

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2011

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS[†]

Standard & Poor's:
Fitch:

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2011 Bonds is includable in the gross income of the owners of the 2011 Bonds for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bonds Counsel, interest on the 2011 Bonds is exempt from personal income taxes imposed by the State of California. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the 2011 Bonds. See "TAX MATTERS" herein.

\$ _____
CITY OF PASADENA, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS

\$ _____
Series 2011A Fixed Rate Bonds

\$ _____
Series 2011B Mandatory Tender Bonds

Dated: Date of Original Delivery

Due: May 15, as shown on the inside cover

The City of Pasadena, California Taxable Pension Obligation Bonds, Series 2011A Fixed Rate Bonds (the "2011 Fixed Rate Bonds") and the City of Pasadena, California Taxable Pension Obligation Bonds, Series 2011B Mandatory Tender Bonds (the "2011 Mandatory Tender Bonds" and, together with the 2011 Fixed Rate Bonds, the "2011 Bonds") will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds and individual purchases will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Beneficial owners of Bonds will not receive physical certificates representing the Bonds purchased. Payments of principal and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and paying agent (the "Paying Agent"), to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds.

The Bonds are being issued pursuant to a Trust Agreement, dated as of _____, 2011 (the "Trust Agreement"), by and between the City of Pasadena (the "City") and the Trustee, to refund the obligation of the City to the City of Pasadena Fire and Police Retirement System ("FPRS") evidenced by the Debenture (defined below) and to pay the costs of issuance associated therewith. Pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code, as amended (the "Retirement Law"), the City is obligated to appropriate and make payments to FPRS for retirement benefits accruing to members of the FPRS. The Debenture and the Bonds are absolute and unconditional obligations imposed upon the City by law and enforceable against the City pursuant to the Retirement Law and are not limited as to payment to any special source of funds of the City. See "PLAN OF FINANCING" herein.

Interest on the 2011 Fixed Rate Bonds will be payable on May 15 and November 15 of each year, commencing May 15, 2012. Interest on the 2011 Mandatory Tender Bonds will be payable on each May 15 and November 15, commencing on May 15, 2012.

The 2011 Fixed Rate Bonds are subject to optional redemption prior to maturity and mandatory sinking fund redemption as described herein. The 2011 Mandatory Tender Bonds are subject to redemption and mandatory tender prior to maturity as described herein.

THE 2011 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Sidley Austin LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and Sidley Austin LLP, San Francisco, California, Disclosure Counsel. It is anticipated that the 2011 Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about _____, 2011.



Dated: _____, 2011

[†] For an explanation of ratings, see "OTHER MATTERS – Ratings" herein.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the

MATURITY SCHEDULE

\$ _____*
CITY OF PASADENA, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS

\$ _____*
Series 2011A Fixed Rate Bonds

<u>Maturity (May 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
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\$ _____ % Fixed Rate Term Bonds due May 15, 20__ – Yield _____ % CUSIP†: _____

\$ _____*
Series 2011B Mandatory Tender Bonds

\$ _____ % Mandatory Tender Term Bonds due May 15, 20__ – Yield _____ % CUSIP†: _____

* Preliminary, subject to change.

† CUSIP Copyright 2011, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP service bureau, a division of The McGraw Hill Companies, Inc. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2011 Bonds by any person in any jurisdiction which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2011 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the City since the date hereof.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "projection" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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

CITY OF PASADENA, CALIFORNIA

CITY COUNCIL

Bill Bogaard, *Mayor*
Margaret McAustin, *Vice Mayor/Council Member*
Jacque Robinson, *Council Member*
Chris Holden, *Council Member*
Gene Masuda, *Council Member*
Victor M. Gordo, *Council Member*
Steve Madison, *Council Member*
Terry Tornek, *Council Member*

CITY STAFF

Michael J. Beck, *City Manager*
Andrew Green, *Director of Finance*
Vic Erganian, *City Treasurer and Deputy Director of Finance*
Mark Jomsky, *City Clerk*

CITY ATTORNEY

Michele Beal Bagneris

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Sidley Austin LLP
San Francisco, California

Trustee and Paying Agent

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

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OFFICIAL STATEMENT

\$ _____^{*}
CITY OF PASADENA, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS

\$ _____^{*}
Series 2011A Fixed Rate Bonds

\$ _____^{*}
Series 2011B Mandatory Tender Bonds

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the 2011 Bonds (as defined herein) to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings assigned to them in the Trust Agreement (as defined herein).

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the City of Pasadena, California (the "City") of its Taxable Pension Obligation Bonds, Series 2011 in the aggregate principal amount of \$ _____^{*}, consisting of \$ _____^{*} principal amount of Series 2011A Fixed Rate Bonds (the "2011 Fixed Rate Bonds") and \$ _____^{*} principal amount of Series 2011B Mandatory Tender Bonds (the "2011 Mandatory Tender Bonds"). The 2011 Fixed Rate Bonds and the 2011 Mandatory Tender Bonds are collectively referred to herein as the "2011 Bonds."

The 2011 Bonds are being issued pursuant to the City Charter, Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "State") and a Trust Agreement, dated as of _____, 2011 (the "Trust Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the "Trustee"). The Bank of New York Mellon Trust Company, N.A. has also been appointed as paying agent (the "Paying Agent") for the 2011 Bonds pursuant to the Trust Agreement.

The City

The City of Pasadena was incorporated in 1886 and became a freeholder charter city in 1901. The City covers nearly 23 square miles and is located in the County of Los Angeles in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by the cities of South Pasadena and San Marino, on the east by the cities of Arcadia and Sierra Madre and on the north by the unincorporated community of Altadena and the San Gabriel Mountains. See "THE CITY" herein and APPENDIX A – "THE CITY OF PASADENA" and APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF PASADENA FOR FISCAL YEAR ENDED JUNE 30, 2010."

^{*} Preliminary, subject to change.

Purpose of the 2011 Bonds

Pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code, as amended (the "Retirement Law"), the City is obligated to appropriate and make payments to the City of Pasadena Fire and Police Retirement System (the "FPRS") arising as a result of retirement benefits accruing to members of the FPRS. The City's obligation includes, among others, the requirement to amortize the unfunded accrued actuarial liability ("UAAL") with respect to such retirement benefits over a multi-year period. The FPRS was closed to new members effective July 1, 1977. As of June 30, 2010, according to an actuarial report of the FPRS, the total UAAL was \$56.35 million. The City will execute a debenture (the "Debenture"), dated the date of closing, in favor of the FPRS to evidence a portion of the UAAL obligation of the City to the FPRS. The amount of the Debenture (and the net proceeds of the 2011 Bonds) will be in the approximate amount of \$46.6 million, which is estimated as the amount necessary to achieve a funding level for the FPRS of 85% (based upon preliminary results for the FPRS' June 30, 2011 actuarial valuation had the net proceeds of the 2011 Bonds already been contributed to the FPRS on June 30, 2011). The Debenture was authorized and will be issued pursuant to a resolution adopted by the City Council on October 24, 2011. See APPENDIX A – "THE CITY OF PASADENA—RETIREMENT SYSTEMS—Pasadena Fire and Police Retirement System."

Security and Sources of Payment for the 2011 Bonds

The 2011 Bonds will be issued pursuant to the Trust Agreement in an aggregate principal amount equal to the Debenture plus the costs of issuance of the 2011 Bonds, for the purpose of refunding the Debenture and paying costs of issuance and thereby providing funds to the FPRS for investment. The City will remain liable to make additional payments to the FPRS if the FPRS falls below a required minimum funding percentage in any fiscal year. See "PLAN OF FINANCING," "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Contribution Agreement" herein and APPENDIX A – "THE CITY OF PASADENA—RETIREMENT SYSTEMS."

The obligation of the City to make payments with respect to the 2011 Bonds is an absolute and unconditional obligation of the City imposed upon the City by law and enforceable against the City pursuant to the Retirement Law. Payment of principal of or interest on the 2011 Bonds is not limited to any special source of funds of the City. The 2011 Bonds do not constitute an obligation of the FPRS.

THE 2011 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2011 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE 2011 BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Outstanding Pension and Other Obligations Payable from the City General Fund

As of June 30, 2011, the City has outstanding approximately \$103,935,000 principal amount of pension obligation bonds, as well as other obligations payable from the general fund of the City (the "General Fund"). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Outstanding Pension Obligation Bonds" herein and APPENDIX A – "THE CITY OF PASADENA—Outstanding Indebtedness."

Summaries Not Definitive

Brief descriptions of the 2011 Bonds, the City, the Debenture and the Trust Agreement are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the 2011 Bonds, the Debenture and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the 2011 Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the offices of the City and will be available upon request and payment of duplication costs from the Trustee. All capitalized terms not otherwise defined herein have the meaning set forth for such terms in the Trust Agreement.

Future Financial Information; Additional Information

The City has covenanted in the Trust Agreement to provide the Trustee with a copy of its audited financial statements and certain other information substantially similar to the operating and financial data contained in Appendix A hereto relating to the City; provided, that the City reserves the right to modify the information contained in Appendix A in any manner the City deems appropriate. Such audited financial statements are required to be prepared in accordance with generally accepted accounting principles and to be provided, with the other information, to the Trustee within 240 days after the end of each Fiscal Year of the City. Additional information regarding the Official Statement may be obtained by contacting the Trustee or:

Director of Finance
City of Pasadena
100 N. Garfield Avenue, Suite 345
Pasadena, California 91109
Telephone: (626) 744-4355

PLAN OF FINANCING

The 2011 Bonds are being issued for the purpose of refunding the Debenture which evidences a portion of the City's current UAAL to the FPRS. Upon the issuance of the 2011 Bonds, the proceeds of the 2011 Bonds will be deposited with the Trustee. The Trustee will transfer to the FPRS the portion of the proceeds of the 2011 Bonds equal to the principal amount of the Debenture to refund the Debenture and the obligation represented thereby. The amount of the Debenture (and the net proceeds of the 2011 Bonds) will be in the approximate amount of \$46.6 million, which is estimated as the amount necessary to achieve a funding level for the FPRS of 85% (based upon preliminary results for the FPRS' June 30, 2011 actuarial valuation had the net proceeds of the 2011 Bonds already been contributed to the FPRS on June 30, 2011). Such proceeds will be invested by the FPRS in accordance with its stated investment policy. See APPENDIX A – "THE CITY OF PASADENA—Retirement Systems." The balance of the proceeds will be remitted to or upon the order of the City to be applied to pay costs of issuance of the 2011 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2011 Bonds are set forth below:

<u>Estimated Sources of Funds</u>	
Proceeds of 2011 Bonds	
Total Sources	
<u>Estimated Uses of Funds</u>	
Refunding of Debenture (Paid to the FPRS)	
Cost of Issuance ⁽¹⁾	
Total Uses	

⁽¹⁾ Includes Underwriter’s discount, legal fees, fees of the Trustee and the Paying Agent, rating agencies fees, printing costs and certain miscellaneous expenses.

THE 2011 BONDS

General

The 2011 Bonds will be dated the date of their original delivery and issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2011 Bonds. Ownership interests in the 2011 Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the 2011 Bonds purchased. Payments of principal of and interest on the 2011 Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2011 Bonds. See APPENDIX D – “BOOK-ENTRY SYSTEM” herein.

The 2011 Bonds will be issued in \$5,000 denominations or any integral multiple thereof. Interest on the 2011 Bonds is payable on May 15 and November 15 of each year, commencing May 15, 2012. Interest on the 2011 Bonds will be calculated on the basis of a 360-day year comprised of twelve thirty-day months.

Redemption of the 2011 Bonds

Optional Redemption. The 2011 Fixed Rate Bonds maturing prior to May 15, 20__ shall not be subject to redemption before their respective stated maturities. The 2011 Fixed Rate Bonds maturing on or after May 15, 20__ shall be subject to redemption prior to their stated maturity, at the option of the City, from and to the extent of any source of available funds, as a whole or in part, on any date on or after May 15, 20__, and if in part by lot within such maturity, at a redemption price equal to 100% of the principal amount of the 2011 Fixed Rate Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The 2011 Mandatory Tender Bonds shall not be subject to redemption before their stated maturity.

Mandatory Redemption – 2011 Fixed Rate Bonds. The 2011 Fixed Rate Bonds maturing on May 15, 20__ are subject to mandatory sinking fund redemption prior to maturity, in part, on May 15, of each year on and after May 15, 20__ from mandatory sinking fund payments to be made by the City in

the amounts set forth below, pro rata among Holders, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (May 15)	Mandatory Sinking Fund Payment
--	-----------------------------------

† Final Maturity

Mandatory Redemption – 2011 Mandatory Tender Bonds. The 2011 Mandatory Tender Bonds are subject to mandatory sinking fund redemption prior to maturity, in part, on May 15 of each year on and after May 15, 20__ from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata among Holders, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (May 15)	Mandatory Sinking Fund Payment
--	-----------------------------------

† Final Maturity

Selection of 2011 Bonds for Redemption. Whenever less than all Outstanding 2011 Bonds of a series of 2011 Bonds are to be redeemed, the Trustee shall select 2011 Bonds of the same maturity for redemption pro rata from the Holders thereof. For purposes of this selection, 2011 Bonds shall be deemed to be composed of \$5,000 multiples and any such multiple may be separately redeemed. All or a portion of any 2011 Bond subject to mandatory sinking fund redemption may be redeemed, but only in an amount equal to an authorized denomination of \$5,000 or any integral multiple thereof. Upon surrender of any 2011 Bond in a denomination greater than the amount to be redeemed only in part, the City shall execute and the Trustee shall authenticate and deliver to the Holder a new 2011 Bond or 2011 Bonds of a denomination equal to \$5,000 or any integral multiple thereof in an aggregate principal amount equal to the unredeemed portion of the 2011 Bond so surrendered. **So long as there is a securities depository for the 2011 Bonds, there will only be one Holder and neither the City nor the Trustee will have responsibility for pro rating partial redemptions among beneficial owners of 2011 Bonds.**

Notice of Redemption. Whenever redemption is authorized under the Trust Agreement, the Trustee is required to mail to affected owners a notice of redemption, containing the information required by the Trust Agreement, by first-class mail, postage prepaid, at least 10 days but no more than 45 days before the date of any such redemption date. While the 2011 Bonds are held by DTC or its nominee, all such mailed notices shall be sent to DTC, or its nominee, as the registered owner of the 2011 Bonds.

Neither the failure of an owner to receive any such notice, nor the failure to give such notice to certain depositories or information services as required by the Trust Agreement, nor any defect in any such notice, shall invalidate any of the proceedings for the redemption of any 2011 Bonds.

If notice of redemption has been duly given and money for the payment of the redemption price of the 2011 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2011 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such 2011 Bonds shall cease to accrue, and the owners of such 2011 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Mandatory Tender for Purchase

The 2011 Fixed Rate Bonds are not subject to mandatory tender for purchase.

The 2011 Mandatory Tender Bonds are subject to mandatory tender for purchase on May 15, 20__ (the "Purchase Date") at a price equal to par plus accrued interest (the "Purchase Price"). Written notice of mandatory tender of 2011 Mandatory Tender Bonds shall be given to the affected registered owners not less than 10 days prior to the mandatory tender date. The purchase price shall be payable either from (i) proceeds received upon the remarketing of the 2011 Mandatory Tender Bonds for delivery on or after the Purchase Date, (ii) certain property tax increments received by the City from the Downtown Project Area (as hereinafter defined), which property tax increment terminates as of December 1, 2014, or, (iii) at the option of the City, from any source of funds provided by the City, although it is under no obligation to provide any source of funds.

Failure to Deliver Tendered 2011 Mandatory Tender Bonds. Each Mandatory Tender Bond owner, by acceptance of a Mandatory Tender Bond, agrees to sell and surrender that Mandatory Tender Bond in accordance with the provisions of the Trust Agreement and, on the Purchase Date, to surrender the Mandatory Tender Bond to the Trustee for payment of the Purchase Price. Upon deposit of the Purchase Price with the Trustee on the Purchase Date, the 2011 Mandatory Tender Bonds shall be deemed tendered for purchase and the registered owners of the 2011 Mandatory Tender Bonds shall be entitled only to receive the Purchase Price so deposited with the Trustee on surrender of the 2011 Mandatory Tender Bonds to the Trustee.

Conversion Provisions. The 2011 Mandatory Tender Bonds will initially be issued in a Multiannual Mode (i.e., having an interest rate in effect for a period of one year or any multiple of one year, as set forth on the inside cover page of this Official Statement) with an initial rate period ("Rate Period") ending on May 15, 20__. After the initial Rate Period, the 2011 Mandatory Tender Bonds, at the option of the City and upon certain conditions, as set forth in the Trust Agreement, may be converted to or from a Flexible Mode (i.e., having an interest rate in effect for a Rate Period of from one to 270 days), a Weekly Mode (i.e., having an interest rate in effect for a Rate Period of seven days) or any Rate Period in the Multiannual Mode, or to a Fixed Rate Mode. Since the initial Rate Period extends to the date on which the 2011 Mandatory Tender Bonds must be tendered, no information regarding other modes is provided herein.

BACKGROUND ON FPRS AND THE 2011 BONDS

General

The Pasadena Fire and Police Retirement System ("FPRS") was established by Article XV of the City Charter and the Retirement Law. FPRS is governed by a five-member retirement board of trustees representing the City Council, City residents and FPRS members. FPRS was closed to new members

effective July 1, 1977, but continues to pay out retirement benefits to 275 retirees and their beneficiaries. See APPENDIX A – “THE CITY OF PASADENA—RETIREMENT SYSTEMS—Pasadena Fire and Police Retirement System.”

In 1960, the City Charter was amended to provide an unlimited cost of living adjustment (“COLA”) for the FPRS members that was fully adjustable based on changes in the consumer price index. With inflation in the broader economy during the subsequent years, the FPRS saw dramatic increases in the COLA and, therefore, in its expenses. In 1977, the FPRS was modified to increase contribution rates for the City and for active FPRS members. Additionally, active FPRS members were given the option of transferring to the California Public Employees’ Retirement System (“CalPERS”) plan. However, few existing participants elected to join CalPERS and the modifications proved inadequate to address the continuing rise in the COLA benefit.

The City attempted to roll back the COLA benefit and successfully obtained voter approval in 1981 for a City Charter amendment that limited the COLA to 2%. However, the Pasadena Police Officers Association sued successfully, claiming that the amendments impaired the vested rights of its members. An appellate court upheld the ruling and the uncapped COLA was reinstated.

In 1987, the City sponsored and secured the passage of Senate Bill No. 481 (“SB 481”), which established a funding mechanism for the FPRS. SB 481 authorized the City to utilize payments made by the Pasadena Community Development Commission (the “Commission”) under a reimbursement agreement entered into in 1987, after required deductions, for the purpose of funding the City’s liabilities to FPRS. The Commission’s payments consist of property tax increments from the City’s Downtown Project Area (hereinafter defined as the “SB 481 Receipts”). The reimbursement agreement was validated by SB 481 which became law in 1987. Under SB 481, the right to receive SB 481 Receipts terminates on December 31, 2014.

In 1999, after the FPRS-funded status dropped to approximately 30%, the City and the FPRS negotiated a Contribution Agreement (the “Prior Contribution Agreement”) whereby the City agreed to issue the approximately \$100 million of pension obligation bonds and transfer the proceeds to the FPRS in order to increase the actuarial funding level to 70%. See ‘SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Outstanding Pension Obligation Bonds.’ Further, the City agreed to make supplemental contributions to the FPRS to ensure that the funding level increased by ½% each year for 20 years, in order to reach a funding level of 80% by 2020. FPRS, in turn, assigned to the City its rights to receive the SB 481 Receipts under a prior agreement, but required such revenues to be applied to the payment of the City’s funding obligations to FPRS, including payments on the City’s pension obligation bonds.

In 2004 the City issued approximately \$40 million of additional pension obligation bonds in order to maintain the contribution levels agreed upon in the Prior Contribution Agreement. See ‘SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Outstanding Pension Obligation Bonds.’ This occurred after a dispute between the City and the FPRS regarding the accounting methodology for treating the investment losses of the early 2000s. The FPRS agreed to allow the actuarial valuation to be conducted without the requirement that the actuarial value of assets remain within a 20% “corridor” around the actual market value of assets, in exchange for the City providing additional funds through the issuance of the 2004 Bonds.

In September 2011, the City and FPRS agreed to again amend the Contribution Agreement (herein referred to as the “Amended Contribution Agreement”) for the purpose of revising the methodology used to calculate the unfunded liability of the City and the City’s required payments to the FPRS and to provide for the issuance of the 2011 Bonds (the proceeds of which will be contributed to

FPRS). In the past, FPRS has been required to use, in its actuarial calculations, the average assumed investment return and cost of living adjustment used by counties with pension systems established under 1937 Act ("1937 Act Counties"). The principal amendment to the Contribution Agreement was to permit the FPRS to use, in its actuarial calculations, the rates of investment and cost of living increases recommended by the FPRS's actuary and approved by the FPRS after consultation with the City and the City's consultants. The current average investment rate used by 1937 Act Counties is approximately 8%; the City expects that the actuarial rate to be recommended by the system's actuary to be closer to 6%. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Contribution Agreement" herein and APPENDIX A – "THE CITY OF PASADENA—Retirement Systems."

SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS

General

The obligation of the City to make payments with respect to the 2011 Bonds is an absolute and unconditional obligation of the City imposed upon the City by law and enforceable against the City pursuant to the Retirement Law. Payment of principal of and interest on the 2011 Bonds is not limited to any special source of funds of the City. The assets of the FPRS are not available for payment of the 2011 Bonds, and the 2011 Bonds do not constitute an obligation of the FPRS.

The Trust Agreement provides that the City is obligated to deposit with the Trustee, for deposit in the Bond Fund, not later than on or before the 5th Business Day preceding each date on which interest on and principal of the 2011 Bonds is due and payable, an amount of money equal to the interest on or principal of the 2011 Bonds due on such date.

Notwithstanding the foregoing, in the event the amounts deposited by the City in the Bond Fund as described above are insufficient for the purpose of paying the 2011 Bonds, including any mandatory tender, on any date on which payment of the 2011 Bonds is due, on each payment date for the 2011 Bonds the City is unconditionally obligated under the Trust Agreement to deposit or cause to be deposited with the Trustee the amount due on the 2011 Bonds on such payment dates. No assurance can be given as to the amount and source of money available in the City treasury for such transfer at any particular time. See APPENDIX A – "THE CITY OF PASADENA" for detailed information of the City's financial condition.

The obligation of the City to repay the 2011 Bonds is an obligation of the City's General Fund. However, the City's intent is to first use certain SB 481 Receipts to repay the 2011 Bonds and the City's other pension obligation bonds, to the extent available, and then to use other sources within the General Fund. The right to receive SB 481 Receipts terminates on December 31, 2014. See Table 3 for information regarding annual debt service on the City's Pension Obligation Bonds (as hereinafter defined).

THE 2011 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2011 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE 2011 BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Outstanding Pension Obligation Bonds

In August 1999, the City issued its \$101,940,000 Taxable Pension Funding Bonds, Series 1999 comprising of \$50,735,000 Series 1999A 2011 Fixed Rate Bonds (the “Series 1999A Bonds”) and \$51,205,000 Series 1999B 2011 Mandatory Tender Bonds (the “Series 1999B Bonds” and, collectively with the Series 1999A Bonds, the “1999 Bonds”). The net proceeds of the 1999 Bonds were contributed to the FPRS to fund a portion of the system’s unfunded actuarial accrued liability (“UAAL”). The 1999 Bonds are currently outstanding in the aggregate principal amount of \$73,180,000. The Series 1999B Bonds are subject to mandatory tender on May 15, 2015.

In 2004, the City issued an additional \$40,750,000 of pension bonds, consisting of \$15,750,000 Taxable Pension Funding Bonds, Series 2004A-1 (Index Bonds), its \$15,000,000 Taxable Pension Funding Bonds, Series 2004-2 (Index Bonds), and its \$10,000,000 Taxable Pension Funding Bonds Series 2004A-3 (Index Bonds) (collectively, the “2004 Bonds” and collectively with the 1999 Bonds, the “Prior Pension Bonds”). The net proceeds of the 2004 Bonds were contributed to the FPRS to fund a portion of the system’s UAAL. The 2004 Bonds are currently outstanding in the aggregate principal amount of \$30,755,000. The 2004 Bonds will mature on May 15, 2015.

The Prior Pension Bonds and the 2011 Bonds are collectively referred to herein as the “Pension Obligation Bonds.”

In addition to the Prior Pension Bonds, the City has outstanding other obligations payable from the general fund of the City. See APPENDIX A – “THE CITY OF PASADENA—Outstanding Indebtedness.”

Amended Contribution Agreement

The City will contribute the net proceeds of the 2011 Bonds to the FPRS. In making this contribution, the City is fulfilling a commitment under a Contribution Agreement entered into on October __, 2011, between the City and the FPRS (the “Amended Contribution Agreement”). The Amended Contribution Agreement supersedes the Prior Amended Contribution Agreement. Under the Amended Contribution Agreement, the City must pay to the FPRS, in addition to the net 2011 Bond proceeds, supplemental payments if the FPRS falls below the required minimum funding percentage in any fiscal year to fund the UAAL of the FPRS (“Supplemental Payments”). The Amended Contribution Agreement (like the Prior Amended Contribution Agreement) requires the FPRS to be at least 75.5% funded for the fiscal year in which the City pays the net proceeds of the 2011 Bonds to the FPRS (the “Minimum Funding Percentage”). For each succeeding year, the Minimum Funding Percentage will increase by 0.5% a year over a nine-year period, up to 80%. To protect the City against large swings in asset values from one year to the next, the annual amount of any Supplemental Payments is subject to a cap which is the lesser of certain benefit payments paid by the FPRS in the prior fiscal year, or \$3 million plus a varying percentage of any funding deficit in the Minimum Funding Percentage over \$3 million, beginning with 20% of the remaining deficit in the base year up to 100% of any deficit remaining for the fifth and any subsequent consecutive fiscal year following the base year.

The principal change implemented by the Amended Contribution Agreement is to alter the assumed rate of investment and cost of living adjustments used to calculate the Minimum Funding Percentage and UAAL. The Prior Amended Contribution Agreement required FPRS to use the average investment rate and cost of living adjustment rate used by 1937 Act Counties. The Amended Contribution Agreement allows FPRS to use rates of investment and cost of living increases recommended by the FPRS’s actuary and approved by the FPRS after consultation with the City and the

City's consultants. The current average investment rate used by 1937 Act Counties is approximately 8%; the City expects that the actuarial rate to be recommended by the system's actuary to be closer to 6%.

The Amended Contribution Agreement, like the Prior Contribution Agreement, requires that the City use tax increments from the Downtown Project Area, after deduction of (a) \$800,000 thereof which is to be put in a low and moderate income housing trust fund and (b) any amounts payable on bonds of the Commission from such tax increments (the tax increments, after the foregoing deductions, are herein referred to as "SB 481 Receipts"), to make (i) payments of principal or interest or premiums due on the Pension Obligation Bonds, (ii) payments on account of credit support, liquidity support and remarketing support for the Pension Obligation Bonds, (iii) Supplemental Payments to the FPRS or (iv) reimbursement payments to the City on account of any General Fund monies used by the City in payment of any of the foregoing. In any one year, the City may receive SB 481 Receipts in an amount in excess of that necessary to make the various payments permitted or required under the Amended Contribution Agreement. Any such excess money will be held by the City in the Treasurer's Pool, pending use for permitted purposes at a later date.

To date, the tax increment revenue from the Downtown Project Area has been sufficient to cover the debt service on the Prior Pension Bonds, provide funds for the City to make required Supplemental Payments and generate a reserve fund to be used for future obligations of the FPRS. However, under the Reimbursement Agreement, the right to receive SB 481 Receipts terminates on December 31, 2014. Any previously received SB 481 Receipts remaining on hand on such date, however, may be used at a later date for any of the enumerated purposes set forth in the immediately preceding paragraph. Thereafter, the City will be obligated to pay debt service on the Pension Obligation Bonds and to make the required Supplemental Payments to the FPRS from the General Fund.

Earnings and profits generated from investment of SB 481 Receipts are also to be held by the City in the Treasurer's Pool and utilized for the same purposes as SB 481 Receipts. The use of SB 481 Receipts in accordance with the Contribution Agreement has been validated in the validation action referred to under the heading "VALIDATION" herein.

Historic and Projected Tax Increment

The Downtown Project Area was established in 1970 to promote the economic viability of the commercial, industrial, retail and other uses within the Downtown Project Area. The Downtown Project Area encompasses approximately 340 acres and includes the City's central business district and the City's Civic Center. In fiscal year ended June 30, 2011, the total taxable value property value of the Downtown Project Area was approximately \$2.05 billion.

The following Table 1 shows the amount of property tax increments from the Downtown Project Area that were available to the City to pay debt service on the Prior Pension Bonds for the previous five fiscal years ending June 30, 2011.

TABLE 1
DOWNTOWN PROJECT AREA
Historical Property Tax Increments

	2007	2008	2009	2010	2011
Gross Downtown Project Area Property Tax Increments	\$18,615,165	\$18,577,962	\$19,626,510	\$20,239,971	22,511,894
Investment earnings	1,382,005	1,330,316	1,470,030	1,167,242	-
Less Amounts Set Aside for Low and Moderate Income Housing	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Net Amount Available for Pension Obligation Bond Debt Service (Pro Forma)	<u>\$19,197,170</u>	<u>\$19,108,278</u>	<u>\$20,296,540</u>	<u>\$20,607,213</u>	<u>\$21,711,894</u>
Payment on 1999 Bonds	(9,701,809)	(10,019,594)	(10,338,858)	(10,667,109)	(10,667,109)
Payment on 2004 Bonds	(2,763,000)	(3,046,174)	(2,503,413)	(2,499,528)	(2,499,258)
Supplemental Contribution	<u>(3,832,160)</u>	<u>(3,185,103)</u>	<u>(947,693)</u>	<u>(4,981,704)</u>	<u>(8,036,000)</u>
Net Cash Flow/Surplus	\$2,900,201	\$2,857,407	\$6,506,576	\$2,458,872	\$509,257
Beginning Cash Balance (SB491)	\$23,711,407	\$26,611,608	\$29,469,015	\$35,975,592	\$38,434,646
Ending Cash Balance	\$26,611,608	\$29,469,015	\$35,975,592	\$38,434,464	\$38,943,903

Source: The City of Pasadena, Department of Finance.

The following Table 2 shows the amount of property tax increments from the Downtown Project Area, which are expected to be available for the payment of debt service on the Pension Obligation Bonds (including the 2011 Bonds) during the four fiscal years ending June 30, 2015 (pro forma) assuming no Supplement Payments will be required. The City's right to receive SB 481 Receipts terminates on December 31, 2014.

**TABLE 2
DOWNTOWN PROJECT AREA
Projected Property Tax Increments**

	2012	2013	2014	2015 ⁽¹⁾
Gross Downtown Project Area Property Tax Increments	\$22,292,701	\$22,738,555	\$23,193,327	\$11,673,000
Less: Amounts Set Aside for Low and Moderate Income Housing	800,000	800,000	800,000	800,000
Net Amount Available for Pension Obligation Bond Debt Service (Pro Forma)	<u>\$21,492,701</u>	<u>\$21,938,555</u>	<u>\$22,393,327</u>	<u>\$10,873,000</u>
Payment on 1999 Bonds	(11,338,107)	(11,692,399)	(12,054,179)	(5,453,716)
Payment on 2004 Bonds	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Estimated Payment on the 2011 Bonds	0	(1,187,858)	((1,187,858))	(1,187,858)
Supplemental Contributions ⁽²⁾	0	(1,000,000)	(1,600,000)	(2,100,000)
Investment Earnings	<u>778,878</u>	<u>947,548</u>	<u>1,077,664</u>	<u>1,200,244</u>
Net Cash Flow/Surplus	\$8,433,473	\$6,505,847	\$6,128,955	\$831,670
Beginning Cash Balance (SB 481)	\$38,943,903	\$47,377,376	\$53,883,222	\$60,012,177
Ending Cash Balance	\$47,377,376	\$53,883,222	\$60,012,177	\$60,843,847 ⁽³⁾

⁽¹⁾ Reflects property tax increments to December 31, 2014. The City's right to receive SB 481 Receipts terminates on December 31, 2014.

⁽²⁾ Projected Supplemental Contributions based on _____.

⁽³⁾ Available to payoff portion of the then outstanding Series 1999B Bonds and 2004 Bonds.

Source: The City of Pasadena, Department of Finance.

City's Plan of Refinancing its FPRS Pension Liabilities

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 also subject to mandatory tender on May 15, 20__]. The City plans to use the projected \$53.0 million of excess SB 481 Receipts to repay all or a portion of this indebtedness. Any difference, will be required to be refinanced by the City or paid from other available sources. Currently, the City anticipates issuing refunding pension obligation bonds to fund the difference.

ANNUAL DEBT SERVICE

The following Table 3 summarizes the annual debt service on the City's Pension Obligation Bonds.

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, 2011 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.

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.

On July 18, 2011, *California Redevelopment Assoc. v. Matosantos* (S194861) was filed in the first instance in the California Supreme Court. In this action the California Redevelopment Association requested the Court to nullify ABX1 26 and ABX1 27 (principally on the grounds that they violate Proposition 22 of the State Constitution) and to stay the effectiveness of the two bills. On August 11, 2011, the California Supreme Court agreed to hear the case and agreed to an expedited process designed to provide a decision by January 15, 2012. (January 15 is when initial payments would be due under ABX1 27.)

The Supreme Court also issued an order granting a stay of the provisions of ABX1 26 and ABX1 27, except for the provisions of Part 1.8 of Division 24 of the Health and Safety Code that were enacted in ABX1 26. Among other things, the provisions of Part 1.8 limit the issuance of new debt, the ability to make loans or dispose of assets, and restricts spending by redevelopment agencies. (However, this portion of ABX1 26 does not shut down or dissolve redevelopment agencies.) Part 1.8 helps to preserve the revenues and assets of redevelopment agencies so that those assets will be available, after resolution of the litigation, either to support community remittance payments under ABX1 27 or for distribution as property tax to schools and other local agencies under ABX1 26.

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 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.

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 material notices within 10 business days 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