

**TABLE 3
CITY OF PASADENA
PENSION OBLIGATION BONDS
ANNUAL DEBT SERVICE SCHEDULE**

| For the Fiscal Year Ending June 30 | 1999 Bonds | | 2004 Bonds | | 2011 Fixed Rate Bonds | | 2011 Mandatory Tender Bonds | | Total Debt Service |
|--|-------------------|----------|-------------------|----------|----------------------------------|----------|--|-------------------------|--------------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest ⁽¹⁾ | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |

| | | | | | | | | | |
|-------|----|----|----|----|----|----|----|----|----|
| Total | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
|-------|----|----|----|----|----|----|----|----|----|

⁽¹⁾ At an assumed rate of ____% after May 15, 20___. The 2011 Mandatory Tender Bonds are subject to Mandatory Tender on May 15, 20__.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2011 Bonds. However, it does not purport to be an exhaustive list of risks or other considerations which may be relevant to an investment in the 2011 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limitation of Remedies

The rights of the owners of the 2011 Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law. Bankruptcy proceedings, if initiated, could subject the owners of the 2011 Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

City System Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, investment performance, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience. Any of these factors could give rise to additional liability of the City to the FPRS as a result of which the City would be obligated to make additional payments to the FPRS over the amortization schedule for full funding of the City's obligation to the FPRS. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Contribution Agreement" herein. It is anticipated the payment of the net 2011 Bond proceeds to the FPRS should increase the system's funding level to 85% (based upon June 30, 2010 market valuations of the system's assets and actuarial assumptions to be determined by the FPRS actuary and approved by FPRS after consultation with the City and the City's consultants). However, the ability to achieve the targeted 85% funding level will depend upon the actuary's assumed rate of investment, which has not yet been determined. There can be no assurance that the maximum amount of bonds authorized (\$65 million) will be sufficient to achieve such funding level. Further, the volatility in the value of the system's assets, especially in light of recent market turmoil, may reduce the funding level below 85% in the future, requiring additional City contributions under the Amended Contribution Agreement. However, all of the FPRS's assets are currently being managed in accordance with the FPRS's investment policy and asset allocation. See APPENDIX A – "THE CITY OF PASADENA—RETIREMENT SYSTEMS—Pasadena Fire and Police Retirement System" and "—CITY FINANCIAL INFORMATION—Investment Practices."

Recent Redevelopment Legislation

Among the budget trailer bills signed by the Governor to implement the State Budget for Fiscal Year 2011-2012 are two bills specifically addressing redevelopment; those bills are ABx1 26 and ABx1 27 respectively. The constitutionality of this legislation has been challenged in state court.

ABx1 26 immediately suspends all new redevelopment activities and incurrence of indebtedness, and dissolves redevelopment agencies effective October 1, 2011. ABx1 27 allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary program" requiring specified substantial annual contributions to local school and special districts.

To avoid dissolution, the City, being the entity that formed the Commission, must adopt an ordinance before October 1, 2011 in which it agrees to comply with ABx1 27.

The City [intends to adopt] [has adopted] such an ordinance. The City anticipates that SB 481 Receipts will continue to be received unabated.

If the City is subsequently unable to make the annual payments required under ABx1 27, then the Agency will be subject to the requirements of ABx1 26. However, the City has been advised by counsel that the right of the City to receive the SB 481 Receipts under the Reimbursement Agreement is an "enforceable obligation," as defined in ABx1 26 and thus would survive the dissolution of the Commission. If a court were to determine that the Agency's obligation to make such payments to the City under the Reimbursement Agreement is not an "enforceable obligation," as so defined, then the Agency's obligations to make such payments may no longer be enforceable.

Maturity and Mandatory Tender of Certain of the Pension Obligation Bonds

As noted, the 2004 Bonds, in the outstanding principal amount of \$30,755,000, mature on May 15, 2015. In addition, the outstanding Series 1999B Bonds are subject to mandatory tender on

May 15, 2015 and the 2011 Mandatory Tender Bonds are subject to mandatory tender on May 15, 20__ at their respective Purchase Price. The City's obligation to pay the respective Purchase Price for the Series 1999B Bonds and the 2011 Mandatory Tender Bonds are limited to (i) with respect to the Series 1999B Bonds, proceeds received upon the remarketing of the outstanding Series 1999B Bonds for delivery on or after May 15, 2015 and, with respect to the 2011 Mandatory Tender Bonds, proceeds received upon the remarketing of the 2011 Mandatory Tender Bonds for delivery on or after May 15, 20__, (ii) the SB 481 Receipts, or, (iii) at the option of the City, from any source of funds provided by the City. The City is under no obligation to provide any source of funds.

In the event that the City does not have sufficient funds on hand to pay the applicable Purchase Price of the Series 1999B Bonds or the 2011 Mandatory Tender Bonds on the respective mandatory tender date, the City has covenanted to use commercially reasonable efforts to either (i) issue obligations to refund the bonds, or (ii) provide a liquidity facility under which funds may be drawn in connection with the mandatory tender. A variety of events could prevent the City from issuing such refunding obligations or obtaining any credit enhancement. No assurances can be given that the City will be able to effect such a refinancing on commercially favorable terms.

VALIDATION

[On _____, 2011, acting pursuant to the provisions of Sections 860 *et seq.* of the State Code of Civil Procedure, filed a complaint in the Superior Court of the State for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of the Debenture and the 2011 Bonds and certain other matters. On _____, 2011, the court entered a default judgment to the effect, among other things, that the Debenture and the 2011 Bonds are valid, legal and binding obligations of the City and that the Debenture and the 2011 Bonds are in conformity with all applicable provisions of law. The time period for the filing of appeals with respect to the judgment has expired and no appeals have been filed; the judgment is therefore final and unappealable. In issuing its opinion as to the validity of the 2011 Bonds, Bond Counsel has relied upon the entry of the foregoing default judgment.]
[Confirm]

THE CITY

Information with respect to the City, including financial information and certain economic and demographic information relating to the City, is provided in APPENDIX A – “THE CITY OF PASADENA” attached hereto. A copy of the financial statements of the City for the fiscal year ended June 30, 2010 is attached hereto as Appendix B. Appendix A and Appendix B should be read completely.

THE FPRS

The FPRS was established under the Charter of the City originally in 1919 for fire and police personnel of the City. The FPRS was closed to new members effective July 1, 1977 and as of June 30, 2011 there were no persons currently employed by the City who were eligible for benefits and 275 persons currently receiving retirement or disability benefits. See APPENDIX A – “THE CITY OF PASADENA— RETIREMENT SYSTEMS—Pasadena Fire and Police Retirement System.”

CONTINUING DISCLOSURE

The City has agreed to enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), for the benefit of the Holders and Beneficial Owners of the 2011 Bonds to provide annual financial statements of the City (the “Annual Report”), by not later than 240 days after the end of the City's fiscal year (presently June 30), commencing with the report for the 2010-2011 fiscal

year. The City has also agreed in the Continuing Disclosure Agreement to provide notices of the occurrence of following certain events: (1) principal or interest payment delinquencies; (2) non-payment related defaults, if material; (3) modifications to rights of Holders, if material; (4) bond calls, if material, and tender offers; (5) defeasances; (6) rating changes; (7) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2011 Bonds, or other material events affecting the tax status of the 2011 Bonds; (8) unscheduled draws on debt service reserves reflecting financial difficulties; (9) unscheduled draws on credit enhancements reflecting financial difficulties; (10) substitution of credit or liquidity providers, or their failure to perform; (11) release, substitution or sale of property securing repayment of the 2011 Bonds, if material, and (12) bankruptcy, insolvency, receivership or similar proceedings of the City. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. Notwithstanding any provision of the Trust Agreement, failure of the City to comply with the requirements of the Rule or the Continuing Disclosure Agreement will not be considered an Event of Default under the Trust Agreement and will not result in the acceleration of the maturity of the 2011 Bonds; provided however that the Trustee, may, and in some cases, must, and a Holder or a Beneficial Owner may take such actions as may be necessary and appropriate to cause the City to comply with the disclosure obligations described above. For purposes of the Continuing Disclosure Agreement only, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or give consent with respect to, or to dispose of ownership of, any 2011 Bonds (including persons holding 2011 Bonds through any nominees, depositories or other intermediaries). See APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

In the previous five years the City has not failed to comply in all material respects with any previous undertaking to provide information under the Rule. **[Confirm]**

TAX MATTERS

Circular 230 Notice

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the 2011 Bonds was written in connection with the promotion and marketing by the City and the Underwriter of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the 2011 Bonds to any person, and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

General

The following is a summary of the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the 2011 Bonds. This discussion does not purport to be a complete analysis of all the potential tax consequences of such purchase, ownership and disposition and is

based upon the Code, Treasury regulations (whether final, temporary or proposed), rulings and judicial decisions in effect as of the date hereof. Those laws are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances or to certain types of investors subject to special treatment under the U.S. federal income tax laws (including persons whose functional currency is not the U.S. dollar, entities classified as partnerships for U.S. federal income tax purposes, life insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, banks, tax-exempt organizations or persons holding 2011 Bonds in a tax-deferred or tax-advantaged account, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, persons who hold 2011 Bonds as part of a hedging, straddle, integrated, conversion or constructive sale transaction, persons who have ceased to be U.S. citizens or to be taxed as resident aliens or persons liable for the alternative minimum tax) and does not discuss any aspect of state, local or foreign tax laws. This discussion applies only to U.S. Holders and non-U.S. Holders (each defined below) of 2011 Bonds who purchase their 2011 Bonds in the original offering at the original offering price, and who hold their 2011 Bonds as capital assets. This discussion does not address any tax consequences applicable to a holder of an equity interest in a holder of 2011 Bonds. In particular, this discussion does not address any tax consequences applicable to a partner in a partnership holding 2011 Bonds. If a partnership holds 2011 Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Thus, a person who is a partner in a partnership holding 2011 Bonds should consult his or her own tax advisor.

This summary only addresses 2011 Bonds with the features described herein.

Prospective purchasers are urged to consult their own tax advisors with respect to the U.S. federal and other tax consequences of the purchase, ownership and disposition of the 2011 Bonds before determining whether to purchase 2011 Bonds.

In this discussion, the term "U.S. Holder" means a beneficial owner of 2011 Bonds that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996 and properly elected to continue to be treated as a United States person. As used herein, the term "non-U.S. holder" means a beneficial owner of 2011 Bonds that is not a U.S. Holder.

U.S. Holders

Interest on 2011 Bonds

Payments of interest on the 2011 Bonds will be included in gross income for U.S. federal income tax purposes by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder's regular method of accounting for tax purposes, provided such interest is "qualified stated interest" as defined below.

Original Issue Discount

The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of 2011 Bonds issued with original issue

discount (“Discount Bonds”), if any. The following summary is based upon final Treasury regulations (the “OID Regulations”) released by the IRS under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a 2011 Bond over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the 2011 Bond’s stated payment price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a 2011 Bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such 2011 Bond). The issue price of each maturity of substantially identical 2011 Bonds equals the first price at which a “substantial amount” of such maturity has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a 2011 Bond is the sum of all payments provided by such 2011 Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

A U.S. Holder of a Discount Bond must include original issue discount in income as ordinary interest income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of the receipt of the cash payments attributable to such income, regardless of such U.S. Holder’s regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of a Discount Bond is the sum of the daily portions of original issue discount with respect to such Discount Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder holds such Discount Bond. The “daily portion” of original issue discount on any Discount Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An “accrual period” may be of any length and the accrual periods may vary in length, over the term of the Discount Bond, provided that each accrual period is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Discount Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period), and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases a Discount Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Discount Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Discount Bond at an “acquisition premium.” Under the acquisition premium rules, the amount of original issue discount that such U.S. Holder must include in its gross income with respect to such Discount Bond for any taxable year (or portion thereof in which the U.S. Holder holds the Discount Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, original issue discount, de minimis original issue discount, market discount, de minimis market

discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Market Discount

If a U.S. Holder purchases a 2011 Bond other than a Discount Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of a Discount Bond, for an amount that is less than its revised issue price as of the purchase date, such U.S. Holder will be treated as having purchased such 2011 Bond at a “market discount,” unless the amount of such market discount is less than a specified de minimis amount. For this purpose, the “revised issue price” of a 2011 Bond generally equals its issue price, increased by the amount of any original issue discount that has been accrued on such 2011 Bond and decreased by the amount of any payments previously made on such 2011 Bond that were not qualified stated interest payments.

Under the market discount rules, a U.S. Holder is required to treat any partial principal payment (or, in the case of a Discount Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a 2011 Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain, or (ii) the amount of market discount that has not previously been included in gross income and is treated as having accrued on such 2011 Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of such 2011 Bond, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a 2011 Bond with market discount until the maturity of such 2011 Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of such 2011 Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies, and may be revoked only with the consent of the IRS.

Premium

If a U.S. Holder purchases a 2011 Bond for an amount that is greater than the sum of all amounts payable on such 2011 Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such 2011 Bond with “amortizable bond premium” equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of such 2011 Bond and may offset interest otherwise required to be included in respect of such 2011 Bond during any taxable year by the amortized amount of such premium for the taxable year. Bond premium on a 2011 Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2011 Bond. However, if a 2011 Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules will apply that could result in a deferral of the amortization of a portion of the bond premium until later in the term of such 2011 Bond (as discussed in more detail below). Any election to amortize

bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any 2011 Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such 2011 Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder's tax basis in the 2011 Bond and (B) the sum of all amounts payable on such 2011 Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder's tax basis in such 2011 Bond and (Y) the sum of all amounts payable on such 2011 Bond after the purchase date due on or before the early call date, other than payments of qualified stated interest. If a 2011 Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder's tax basis in the 2011 Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the 2011 Bond will be treated as "reissued" on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section "Premium." The rules relating to a 2011 Bonds that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of 2011 Bonds

Except as discussed above, upon the sale, exchange, redemption or retirement of a 2011 Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such 2011 Bond and such U.S. Holder's adjusted tax basis in such 2011 Bond. A U.S. Holder's adjusted tax basis in a 2011 Bond generally will equal such U.S. Holder's initial investment in the 2011 Bond increased by any original issue discount included in income (and accrued market discount, acquisition premium, if any, if the U.S. Holder has included such market discount in income and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such 2011 Bond. Such gain or loss generally will be long term capital gain or loss if the 2011 Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. holder is an individual, long term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Health Care and Education Reconciliation Act of 2010

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010 (the "Act"). The Act, which will be effective for taxable years beginning after December 31, 2012, will require certain U.S. Holders who are individuals, estates or trusts, to pay a special 3.8% tax on all or a portion of the interest and other income from the 2011 Bonds. Prospective purchasers should consult their tax advisors as to the applicability of such tax.

Non-U.S. Holders

A non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding 2011 Bonds on its own behalf will not be subject to U.S.

federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on 2011 Bonds, unless the non-U.S. Holder is a bank receiving interest described in Section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent (defined below) must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the 2011 Bonds,
- certifies that the owner is not a U.S. holder, and
- provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. Holder (that itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN, which is effective for the remainder of the year of signature and three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A non-U.S. Holder of 2011 Bonds that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding 2011 Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of 2011 Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A non-U.S. Holder of 2011 Bonds whose income from such 2011 Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. holder (and, if the non-U.S. Holder of 2011 Bonds is a corporation, possibly subject to a branch profits tax at a 30% rate or lower rate as may be prescribed by an applicable tax treaty), provided the holder furnishes to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner's Form W-8BEN.

Generally, a non-U.S. Holder will not be subject to U.S. federal income tax on any capital gain recognized on retirement or disposition of 2011 Bonds, unless the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such 2011 Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a non-U.S. holder in these circumstances should consult his tax advisor.

2011 Bonds will not be includible in the estate of a non-U.S. Holder unless, at the time of the decedent's death, income from such 2011 Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

Information Reporting and Backup Withholding

Information reporting requirements, on IRS Form 1099, generally apply to (i) payments of principal of and interest on 2011 Bonds to a noncorporate U.S. Holder within the United States or by a

U.S. paying agent or other U.S. intermediary, including payments made by wire transfer from outside the United States to an account maintained in the United States, and (ii) payments to a noncorporate U.S. holder of the proceeds from the sale of 2011 Bonds effected by a U.S. broker or agent or at a U.S. office of a broker.

Backup withholding may apply to these payments if the U.S. holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the backup withholding rules. Compliance with the identification procedures described in the preceding section will establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

Legal Defeasance

Under the terms of the Trust Agreement, the 2011 Bonds may be legally defeased. Prospective purchasers of 2011 Bonds should be aware that, for U.S. federal income tax purposes, a legal defeasance will be treated as a taxable exchange of such 2011 Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of 2011 Bonds could differ from the timing and character of the amounts that would have been includable in gross income in respect of such 2011 Bonds had the legal defeasance not occurred. Prospective purchasers of such 2011 Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the 2011 Bonds is exempt from personal income taxes imposed by the State of California.

A copy of the proposed forms of opinion of Bond Counsel is attached hereto as Appendix C.

OTHER MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the City of the 2011 Bonds are subject to the approving opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by its counsel, _____, _____, California, and for the City by the City Attorney, and by Sidley Austin LLP, San Francisco, California, Disclosure Counsel.

Litigation

[To the best knowledge of the City there is no action, suit or proceeding known to be pending or threatened restraining or enjoining the execution or delivery of the 2011 Bonds or the Trust Agreement or any other document relating to the 2011 Bonds, or in any way contesting or affecting the validity of the foregoing.] **[Confirm]**

Ratings

Standard & Poor's Ratings Services ("Standard & Poor's") and Fitch Ratings ("Fitch") are expected to assign the 2011 Bonds the ratings of "____" and "____," respectively. Such ratings reflect

only the view of such organizations and explanations of the significance of such ratings may be obtained only from the respective organizations at: Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will continue for any given period or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2011 Bonds.

Underwriting

The 2011 Bonds are being purchased by Wedbush Morgan Securities (the "Underwriter") at a purchase price of \$ _____ (which represents the aggregate principal amount of the 2011 Bonds, less an underwriter's discount of \$ _____).

The Underwriter may offer and sell the 2011 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter. The Purchase Contract for the 2011 Bonds provides that the Underwriter thereunder will purchase all of the 2011 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract.

EXECUTION AND DELIVERY

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF PASADENA

By _____
Director of Finance

APPENDIX A
THE CITY OF PASADENA

APPENDIX B
AUDITED FINANCIAL STATEMENTS
OF THE CITY OF PASADENA
FOR FISCAL YEAR ENDING JUNE 30, 2010

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the 2011 Bonds, Sidley Austin LLP, San Francisco, California, Bond Counsel, proposes to render its final approving opinion with respect to the 2011 Bonds in substantially the following form:

[SUBJECT TO OPINION COMMITTEE REVIEW]

[Date of Delivery]

City of Pasadena
Pasadena, California

City of Pasadena
Taxable Pension Obligation Bonds,
Series 2011
Series 2011A Fixed Rate Bonds
Series 2011B Mandatory Tender Bonds

Ladies and Gentlemen:

We have acted as bond counsel to the City of Pasadena (the "City") in connection with the issuance of its \$ _____ aggregate principal amount of City of Pasadena Taxable Pension Obligation Bonds, Series 2011 consisting of \$ _____ principal amount of Series 2011A Fixed Rate Bonds and \$ _____ principal amount of Series 2011B Mandatory Tender Bonds (collectively, the "2011 Bonds"). The 2011 Bonds are being issued pursuant to Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Law") and a trust agreement, dated as of _____, 2011 (the "Trust Agreement"), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In our capacity as bond counsel, we have reviewed the Law, the Trust Agreement, certifications of the City and others, opinions of the City Attorney and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

We have assumed, but have not independently verified, that the signatures on all documents, certificates and opinions that we have reviewed are genuine. In our examination, we have assumed, but have not independently verified, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies or by facsimile or other means of electronic transmission or which we obtained from sites on the internet, and the authenticity of the originals of such latter documents. As to facts and certain other matters and the consequences thereof relevant to the opinions expressed herein and the other statements made herein, we have relied without independent investigation or verification upon, and assumed the accuracy and completeness of certificates, letters (including opinion letters), and oral and written statements and representations of public officials, officers and other representatives of the City, the City Attorney and others.

With respect to the opinions expressed herein, we call attention to the fact that the enforceability of the rights and obligations of the City under the 2011 Bonds and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Based upon the foregoing and subject to the limitations and qualifications herein specified, as of the date hereof, we are of the opinion, under existing law, that:

1. The 2011 Bonds have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of the City.
2. The Trust Agreement has been duly adopted by the Council and constitutes the valid and binding obligation of the City.
3. Interest on the 2011 Bonds is exempt from personal income tax imposed by the State of California.

Other than as described herein, we have not addressed, and are not opining on, the tax consequences to any person of the investment in, or of the receipt of interest on, the 2011 Bonds.

The opinions expressed and the statements made herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions and statements may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this letter in light of such actions or events or for any other reason.

This opinion letter is limited to the laws of the State of California and the federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and may not be relied upon in any manner for any purposes by any other person.

To comply with certain U.S. Treasury regulations, we inform you that, unless expressly stated otherwise, any U.S. federal tax advice contained in this communication, including attachments, was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on such taxpayer by the Internal Revenue Service. In addition, if any such tax advice is used or referred to by other parties in promoting, marketing or recommending any partnership or other entity, investment plan or arrangement, then (i) the advice should be construed as written in connection with the promotion or marketing by others of the transaction(s) or matter(s) addressed in this communication, and (ii) the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Respectfully submitted,

APPENDIX D

BOOK-ENTRY SYSTEM

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

APPENDIX E

SUMMARY OF THE TRUST AGREEMENT

The following is a summary of certain provisions in the Trust Agreement. This summary does not purport to be comprehensive and reference should be made to the Trust Agreement for a full and complete statement of its provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the Trust Agreement.

APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX A

THE CITY OF PASADENA

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