in respect of such property.

“LOC Period” means the period commencing on the Date of Issuance and ending on the Termination Date.

“LOC Termination Term Loan” has the meaning set forth in Section 2.4(b) hereof.

“Maximum Rate” has the meaning set forth in the Bond Indenture.

“Moody’s” means Moody’s Investors Service, Inc. and its successors, and if such Person shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any nationally recognized securities rating agency designated by the City that is acceptable to the Bank in its sole discretion.

“Obligations” shall mean the City’s obligation to reimburse all Drawings, to repay all Liquidity Advances and Term Loans, to pay debt service on the Credit Facility Bonds, to pay the principal, interest, fees, expenses, costs and other amounts owed to the Bank or the Parent pursuant to the terms of this Agreement, any Related Document or any other document, instrument or agreement entered into by the City with or in favor of the Bank in connection herewith or therewith, together with all covenants and duties owing by the City to the Bank of any kind or description, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

“Official Statement” means the initial Official Statement for the Bonds, together with all amendments and supplements thereto, including the Reoffering Circular dated February __, 2009.

“Outstanding” has the meaning set forth in the Bond Indenture.

“Parent” means any Person controlling the Bank.

“Participant” has the meaning assigned to it in Section 9.5(b).

“Payment Date” means the first Business Day of April, July, October and January of each calendar year.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint venture, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Plan” means a pension plan providing benefits for employees of any person.

“Prime Rate” means for any day the rate of interest in effect for such day as publicly announced from time to time by the Bank as its “prime lending rate” or “reference rate.” Such prime lending rate or reference rate is a rate set by the Bank based upon various factors including the Bank’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime lending rate or reference rate announced by the Bank shall take effect at the opening of business on the day specified in the public announcement of such change.

“Rating” has the meaning set forth in Section 3.2.

“Rating Agency” means any of Fitch, Moody’s or S&P.

“Related Documents” means the Bond Indenture, the Bonds, the Lease, the Sublease, the Remarketing Agreement and the Custodian Agreement.

“Remarketing Agent” has the meaning set forth in the Bond Indenture.

“Remarketing Agreement” means, on any date of determination, the remarketing agreement in effect on such date between the City and the then current Remarketing Agent. As of the date of this Agreement, “Remarketing Agreement” means the Remarketing Agreement, dated as of February 1, 2006, between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as amended by the First Amendment to Remarketing Agreement, dated as of February 1, 2009, between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“Remarketing Agreement Amendment” means the First Amendment to Remarketing Agreement, dated as of February 1, 2009, between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“Rental Payments” has the meaning set forth in the Bond Indenture.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. and its successors, and if such division shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City that is acceptable to the Bank in its sole discretion.

“Stated Expiration Date” means the date certain on which the Letter of Credit is scheduled to expire in accordance with its terms.

“Sublease” means the Sublease, dated as of February 1, 2006, between the Authority, as lessor, and the City, as lessee, together with all future supplements and amendments thereto, including, without limitation, the Sublease Amendment.

“Sublease Amendment” means the First Amendment to Sublease, dated as of February 1, 2009, between the Authority, as lessor, and the City, as lessee.

“Substitute Credit Facility” has the meaning set forth in the Bond Indenture.

“Taxes” has the meaning set forth in Section 3.5(b).

“Tender Agent” has the meaning set forth in the Bond Indenture.

“Term Loan” and “Term Loans” have the meanings set forth in Section 2.4(b).

“Term Loan Payment Date” has the meaning set forth in Section 2.4(b).

“Term Loan Rate” means, with respect to any Term Loan, a fluctuating rate of interest equal to the greater of (i) the Bank Rate plus 2% and (ii) 12%.

“Termination Date” means the date on which the Letter of Credit expires or terminates in accordance with its terms.

“Termination Drawing” means a Drawing made under the Letter of Credit for the purpose of purchasing Bonds tendered or deemed tendered for purchase pursuant to Section 4.10 of the Bond Indenture and not remarketed.

“Termination Fee” has the meaning set forth in Section 3.2.

“Term-Out Period” has the meaning set forth in Section 2.4(d).

“Trustee” has the meaning set forth in the Bond Indenture.

“200[7][8] CAFR” has the meaning set forth in Section 2.2(k)(iv).

“Underlying Provisions” has the meaning set forth in Section 7.6 of this Agreement.

“Weekly Rate” has the meaning set forth in the Bond Indenture.

Section 1.2 Incorporation of Certain Definitions by Reference. Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Bond Indenture.

Section 1.3 Accounting Terms and Determinations. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles.

Section 1.4 Interpretation. The following rules shall apply to the construction of this Agreement unless the context requires otherwise: (a) the singular includes the plural, and the plural the singular; (b) words importing any gender include the other gender and the neuter gender; (c) references to statutes are to be construed as including all statutory provisions consolidating, and all regulations promulgated pursuant to, such statutes; (d) references to “writing” include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible form; (e) the words “including”, “includes” and “include” shall be deemed to be followed by the words “without limitation”; (f) references to the introductory paragraph, recitals, articles, sections (or clauses or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; (g) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Agreement; (h) article and section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose; and (i) unless otherwise indicated, references to Persons include their respective permitted successors and assigns.

ARTICLE II

LETTER OF CREDIT; REIMBURSEMENT; LIQUIDITY ADVANCES; TERM LOANS

Section 2.1 Application for Letter of Credit, Liquidity Advances and Term Loans. The City hereby applies to the Bank for, and authorizes and instructs the Bank to issue for the City’s account, the Letter of Credit, and to make Liquidity Advances and Term Loans. The Bank agrees that it will pay all Drawings under the Letter of Credit from its own funds.

Section 2.2 Conditions Precedent to Issuance of the Letter of Credit. Upon satisfaction of each and every condition listed below, the Bank hereby agrees to issue the Letter of Credit:

(a) Receipt by the Bank, on or prior to the Date of Issuance, of the Charter together with all amendments thereto, certified as to accuracy and completeness by the clerk of the City;

(b) Receipt by the Bank, on or prior to the Date of Issuance, of a copy of the resolutions of the City authorizing the execution, delivery and performance of this

Agreement and the City Related Documents, certified by an appropriate official of the City, which certification shall include a statement to the effect that such resolutions are in full force and effect on the Date of Issuance and have not been amended;

(c) Receipt by the Bank, on or prior to the Date of Issuance, of a certificate of the City certifying the names and true signatures of the officials of the City authorized to sign this Agreement and the other documents to be delivered by the City hereunder;

(d) To the extent not included in (b) above, receipt by the Bank, on or prior to the Date of Issuance, of originals (or copies certified to be true copies by an appropriate official of the City) of all governmental and regulatory approvals necessary for the City to enter into this Agreement and the City Related Documents and to perform its obligations as contemplated hereby and thereby, and of all other documents evidencing any other necessary City action;

(e) Receipt by the Bank, on or prior to the Date of Issuance, of the Joint Exercise of Powers Agreement together with all amendments thereto, certified as to accuracy and completeness by the secretary of the Authority;

(f) Receipt by the Bank, on or prior to the Date of Issuance, of a copy of the resolutions of the Authority authorizing the execution, delivery and performance of this Agreement and the Authority Related Documents, certified by an appropriate official of the Authority, which certification shall include a statement to the effect that such resolutions are in full force and effect on the Date of Issuance and have not been amended;

(g) Receipt by the Bank, on or prior to the Date of Issuance, of a certificate of the Authority certifying the names and true signatures of the officials of the Authority authorized to sign this Agreement and the other documents to be delivered by the Authority thereunder;

(h) To the extent not included in (g) above, receipt by the Bank, on or prior to the Date of Issuance, of originals (or copies certified to be true copies by an appropriate official of the Authority) of all governmental and regulatory approvals necessary for the Authority to enter into this Agreement and the Authority Related Documents and to perform its obligations as contemplated hereby and thereby, and of all other documents evidencing any other necessary Authority action;

(i) Receipt by the Bank on the Date of Issuance of an opinion of the City Attorney for the City and the Authority, addressed to the Bank and dated the Date of Issuance, substantially in the form set forth as Exhibit C hereto; and receipt by the Bank on the Date of Issuance of an opinion from Sidley Austin LLP, bond counsel, addressed to the Bank, substantially in the form set forth as Exhibit D hereto;

(j) An executed copy of this Agreement, an executed copy (or a copy certified to be an accurate and complete copy by an appropriate official of the City) of each Related Document (including, without limitation, the Remarketing Agreement

Amendment and the Sublease Amendment) and a copy of the Official Statement shall have been delivered by the City to the Bank;

(k) The following statements shall be true and correct on the Date of Issuance, and the Bank shall have received a certificate signed by the Authorized City Representative, dated the Date of Issuance, stating that:

(i) the representations and warranties of the City contained in this Agreement and each certificate furnished or delivered by the City to the Bank pursuant hereto are true and correct on and as of the Date of Issuance as though made on and as of such date;

(ii) no "default" or "event of default" under any Related Document to which the City is a party and no Default or Event of Default has occurred and is continuing or would result from the issuance of the Letter of Credit or the making of any Liquidity Advance or Term Loan;

(iii) the Bonds have been assigned a long-term/short-term rating of either "AA/A-1+" by S&P or "AA/F-1+" by Fitch or both;

(iv) the comprehensive annual financial report of the City for the fiscal year ended June 30, 200[7][8] (the "200[7][8] CAFR") posted at www.cityofpasadena.net is complete and accurate; and

(v) there has been no material adverse change in the business, financial position or results of operation of the City since June 30, 2008;

(l) The representations and warranties of the Authority contained in this Agreement and each certificate furnished or delivered by the Authority to the Bank pursuant hereto are true and correct on and as of the Date of Issuance as though made on and as of such date;

(m) Receipt by the Bank of all amounts due to it on or before the Date of Issuance pursuant to Section 3.1; and receipt by the Bank of a non-refundable upfront fee of [\$21,747.40 – 5 basis points] [\$43,494.80 – 10 basis points];

(n) Receipt by the Bank of evidence satisfactory to the Bank that upon the remarketing of the Bonds upon the substitution of the Letter of Credit for the Existing Credit Facility and application of the proceeds thereof all obligations of the City and/or the Authority under the Existing Reimbursement Agreement shall be terminated other than those which by their terms expressly survive the termination of the Existing Reimbursement Agreement;

(o) Receipt by the Bank of a copy of the title insurance policy or policies delivered in connection with the original issuance of the Bonds together with an endorsement thereto listing the Bank as an additional insured party, which title policy or policies and endorsement shall each be in form and substance satisfactory to the Bank;

(p) Receipt by the Bank of evidence satisfactory to the Bank regarding the fair rental value of the Leased Property; and

(q) Receipt by the Bank of evidence satisfactory to the Bank that the insurance required by the Sublease to be in effect is in full force and effect on the Date of Issuance.

Section 2.3 Request to Extend LOC Period. At any time during the 180-day period ended 180 days prior to the then current Stated Expiration Date, the City may, by written notice to the Bank, request that the Stated Expiration Date be extended to a date no later than the second anniversary of the then current Stated Expiration Date. Following its receipt of such a request, the Bank, in its sole and absolute discretion shall notify the City and the Trustee of its decision with respect to such request within 60 days of such receipt, together with any conditions thereto (including, without limitation, change in pricing), it being understood and agreed that the failure of the Bank to notify the City of any decision within such 60-day period shall be deemed to be a rejection of such request and the Bank shall not incur any liability or responsibility whatsoever to any Person by reason of its failure so to notify the City or as a result of its rejection of such request. If the Bank, in its sole discretion, elects to extend the Stated Expiration Date then in effect, then upon payment by the City of the applicable amendment fee, the Bank shall deliver to the Trustee an amendment to the Letter of Credit designating the date to which the Stated Expiration Date is being extended. Such extension of the Stated Expiration Date shall be effective automatically upon the issuance of such amendment to the Letter of Credit and, thereafter, all references in this Agreement to the Stated Expiration Date shall be deemed to be references to the date designated as such in the most recent amendment to the Letter of Credit delivered to the Trustee. Any date to which the Stated Expiration Date has been extended in accordance with this Section 2.3 may be extended in like manner.

Section 2.4 Liquidity Advances; Term Loans.

(a) Unless the commitment of the Bank to make Liquidity Advances hereunder shall have terminated in accordance with Section 8.2(b)(i), if the Bank shall honor payment of a Liquidity Drawing and such payment is not reimbursed by 1:00 p.m. (Los Angeles time) on the day such payment is made and the conditions of Section 2.4(c) are satisfied on such day, such payment shall constitute, and the Bank shall be deemed to have extended, a Liquidity Advance to the City on such day and in the amount of such Liquidity Drawing (each such Liquidity Advance, a "Liquidity Advance" and, collectively, the "Liquidity Advances"), which Liquidity Advance shall be payable solely from Base Rental Payments and Deposit Amounts. Subject to Section 8.2(b)(ii) and Section 2.4(d), each Liquidity Advance made by the Bank to the City shall mature and the outstanding principal amount of such Liquidity Advance shall be due and payable on the first to occur of (the "Liquidity Advance Maturity Date") (i) the date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Drawing are redeemed, prepaid or cancelled pursuant to the Bond Indenture; (ii) the date on which any Bonds purchased with funds disbursed under the Letter of Credit are remarketed pursuant to the Bond Indenture; (iii) the date on which the Letter of Credit is replaced by a substitute letter of credit pursuant to the terms of the Sublease; (iv) the Termination Date; and (v) the sixtieth (60th) day following the date of the Liquidity Drawing that gave rise to such Liquidity Advance. Interest shall accrue on each Liquidity Advance from the date of

incurrence thereof to and including the date such Liquidity Advance is paid in full. Subject to Section 3.4(a), interest shall accrue during the period from the date a Liquidity Advance is made to and including the Liquidity Advance Maturity Date for such Liquidity Advance at a rate per annum equal to the Liquidity Rate. Accrued interest on each Liquidity Advance shall be payable in arrears on the first Business Day of each calendar month, the Liquidity Advance Maturity Date for such Liquidity Advance and, thereafter, on demand. In the event that the principal of, and interest on, any outstanding Liquidity Advance is not paid when due, the City shall pay interest on the principal amount of such Liquidity Advance and the amount of the unpaid interest, if any, on demand, at the Default Rate.

(b) Unless (i) the commitment of the Bank to make term loans hereunder has terminated in accordance with Section 8.2(b)(i) or (ii) the City has given the Bank at least one Business Day's prior notice that it intends to pay a Liquidity Advance in full on the Liquidity Advance Maturity Date therefor, if the conditions of Section 2.4(c) are satisfied on the Liquidity Advance Maturity Date for a Liquidity Advance, the unpaid principal amount of such Liquidity Advance shall be converted into, and the Bank shall be deemed to have extended to the City, a term loan (each, a "Liquidity Term Loan"), which Liquidity Term Loan shall be payable solely from Base Rental Payments and Deposit Amounts. Unless (x) the commitment of the Bank to make term loans hereunder has terminated in accordance with Section 8.2(b)(i) or (y) the City has given the Bank at least one Business Day's prior notice that it intends to reimburse in full the amount of the Termination Drawing on the date the Bank honors payment thereof, if the conditions of Section 2.4(c) are satisfied at the time at which the Bank honors payment of the Termination Drawing, the City's obligation to reimburse the Bank in the amount of such Drawing shall be deemed satisfied and the Bank shall be deemed to have extended a term loan to the City in the amount of such Drawing at the time the Bank honors payment of such Drawing (such term loan, the "LOC Termination Term Loan"; the LOC Termination Term Loan and each Liquidity Term Loan are hereinafter referred to individually as a "Term Loan" and collectively as the "Term Loans"), which LOC Termination Term Loan shall be payable solely from Base Rental Payments and Deposit Amounts. Subject to Section 8.2(b)(ii) and Section 2.4(d), payment of the principal of each Term Loan shall be made in twenty (20) equal quarterly installments, commencing on the three month anniversary of the date on which such Term Loan was extended and continuing on each three month anniversary thereafter or, if any three month anniversary is not a Business Day, the next succeeding Business Day. Each date on which the principal amount of any Term Loan is due is hereinafter referred to as a "Term Loan Payment Date". Interest shall accrue on each Term Loan from the date of incurrence thereof to and including the date such Term Loan is paid in full. Subject to Section 3.4(a), interest shall accrue on each Term Loan from the date a Term Loan is made to and including the last Term Loan Payment Date for such Term Loan at a rate per annum equal to the Term Loan Rate. Accrued interest on each Term Loan shall be payable in arrears on the first Business Day of each calendar month, on each date of prepayment, on the last Term Loan Payment Date and, following the last Term Loan Payment Date, on demand. In the event that the principal of, and interest on, any outstanding Term Loan is not paid when due, the City shall pay interest on the principal amount of such Term Loan and the amount of the unpaid interest, if any, on demand, at the Default Rate.

(c) (i) An unreimbursed Liquidity Drawing shall be deemed paid and become a Liquidity Advance on the day such Liquidity Drawing is made; (ii) an unpaid Liquidity Advance shall be deemed paid and become a Liquidity Term Loan on the Liquidity Advance

Maturity Date for such Liquidity Advance and (iii) if the Termination Drawing is honored and not reimbursed, the Termination Drawing shall be deemed paid and become the Expiration Term Loan on the day such Termination Drawing is made, in each case if the following statements shall be true and correct on such day: (A) the representations and warranties contained in Article V are correct on and as of the date of such Liquidity Advance as though made on and as of such date and (B) no event has occurred and is continuing, or would result from the making (or deemed making) of such Liquidity Advance or Term Loan, as the case may be, which constitutes an Event of Default or a Default. Unless the City shall have previously advised the Bank in writing that one or more of the above statements are no longer true, the City shall be deemed to have represented and warranted on the date of each Liquidity Advance and each Term Loan, as the case may be, that the above statements are true and correct.

(d) Following the making or deemed making of a Liquidity Advance or a Term Loan and for so long thereafter as any such Liquidity Advance and/or Term Loan shall remain unpaid (such period, the "Term-Out Period"), the City and the Authority shall increase the amount of the Base Rental Payments payable under the Sublease during the Term-Out Period so that the Rental Payments for a period equal the lesser of (i) the maximum fair rental value of the Leased Property for such period and (ii) the Obligations due in such period together with all other amounts in respect of Bonds that are required to be paid in such period pursuant to the Bond Indenture and any other agreement. The City and the Authority agree, at the Bank's sole written request, to redetermine or cause to be redetermined, the fair rental value of the Leased Property at any time and from time to time during the Term-Out Period. Such redetermination shall be by any method that the Bank may reasonably request, including an appraisal conducted by an appraiser licensed as a "certified general" appraiser by the California Office of Real Estate Appraisers and shall be at the sole expense of the City. Absent a written request of the Bank to redetermine the fair rental value of the Leased Property during the Term-Out Period, neither the City nor the Authority shall redetermine the fair rental value of the Leased Property during the Term-Out Period without the Bank's prior written consent; provided, however, that nothing contained in this Section 2.4(d) shall prevent the City or the Authority from redetermining the fair rental value of the Leased Property in connection with determining the insured value of the Leased Property. If the aggregate amount of all obligations secured by Base Rental Payments (including, without limitation, the principal amount of Liquidity Advances and Term Loans, together with accrued and unpaid interest thereon) due in any period shall exceed the maximum fair rental value of the Leased Property during such period, then the Base Rental Payments for such period shall equal, but shall not exceed, the maximum fair rental value for such period. Excess unpaid amounts are hereinafter referred to as "Excess Amounts". Excess Amounts shall be deferred until such time as the maximum fair rental value of the Leased Property for a period exceeds the aggregate amount of all obligations secured by Base Rental Payments due in such period, whereupon excess Base Rental Payments shall be applied to reduce all Excess Amounts. The City and the Authority agree to extend the term of the Sublease in accordance with the terms thereof if, on the stated expiration thereof, Excess Amounts remain owing to any Person, including the Bank.

(e) If for any reason a Liquidity Advance has not been paid (or deemed paid) in full by the applicable Liquidity Advance Maturity Date or a Term Loan has not been paid in full by the last Term Loan Payment Date therefor, the City shall as soon as practicable thereafter

use its best efforts to cause the Bonds to be converted to bear interest at a fixed interest rate to maturity.

Section 2.5 Prepayments.

(a) The City may, on any Business Day, upon at least two Business Days' notice to the Bank, prepay the outstanding amount of any Liquidity Advance or Term Loan, in whole or in part in amounts aggregating \$100,000 or any multiple of \$100,000 in excess thereof, with accrued interest to the date of such prepayment on the amount prepaid. In the event the City partially prepays a Term Loan, such prepayment shall be applied to remaining principal payments in reverse chronological order.

(b) Upon the remarketing of Credit Facility Bonds, the City shall cause the Tender Agent to deliver to the Bank all proceeds thereof. If the Bank receives proceeds from the remarketing of Credit Facility Bonds, the Bank shall (i) apply such proceeds (with interest being paid before principal) to the payment of the principal of, and interest on, the Liquidity Advance or Liquidity Term Loan resulting from the Liquidity Drawing the proceeds of which were used to purchase such Credit Facility Bonds and (ii) reinstate the Letter of Credit in accordance with its terms.

Section 2.6 Reimbursement of Drawings. Except as otherwise provided in Section 2.4, the City shall pay the Bank as reimbursement for each Drawing honored by the Bank a sum equal to the full amount of such Drawing no later than 1:00 p.m. (Los Angeles time) on the date such Drawing is honored.

Section 2.7 Evidence of Debt. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the City resulting from each Drawing made from time to time under the Letter of Credit, the making of Liquidity Advances, the making of Term Loans and the amounts of principal and interest payable and paid from time to time hereunder. Such account or accounts shall be made available to the City during regular business hours upon the reasonable request of the City to the Bank. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations of the City therein recorded.

Section 2.8 Security. Subject to the application of Rental Payments and amounts on deposit in the applicable funds and accounts established pursuant to the Bond Indenture ("Deposit Amounts") as permitted in the Bond Indenture, to secure the timely payment of all Obligations (other than the payment of the principal of, interest on and redemption price of Credit Facility Bonds) and to secure the performance and observance of all of the covenants, agreements and conditions contained in this Agreement and the Related Documents to which the Bank or any Affiliate thereof is a party, the Authority hereby irrevocably grants a lien on and a security interest in, and pledges, the Base Rental Payments and the Deposit Amounts to the Bank (for the benefit of the Bank and any Affiliate of the Bank to whom any Obligation (other than the payment of the principal of, interest on and redemption price of Credit Facility Bonds) is at any time owed), which lien on, security interest in and pledge of the Base Rental Payments and Deposit Amounts is on a parity with the pledge of Base Rental Payments and Deposit Amounts

set forth in the Bond Indenture. This lien on and security interest in and pledge of the Base Rental Payments and Deposit Amounts shall constitute a valid pledge of and charge and lien upon the Base Rental Payments, shall immediately attach and be effective, binding, and enforceable against the Authority, its successors, purchasers of any of the Base Rental Payments and Deposit Amounts, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with; the Bond Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Base Rental Payments and Deposit Amounts and without the need for any physical delivery, recordation, filing or further act.

Section 2.9 Limited Recourse Obligations. The Obligations shall not be payable from any income, receipts or revenues of the City or the Authority other than Rental Payments and Deposit Amounts, nor shall the Obligations (other than the payment of the principal of, interest on and redemption price of Credit Facility Bonds) constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the property or upon any of the income, receipts, or revenues of the City or the Authority, except the Rental Payments and Deposit Amounts. In the event Rental Payments are insufficient to pay all Obligations in full, the City will, subject to compliance with applicable debt limitations, consider seeking and utilizing, but shall not be obligated to seek or utilize, additional sources of funds and properties legally available to it in order to reimburse the Bank in full for all unpaid Obligations.

Section 2.10 Credit Facility Bonds. Bonds purchased by the Bank with the proceeds of a Liquidity Drawing or the Termination Drawing shall constitute Credit Facility Bonds and shall, from the date of such purchase and while they are Credit Facility Bonds, bear interest at the rate and have other characteristics of Bonds set forth in the Bond Indenture. Upon purchasing Credit Facility Bonds, the Bank shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Holders, except to the extent such rights and privileges conflict with this Agreement, in which case the terms of this Agreement shall prevail and govern. Upon purchasing Credit Facility Bonds, the Bank shall be recognized by the Authority, the City, the Tender Agent and the Trustee as the true and lawful owner of such Credit Facility Bonds, free from any claims, liens, security interests, equitable interests and other interests of the Authority or the City, except as such interests might exist under the terms of the Credit Facility Bonds with respect to all Holders. Credit Facility Bonds purchased by the Bank shall be held by the Tender Agent, as custodian, pursuant to the terms of the Custodian Agreement.

ARTICLE III PAYMENT TERMS

Section 3.1 Bank Rights to Payments. The City shall pay, or cause to be paid, to the Bank, the following amounts at the following times:

(a) A fee of \$250 in respect of each drawing made under the Letter of Credit and honored by the Bank, which fee shall be earned on the date such drawing is honored by the Bank and, unless paid to the Bank at the time each Drawing is reimbursed, paid in arrears on the first Business Day of the calendar month that occurs after the date such drawing is honored by the Bank;

(b) Upon each transfer of the Letter of Credit in accordance with its terms, a transfer commission equal to \$2,500. A transfer shall be deemed to have occurred whenever the Trustee is replaced, substituted or changed as a result of sale, assignment, merger, consolidation, reorganization or an act of law. A transfer shall not be deemed to have occurred solely as a result of a change in the legal name of the Trustee;

(c) On demand, any and all costs and expenses incurred by the Bank (including attorneys' fees) in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement, the Related Documents and any other documents delivered hereunder, whether or not suit is filed and whether or not an Event of Default exists (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any debtor relief law); and

(d) At the time any amendment, waiver, supplement or restatement of, or consent sought in respect of, this Agreement, the Related Documents and any other documents delivered hereunder is sought, a fee of \$2,500 plus attorneys' fees and expenses, which fee shall be earned and payable whether or not any such amendment, waiver, supplement or restatement is executed or consent granted;

(e) On demand, the out-of-pocket expenses of the Bank incurred in connection with the negotiation, preparation and execution of this Agreement, the Letter of Credit and the Related Documents, which expenses shall not exceed \$1,500; and

(f) On demand, the fees and out-of-pocket expenses of White & Case LLP, counsel to the Bank, incurred in connection with the negotiation, preparation and execution of this Agreement, the Letter of Credit, and the Related Documents, which fees shall not exceed \$40,000.

All amounts paid pursuant to this Section 3.1 shall be non-refundable and shall be paid in immediately available funds.

Section 3.2 Commitment Fee; Termination Fee.

The City shall pay to the Bank a commitment fee (the "Commitment Fee") at the applicable rate per annum set forth in the grid below (the "Commitment Fee Rate") on the average daily amount of the Adjusted Letter of Credit Amount during each period in respect of which payment is to be made:

LEVEL	S&P RATING	FITCH RATING	[COMMITMENT FEE RATE (2 YR)]	[COMMITMENT FEE RATE (3 YR)]
Level 1:	AA or above	AA or above	0.700%	0.750%
Level 2:	AA-	AA-	0.725%	0.775%
Level 3:	A+	A+	0.775%	0.825%
Level 4:	A	A	0.925%	0.975%
Level 5:	A-	A-	1.075%	1.125%
Level 6:	BBB+	BBB+	1.225%	1.275%
Level 7:	BBB	BBB	1.375%	1.425%
Level 8:	BBB-	BBB-	1.525%	1.575%
Level 9:	Below BBB-	Below BBB-	3.025%]	3.075%]

In the event that the Rating (as defined below) is withdrawn, suspended or otherwise unavailable from any Rating Agency, the Commitment Fee Rate shall be increased by 1.50% per annum from the Commitment Fee Rate in effect immediately prior thereto. Upon the occurrence and continuance of an Event of Default the Commitment Fee Rate shall be increased by 1.50% per annum from the Commitment Fee Rate in effect on the date of the occurrence of such event. The term “Rating” as used above shall mean the lowest unenhanced long-term rating assigned to any long-term Debt of the City that is on a parity with, or senior to, the Bonds (without regard to bond insurance or any other form of credit enhancement) assigned by any of S&P or Fitch. Any change in the Commitment Fee Rate resulting from a change in the Rating shall be and become effective as of and on the date of the announcement of the change in the Rating. References to the Rating above is a reference to the rating category of the Rating Agencies as presently determined by the respect Rating Agency and in the event of adoption of any new or changed rating system by any Rating Agency, the Ratings from the applicable Rating Agency shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. City acknowledges that as of the Date of Issuance the Commitment Fee Rate is that specified above for Level 1.

The Commitment Fee shall accrue from and including the Date of Issuance to and including the Termination Date. The Commitment Fee shall be payable in arrears on the first Payment Date that occurs after the Date of Issuance, each Payment Date thereafter and the Termination Date. The Commitment Fee shall be calculated on the basis of a year consisting of 360 days and actual days elapsed. All amounts paid pursuant to this Section 3.2 shall be non-refundable and shall be paid in immediately available funds.

In the event the City terminates the Letter of Credit, whether by replacement or otherwise, prior to the second anniversary of the Date of Issuance, the City shall pay or cause to be paid to the Bank a non-refundable termination fee (the “Termination Fee”) equal to the Commitment Fee that would have been payable to the Bank pursuant to this Section 3.2 but for the termination of the Letter of Credit for the period from and including the date on which the Letter of Credit is terminated to and including the second anniversary of the Date of Issuance assuming (i) a rate per annum equal to the rate per annum at which the Commitment Fee is

calculated immediately prior to the termination of the Letter of Credit and (ii) an Adjusted Letter of Credit Amount equal to the Adjusted Letter of Credit Amount in effect immediately prior to the termination of the Letter of Credit. If the Letter of Credit is terminated on any date after the first anniversary of the Date of Issuance and either (x) the Bank's short-term debt rating is reduced to a rating below "P-1" by Moody's or below "A-1" by S&P or (y) the Bank makes a claim for additional compensation pursuant to Section 3.3, then the City shall not be required to pay a Termination Fee in respect of the second year of the LOC Period.

Section 3.3 Increased Costs and Reduced Return.

(a) If the Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule, regulation, accounting principle or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, comparable agency or accounting body charged with the interpretation or administration thereof, including, without limitation, any Superintendent or Commissioner of Banking, the Board of Governors of the Federal Reserve Bank or the Federal Deposit Insurance Corporation, or compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank, comparable agency or accounting body, has or would have the effect of reducing the rate of return on the capital of the Bank (or its Parent) relating to the Bank's obligations hereunder or under the Letter of Credit to a level below that which the Bank (or its Parent) would have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy), then from time to time, within 30 days after written demand by the Bank, the City shall pay to the Bank (or its Parent), such additional amount or amounts as will compensate the Bank (or its Parent) for such reduction in the rate of return on the capital of the Bank (or its Parent) relating to the Bank's obligations hereunder or under the Letter of Credit. The agreements in this subsection shall survive the termination of the Letter of Credit and repayment of all of the Obligations.

(b) If, after the date hereof, the adoption of any applicable law, rule, regulation, accounting principle or guideline, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, comparable agency or accounting body charged with the interpretation or administration thereof or compliance by the Bank with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank, comparable agency or accounting body:

(i) Shall subject the Bank to any tax, duty, assessment or other charge with respect to the Letter of Credit or the commitment of the Bank to make Liquidity Advances and/or Term Loans, or shall change the basis of taxation of payments to the Bank of reimbursements of Drawings and payments of Liquidity Advances and/or Term Loans or in respect of any other amounts due under this Agreement (except for changes in the rate of tax on the overall net income of the Bank); or

(ii) Shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Bank or shall impose on the Bank or on the United States market for letters of credit any other condition affecting its obligation to issue or maintain the