

## ARTICLE VIII

### DEFEASANCE

**Section 8.01. Discharge of Bonds.** (a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest on and the principal or Accreted Value of such Bonds (or with respect to Weekly Rate Mode Bonds, the Purchase Price thereof) at the times and in the manner stipulated herein and therein, then all agreements, covenants and other obligations of the City to the Holders of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied, and in such event the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City all money or securities (other than proceeds of a draw on the Credit Facility or any remarketing proceeds) held by it pursuant hereto which are not required for the payment of the interest on or the principal or Accreted Value of or the Purchase Price of such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity dates or redemption dates thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Permitted Investments of the type described in clauses (1) or (2) of the definition of Permitted Investments which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book-entry form on the books of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest on and the principal or Accreted Value of such Bonds on and prior to the maturity dates or redemption dates thereof (or with respect to Weekly Rate Mode Bonds, to pay the interest on and principal of such Bonds on the next Purchase Date), and (2) the City shall have given the Trustee in form satisfactory to it irrevocable instructions to mail to the Holders in accordance with Section 10.06 and to the Information Services notice that the deposit required by clause (1) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity dates or redemption dates on which money is to be available for the payment of the interest on and principal or Accreted Value of such Bonds.

(c) Notwithstanding anything herein to the contrary, in the event that the principal and interest with respect to a Series of Bonds shall be paid by a Credit Provider pursuant to its Credit Facility, such Series of Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the City to the registered Holders of such Series of Bonds shall continue to exist and shall run to the benefit of such Credit Provider, and such Credit Provider shall be subrogated to the rights of such registered Holders.

**Section 8.02. Unclaimed Money.** Anything contained herein to the contrary notwithstanding, any money (other than proceeds of a draw on the Credit Facility or any remarketing proceeds) held by the Trustee in trust for the payment of the interest on or principal

or Accreted Value of the Bonds which remains unclaimed for two (2) years after the date when such interest or principal or Accreted Value shall have become due and payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such interest or principal or Accreted Value shall become due and payable, shall be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Bonds; provided, that before being required to make any such payment to the City, the Trustee may, and at the request of the City shall, at the expense of the City, mail to the Holders in accordance with Section 10.06 and to the Information Services notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City.

## ARTICLE IX

[RESERVED]

## ARTICLE X

### MISCELLANEOUS

**Section 10.01. Benefits of the Trust Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any person other than the Trustee, the City, the Holders, the Liquidity Provider and the Credit Provider any right, remedy or claim under or by reason hereof, and any agreement or covenant required herein to be performed by or on behalf of the City or any officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the Holders, the Liquidity Provider and the Credit Provider. No reference to the Liquidity Provider or the Credit Provider herein shall be of any force or effect, and the Liquidity Provider or the Credit Provider, as applicable, shall have no rights hereunder, if at any time the Liquidity Provider or the Credit Provider is in default in its obligations under the Liquidity Facility or Credit Facility, as applicable, or if the Liquidity Facility or Credit Facility and any related Reimbursement Agreement has expired or been terminated or at any time that a Liquidity Facility or Credit Facility, as applicable, is not in effect.

**Section 10.02. Successor Is Deemed Included In All References To Predecessor.** Whenever herein either the City or any officer or employee thereof or the Trustee is named or referred to, such reference shall be deemed to include the successor or assigns thereof, and all agreements and covenants required hereby to be performed by or on behalf of the City or any officer or employee thereof or the Trustee shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 10.03. Execution of Documents by Holders.** Any declaration, request or other instrument which is permitted or required herein to be executed by Holders may be in one or

more instruments of similar tenor and may be executed by Holders in person or by their attorneys appointed in writing. The fact and date of the execution by any Holder or such Holder's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which such person purports to act that the person signing such declaration, request or other instrument or writing acknowledged to such person the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books for the Bonds maintained by the Trustee pursuant to Section 2.16.

Any declaration, request, consent or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the Trustee or the City in good faith and in accordance therewith.

**Section 10.04. Waiver of Personal Liability.** No officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal or Accreted Value of the Bonds by reason of their issuance, but nothing herein contained shall relieve any officer or employee of the City from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

**Section 10.05. Acquisition of Bonds by City.** All Bonds acquired by the City shall be surrendered to the Trustee.

**Section 10.06. Notice to Holders.** Any notice required to be given by the Trustee hereunder by mail to any Holders of Bonds shall be given by mailing a copy of such notice, first class postage prepaid, to the Holders of such Bonds at their addresses appearing in the registration books maintained by the Trustee pursuant to Section 2.16 not less than ten (10) days nor more than forty-five (45) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure of any Holder to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

**Section 10.07. Notice to Rating Agencies.** A copy of any notice required to be given by the Trustee or the City hereunder, and a copy of any notice received by the Trustee or the City hereunder, shall be promptly given to each of the Rating Agencies.

**Section 10.08. Content of Certificates.** Every Certificate of the City with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary

to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

Any Certificate of the City may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the City, upon a representation by an officer or officers of the City unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**Section 10.09. Accounts and Funds; Business Days.** Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Holders. Any action required to occur hereunder on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

**Section 10.10. Credit Provider as Third Party Beneficiary.** To the extent that this Trust Agreement confers upon or gives or grants to the Credit Provider any right, remedy or claim under or by reason of this Trust Agreement, the Credit Provider is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.

**Section 10.11. Notices.** All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:

City of Pasadena  
100 N. Garfield  
Pasadena, California 91109-7215  
Attention: Director of Finance  
Facsimile:  
Telephone:

If to the Trustee:

The Bank of New York Mellon Trust Company, N.A.  
700 South Flower Street, Suite 500  
Los Angeles, California 90017  
Attention: Corporate Trust  
Facsimile:  
Telephone:

If to Fitch:

Fitch Ratings  
One State Street Plaza, 28<sup>th</sup> Floor  
New York, NY 10004  
Attention: Public Finance Department  
Facsimile: (212) 480-4421  
Telephone: (800) 753-4824

If to Standard & Poor's:

Standard & Poor's Corporation  
55 Water Street, 38<sup>th</sup> Floor  
New York, NY 10041  
Attention: Municipal Structured Surveillance  
Facsimile: (212) 438-2152  
Telephone: (212) 438-2000

**Section 10.12. Article and Section Headings, Singular and Plural Forms, Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and the singular and plural forms of words shall be deemed interchangeable, and words of any gender shall be deemed and construed to include all genders, and all references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Trust Agreement as a whole and not to any particular article, section, subsection, paragraph, subparagraph or clause in which such word appears.

**Section 10.13. Use of Examples.** When a condition, class, category, circumstance or other concept is described in general terms herein and a list of possible examples of components of what has been described generally is associated with that description, and regardless of whether the words "include" or "including" or the like are also used, the listing shall be deemed illustrative only and shall not be construed as excluding other possible examples or components or as otherwise limiting the generality of the description in any way.

**Section 10.14. Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Trustee or the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Holders shall retain all the benefit, protection and security afforded to them under the Act or any other applicable provisions of law. The Trustee and the City hereby declare that they would have executed and delivered the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 10.15. Execution in Several Counterparts.** The Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Trustee and the City shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 10.16. Governing Law.** The Trust Agreement shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trusts created hereunder, has caused the Trust Agreement to be signed in its name by one of its duly authorized officers, and the City of Pasadena has caused the Trust Agreement to be signed in its name by the Director of Finance of the City, all as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.  
as Trustee

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

CITY OF PASADENA

By \_\_\_\_\_  
Director of Finance

**APPENDIX A**

**FORMS OF THE BONDS**

The Bonds shall be in substantially the following forms:

- A. Forms of Fixed Rate Bonds
- 1. Form of Current Interest Bonds

CITY OF PASADENA  
TAXABLE PENSION FUNDING BOND  
SERIES A (FIXED RATE) CURRENT INTEREST BOND

No. R \_\_\_\_\_ \$ \_\_\_\_\_

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP</u>
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THE OBLIGATIONS OF THE CITY HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS WHEN DUE, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION, AND NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTE 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.

The City of Pasadena, a political subdivision duly organized and existing under the Constitution and laws of the State of California and its Charter (the "City"), for value received hereby promises to pay in lawful money of the United States of America to the registered owner



specified above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided) the principal amount specified above, together with interest on such principal amount from the interest payment date next preceding the date of authentication of this Current Interest Bond (unless this Current Interest Bond is authenticated during the period from the first (1st) day of the month in which an interest payment date occurs to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Current Interest Bond is authenticated prior to \_\_\_\_\_, in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable in lawful money of the United States of America on \_\_\_\_\_, and semiannually thereafter on \_\_\_\_\_ and \_\_\_\_\_ of each year until the maturity or prior redemption of this Current Interest Bond. The interest due on or before the maturity or prior redemption hereof shall be payable by check mailed on each interest payment date by first class mail to the registered owner hereof; provided, that upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Current Interest Bonds received by the Trustee at least fifteen (15) days prior to any interest payment date, such interest shall be payable by wire transfer of immediately available funds. The principal due at the maturity or prior redemption hereof is payable upon surrender hereof at the Corporate Trust Office (as that term is defined in the Trust Agreement hereinafter defined) of \_\_\_\_\_, as Trustee (the "Trustee"), in \_\_\_\_\_ or \_\_\_\_\_.

This Current Interest Bond is one of a duly authorized issue of bonds of the City designated as its "Taxable Pension Funding Bonds, Series \_\_\_\_" (the "Bonds") in the aggregate principal amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), and is one of a series of the Bonds constituting the Series \_\_\_\_ (Fixed Rate) Current Interest Bonds in the aggregate principal amount of \_\_\_\_\_ (\$ \_\_\_\_\_) (the "Current Interest Bonds"), all of which Current Interest Bonds are of like tenor and date (except for such variations as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions), and is issued under and pursuant to the provisions of 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 and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a Trust Agreement dated as of \_\_\_\_\_, by and between the Trustee and the City (the "Trust Agreement") (copies of which are on file at the Corporate Trust Office of the Trustee).

Under the Trust Agreement, additional obligations may be issued on a parity with the Bonds, and the Bonds and any additional obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the City pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the registered owners of the Bonds, for the security for payment of the Bonds, for the remedies upon default and limitations thereon and for the provisions for the amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between

the City and the registered owner of this Current Interest Bond, to all the provisions of which the registered owner of this Current Interest Bond, by acceptance hereof, agrees and consents.

The Current Interest Bonds maturing by their terms on \_\_\_\_\_, are subject to mandatory sinking fund redemption prior to their stated maturity date, in part on \_\_\_\_\_ of each year on or after \_\_\_\_\_, 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 a redemption premium:

Mandatory Sinking Fund Payment Date (        ) _____	Mandatory Sinking Fund Payment _____
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Notice of redemption of any Current Interest Bonds or any portions thereof shall be given by first class mail not less than thirty (30) days nor more than forty-five (45) days before the redemption date of such Current Interest Bonds or portions thereof to the respective registered owners thereof as their names and addresses appear on the registration books maintained by the Trustee pursuant to the Trust Agreement and to those information services and securities depositories provided in the Trust Agreement; all subject to and in accordance with the provisions of the Trust Agreement. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Current Interest Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Current Interest Bond shall cease to accrue and the registered owner of this Current Interest Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an Event of Default, as that term is defined in the Trust Agreement, shall occur, the principal or Accreted Value (as that term is defined in the Trust Agreement) of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; provided, that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Current Interest Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Current Interest Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Current Interest Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The Trustee and the City may deem and treat the registered owner hereof as the absolute owner hereof

for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Current Interest Bond shall be overdue, and neither the Trustee nor the City shall be affected by any notice or knowledge to the contrary; and payment of the interest on or principal or redemption price of this Current Interest Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Current Interest Bond to the extent of the sum or sums so paid.

This Current Interest Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by an authorized signatory of the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Current Interest Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Current Interest Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Current Interest Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the City of Pasadena has caused this Current Interest Bond to be executed in its name and on its behalf by the signature of the \_\_\_\_\_ of the City and countersigned by the signature of the City Clerk who has impressed the seal of the City hereon, and has caused this Current Interest Bond to be dated as of the original issue date specified above.

CITY OF PASADENA

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

[SEAL]

Countersigned:

\_\_\_\_\_  
City Clerk

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment

is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

\_\_\_\_\_,  
as Trustee

By \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

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

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

2. Form of Capital Appreciation Bonds

CITY OF PASADENA  
TAXABLE PENSION FUNDING BOND  
SERIES A (FIXED RATE) CAPITAL APPRECIATION BOND

No. R \_\_\_\_\_

\$ \_\_\_\_\_  
Initial Amount per \$5,000  
Accreted Value at Maturity

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP</u>
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

ACCREDITED VALUE AT MATURITY: \_\_\_\_\_ DOLLARS

(INITIAL PRINCIPAL AMOUNT: \$\_\_\_\_\_)

THE OBLIGATIONS OF THE CITY HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS WHEN DUE, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION, AND NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTE 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.

The City of Pasadena, a political subdivision duly organized and existing under the Constitution and laws of the State of California and its Charter (the "City"), for value received hereby promises to pay in lawful money of the United States of America to the registered owner specified above, or registered assigns, on the maturity date specified above the accreted value at maturity specified above (which amount represents the initial amount hereof, together with accreted interest on such initial amount from the date hereof until the maturity date hereof at the

yield to maturity specified above, compounded on \_\_\_\_\_, and semiannually thereafter on \_\_\_\_\_ and \_\_\_\_\_ of each year until the maturity of this Capital Appreciation Bond). The accreted value due at the maturity hereof is payable upon surrender hereof at the Corporate Trust Office (as that term is defined in the Trust Agreement hereinafter defined) of \_\_\_\_\_, as Trustee (the "Trustee"), in \_\_\_\_\_ or \_\_\_\_\_.

This Capital Appreciation Bond is one of a duly authorized issue of bonds of the City designated as its "Taxable Pension Funding Bonds, Series \_\_\_\_\_" (the "Bonds") in the aggregate principal amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), and is one of a series of the Bonds constituting the Series \_\_\_\_\_ (Fixed Rate) Capital Appreciation Bonds in the aggregate principal amount of \_\_\_\_\_ (\$ \_\_\_\_\_) (the "Capital Appreciation Bonds"), all of which Capital Appreciation Bonds are of like tenor and date (except for such variations as may be required to designate varying numbers, accreted values at maturity, maturities and yields to maturity), and is issued under and pursuant to the provisions of 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 and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a Trust Agreement dated as of \_\_\_\_\_, by and between the Trustee and the City (the "Trust Agreement") (copies of which are on file at the Corporate Trust Office of the Trustee).

Under the Trust Agreement, additional obligations may be issued on a parity with the Bonds, and the Bonds and any additional obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the City pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the registered owners of the Bonds, for the security for payment of the Bonds, for the remedies upon default and limitations thereon and for the provisions for the amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the City and the registered owner of this Capital Appreciation Bond, to all the provisions of which the registered owner of this Capital Appreciation Bond, by acceptance hereof, agrees and consents.

If an Event of Default, as that term is defined in the Trust Agreement, shall occur, the principal or Accreted Value (as that term is defined in the Trust Agreement) of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; provided, that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Capital Appreciation Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Capital Appreciation Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized

attorney, and thereupon a new fully registered Capital Appreciation Bond or Bonds in the same aggregate accreted value at maturity of authorized denominations will be issued to the transferee in exchange therefor. The Trustee and the City may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the accreted value at maturity hereof and for all other purposes, whether or not this Capital Appreciation Bond shall be overdue, and neither the Trustee nor the City shall be affected by any notice or knowledge to the contrary; and payment of the accreted value at maturity of this Capital Appreciation Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Capital Appreciation Bond to the extent of the sum so paid.

This Capital Appreciation Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by an authorized signatory the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Capital Appreciation Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Capital Appreciation Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Capital Appreciation Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the City of Pasadena has caused this Capital Appreciation Bond to be executed in its name and on its behalf by the signature of the \_\_\_\_\_ of the City and countersigned by the signature of the City Clerk who has impressed the seal of the City hereon, and has caused this Capital Appreciation Bond to be dated as of the original issue date specified above.

CITY OF PASADENA

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

[SEAL]

Countersigned:

\_\_\_\_\_  
City Clerk

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.



[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

\_\_\_\_\_,  
as Trustee

By \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

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

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

3. Form of Convertible Capital Appreciation Bonds

CITY OF PASADENA  
TAXABLE PENSION FUNDING BOND  
SERIES A (FIXED RATE) CONVERTIBLE CAPITAL APPRECIATION BOND

No. R \_\_\_\_\_

\$ \_\_\_\_\_  
Initial Amount per \$5,000  
Accreted Value at Maturity

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP</u>
_____	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

ACCRETED VALUE AT THE END  
OF THE ACCRETION PERIOD: \_\_\_\_\_ DOLLARS

(INITIAL PRINCIPAL AMOUNT \$ \_\_\_\_\_)

THE OBLIGATIONS OF THE CITY HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS WHEN DUE, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION, AND NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTE 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.

The City of Pasadena, a political subdivision duly organized and existing under the Constitution and laws of the State of California and its Charter (the "City"), for value received hereby promises to pay in lawful money of the United States of America to the registered owner specified above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided) the accreted value at the end of the accretion period specified above (which amount represents the initial amount hereof, together with accreted interest on such initial amount from the date hereof until \_\_\_\_\_, at the yield to maturity specified above, compounded on \_\_\_\_\_, and semiannually thereafter on \_\_\_\_\_ and \_\_\_\_\_ of each year until \_\_\_\_\_ (the "Conversion Date")), together

with interest on such accreted value after the Conversion Date from the interest payment date next preceding the date of authentication of this Convertible Capital Appreciation Bond (unless this Convertible Capital Appreciation Bond is authenticated during the period from the first (1st) day of the month in which an interest payment date occurs to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Convertible Capital Appreciation Bond is authenticated prior to \_\_\_\_\_, in which event it shall bear interest from the Conversion Date) until such accreted value shall have been paid at the interest rate per annum (yield to maturity) specified above, payable in lawful money of the United States of America on \_\_\_\_\_, and semiannually thereafter on \_\_\_\_\_ and \_\_\_\_\_ of each year until the maturity or prior redemption of this Convertible Capital Appreciation Bond. The interest due on and after the Conversion Date and on or before the maturity or prior redemption hereof shall be payable by check mailed on each interest payment date by first class mail to the registered owner hereof; provided, that upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate accreted value at the end of the accretion period of Convertible Capital Appreciation Bonds received by the Trustee at least fifteen (15) days prior to any interest payment date, such interest shall be payable by wire transfer of immediately available funds. The accreted value due at the maturity or prior redemption hereof is payable upon surrender hereof at the Corporate Trust Office (as that term is defined in the Trust Agreement hereinafter defined) of \_\_\_\_\_, as Trustee (the "Trustee"), in \_\_\_\_\_ or \_\_\_\_\_.

This Convertible Capital Appreciation Bond is one of a duly authorized issue of bonds of the City designated as its "Taxable Pension Funding Bonds, Series \_\_\_\_" (the "Bonds") in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_), and is one of a series of the Bonds constituting the Series \_\_\_\_ (Fixed Rate) Convertible Capital Appreciation Bonds in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_ ) (the "Convertible Capital Appreciation Bonds"), all of which Convertible Capital Appreciation Bonds are of like tenor and date (except for such variations as may be required to designate varying numbers), and is issued under and pursuant to the provisions of 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 and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a Trust Agreement dated as of \_\_\_\_\_, by and between the Trustee and the City (the "Trust Agreement") (copies of which are on file at the Corporate Trust Office of the Trustee).

Under the Trust Agreement, additional obligations may be issued on a parity with the Bonds, and the Bonds and any additional obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the City pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the registered owners of the Bonds, for the security for payment of the Bonds, for the remedies upon default and limitations thereon and for the provisions for the amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between

the City and the registered owner of this Convertible Capital Appreciation Bond, to all the provisions of which the registered owner of this Convertible Capital Appreciation Bond, by acceptance hereof, agrees and consents.

The Convertible Capital Appreciation Bonds maturing by their terms on \_\_\_\_\_, are subject to mandatory sinking fund redemption prior to their stated maturity date, in part on \_\_\_\_\_ of each year on or after \_\_\_\_\_, 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 Accreted Value thereof to be redeemed, without a redemption premium:

Mandatory Sinking Fund Payment Date (            )	Mandatory Sinking Fund Payment
_____	_____

Notice of redemption of any Convertible Capital Appreciation Bonds or any portions thereof shall be given by first class mail not less than thirty (30) days nor more than forty-five (45) days before the redemption date of such Convertible Capital Appreciation Bonds or portions thereof to the respective registered owners thereof as their names and addresses appear on the registration books maintained by the Trustee pursuant to the Trust Agreement and to those information services and securities depositories provided in the Trust Agreement; all subject to and in accordance with the provisions of the Trust Agreement. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Convertible Capital Appreciation Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated, interest on this Convertible Capital Appreciation Bond shall cease to accrue and the registered owner of this Convertible Capital Appreciation Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an Event of Default, as that term is defined in the Trust Agreement, shall occur, the principal or Accreted Value (as that term is defined in the Trust Agreement) of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; provided, that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Convertible Capital Appreciation Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Convertible Capital Appreciation Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Convertible Capital

Appreciation Bond or Bonds in the same aggregate accreted value at the end of the accretion period hereof of authorized denominations will be issued to the transferee in exchange therefor. The Trustee and the City may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and the accreted value at the end of the accretion period hereof and for all other purposes, whether or not this Convertible Capital Appreciation Bond shall be overdue, and neither the Trustee nor the City shall be affected by any notice or knowledge to the contrary; and payment of the interest on or accreted value at the end of the accretion period of this Convertible Capital Appreciation Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Convertible Capital Appreciation Bond to the extent of the sum or sums so paid.

This Convertible Capital Appreciation Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by an authorized signatory of the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Convertible Capital Appreciation Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Convertible Capital Appreciation Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Convertible Capital Appreciation Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the City of Pasadena has caused this Convertible Capital Appreciation Bond to be executed in its name and on its behalf by the signature of the \_\_\_\_\_ of the City and countersigned by the signature of the City Clerk who has impressed the seal of the City hereon, and has caused this Convertible Capital Appreciation Bond to be dated as of the original issue date specified above.

CITY OF PASADENA

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

[SEAL]

Countersigned:

\_\_\_\_\_  
City Clerk

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

\_\_\_\_\_,  
as Trustee

By \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

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

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

B. Forms of Variable Rate Bonds

1. Form of Flexible Rate Mode Bonds

ANY BONDHOLDER WHO FAILS TO DELIVER THIS BOND FOR PURCHASE AT THE TIME AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO OTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SUCH BONDHOLDER SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

CITY OF PASADENA  
TAXABLE PENSION FUNDING BOND  
SERIES B (VARIABLE RATE) BOND  
(FLEXIBLE RATE MODE)

No. R \_\_\_\_\_

\$ \_\_\_\_\_

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

DOLLARS

INTEREST PAYMENT DATE: On (i) each  
Purchase Date and (ii) on the Maturity Date

INTEREST RATE:  
(to the Next Purchase Date)

NEXT PURCHASE DATE:

COMMENCEMENT DATE OF RATE PERIOD:

MATURITY DATE: \_\_\_\_\_

DATE OF THIS BOND:  
(Date as of which Bonds of this  
Series were initially issued)

CUSIP:



MODE: FLEXIBLE

THE OBLIGATIONS OF THE CITY HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS HEREUNDER WHEN DUE, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION, AND NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTE 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.

The City of Pasadena, a political subdivision duly organized and existing under the Constitution and laws of the State of California and its Charter (the "City"), for value received hereby promises to pay in lawful money of the United States of America to the registered owner specified above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal amount specified above, together with interest on such principal amount from the most recent Interest Payment Date (as that term is defined below) to which interest has been paid or duly provided for or, if no interest has been paid, from the date of this Variable Rate Bond, until paid in full, at the rates described below, payable on each Interest Payment Date. So long as this Variable Rate Bond is in a Flexible Rate Mode, interest shall be due on each Purchase Date (as that term is defined below) and on the maturity date (the "Interest Payment Dates"). Until conversion of this Variable Rate Bond to a Weekly Rate Mode, a Multiannual Rate Mode or a Fixed Rate Mode as provided below, this Variable Rate Bond shall bear interest at the Flexible Rate, which rate shall be the rate of interest determined by the Remarketing Agent designated in the Trust Agreement hereinafter defined (the "Remarketing Agent") for each Rate Period (as that term is defined below) to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, is necessary on and as of the Effective Date (as that term is defined below) to remarket each Variable Rate Bond in the Flexible Rate Mode having such Rate Period in a secondary market transaction at a price equal to the principal amount thereof, but not in excess of the Maximum Interest Rate provided in the Trust Agreement hereinafter defined. If this Variable Rate Bond is converted to a Weekly Rate Mode, a Multiannual Rate Mode or a Fixed Rate Mode, it shall bear interest at the Weekly, Multiannual or Fixed Rate, as the case may be, as defined in the Trust Agreement hereinafter defined. The Remarketing Agent shall determine the initial Flexible Rate on or before the date of issue in or of conversion to the Flexible Rate Mode, which rate shall remain in effect as provided in the Trust Agreement hereinafter defined, and thereafter the Remarketing Agent shall redetermine the Flexible Rate for each Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this Variable Rate Bond through the day preceding such Interest Payment Date or, if such Interest Payment Date is not a Business Day, through the day preceding the first Business Day succeeding such Interest Payment Date.

This Variable Rate Bond is one of a duly authorized issue of bonds of the City designated as its "Taxable Pension Funding Bonds, Series \_\_\_\_" (the "Bonds") in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_), and is one of a series of the Bonds constituting the Series \_\_\_\_ (Variable Rate) Bonds in the aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_ ) (the "Variable Rate Bonds"), and is issued under and pursuant to the provisions of 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 and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a Trust Agreement dated as of \_\_\_\_\_, by and between \_\_\_\_\_, as Trustee (the "Trustee") and the City (the "Trust Agreement") (copies of which are on file at the Corporate Trust Office (as that term is defined in the Trust Agreement) of the Trustee in \_\_\_\_\_ or \_\_\_\_\_.

Under the Trust Agreement, additional obligations may be issued on a parity with the Bonds, and the Bonds and any additional obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the City pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and to any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the registered owners of the Bonds, for the security for payment of the Bonds, for the remedies upon default and limitations thereon and for the provisions for the amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the City and the registered owner of this Variable Rate Bond, to all the provisions of which the registered owner of this Variable Rate Bond, by acceptance hereof, agrees and consents.

The [interest on and the principal and] the Purchase Price (as that term is defined below) of this Variable Rate Bond is payable from money drawn by \_\_\_\_\_ (the "Paying Agent") in \_\_\_\_\_, under [an irrevocable letter of credit/bond insurance policy/standby purchase agreement/other instrument] for the Variable Rate Bonds (together with any extensions and renewals thereof, the "Liquidity Facility") issued by \_\_\_\_\_ (the "Liquidity Provider") pursuant to the terms of a [reimbursement agreement/credit agreement/commitment letter/other agreement] dated as of \_\_\_\_\_ (the "Reimbursement Agreement") between the Liquidity Provider and the City. The Liquidity Facility initially expires on \_\_\_\_\_, but may be terminated earlier upon the occurrence of certain events set forth in the Trust Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement.

If an Event of Default, as that term is defined in the Trust Agreement, shall occur, the principal or Accreted Value (as that term is defined in the Trust Agreement) of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; provided, that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

Unless otherwise defined herein, all capitalized terms used in this Variable Rate Bond shall have the meaning given them in the Trust Agreement, except that the following terms are defined as follows:

“Effective Date” means, with respect to a Variable Rate Bond in a Flexible Rate Mode, a Weekly Rate Mode or a Multiannual Rate Mode, the date on which a new Rate Period for that Bond takes effect.

“Mode” means the period for and the manner in which the interest rates on the Variable Rate Bonds are set and includes a Flexible Rate Mode, a Weekly Rate Mode, a Multiannual Rate Mode and a Fixed Rate Mode.

“Purchase Date” means, while this Variable Rate Bond is in a Flexible Rate Mode, the date on which this Variable Rate Bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

“Rate Period” means, when used with respect to any particular rate of interest for a Variable Rate Bond in a Flexible Rate Mode, a Weekly Rate Mode or a Multiannual Rate Mode, the period during which such rate of interest determined for such Variable Rate Bond will remain in effect as described herein.

At the option of the City and upon certain conditions provided for in the Trust Agreement as described below, the Variable Rate Bonds (a) may be converted or reconverted from time to time to or from a Weekly Rate Mode or a Multiannual Rate Mode, which means that the Rate Period is, respectively, one (1) week or one (1) year or any multiple of one (1) year, (b) may be converted or reconverted from time to time to or from a Flexible Rate Mode, which means that the Rate Periods are from one (1) to two hundred seventy (270) days as provided therein, or (c) may be converted to (but not from) a Fixed Rate Mode; provided, that in a Multiannual Rate Mode the first Rate Period occurring after conversion to such Mode may be shorter or longer than the applicable multiple of one (1) year. While this Variable Rate Bond is in a Flexible Rate Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on the Effective Date of the next Rate Period applicable to this Bond.

While this Variable Rate Bond is in a Flexible Rate Mode, conversions to any other Mode may take place only on an Effective Date upon prior written notice from the Paying Agent to the registered owner of the Variable Rate Bond as provided in the Trust Agreement and subject to the conditions set forth in the Trust Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the registered owners of the Variable Rate Bonds of such conversion, (ii) this Variable Rate Bond shall remain in a Flexible Rate Mode with a Rate Period of one (1) day and the Flexible Rate shall be determined as provided in the Trust Agreement, and (iii) this Variable Rate Bond shall be subject to mandatory tender for purchase as provided below. In no event shall the failure of this Variable Rate Bond to be converted to another Mode be deemed to be an Event of Default under the Trust Agreement as long as the Purchase Price (as that term is defined below) is made available on the failed

conversion date to the registered owners of the Variable Rate Bonds that were to have been converted.

While this Variable Rate Bond is in a Flexible Rate Mode, the Flexible Rate in effect for each particular Bond in a Flexible Rate Mode will be determined by the Remarketing Agent and will remain in effect from and including the Effective Date of the Rate Period selected for that Bond by the Remarketing Agent through the last date thereof, and such Bonds may have successive Rate Periods of any duration from one to two hundred seventy (270) days each and ending on a Business Day and any Bond in a Flexible Rate Mode may bear interest at a rate and for a period different from any other Bond. The Remarketing Agent shall announce such determination by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing. If the Remarketing Agent fails to make such determination or to announce the Rate Period or Flexible Rate as required with respect to any Variable Rate Bonds in the Flexible Rate Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, such Bonds shall be deemed to be in a Flexible Rate Mode in a Rate Period with a duration of one (1) day and the Flexible Rate shall be determined as provided in the Trust Agreement. Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Trustee, the Paying Agent, the Credit Provider, the City and the registered owner specified above.

While this Variable Rate Bond is in a Flexible Rate Mode, the interest shall be computed on the basis of actual days elapsed divided by three hundred sixty (360) and shall be payable in lawful money of the United States of America on each Interest Payment Date in immediately available funds by wire or bank transfer within the continental United States of America from the Paying Agent to the registered owner determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent, and the principal of this Variable Rate Bond shall be payable in lawful money of the United States of America when due by wire or bank transfer of immediately available funds within the continental United States of America to the registered owner specified above, but only upon presentation and surrender of this Variable Rate Bond at the office of the Paying Agent in \_\_\_\_\_ . From and after the date on which this Variable Rate Bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for. The Purchase Price (as that term is defined below) of Variable Rate Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this Variable Rate Bond is in the Flexible Rate Mode is the fifteenth (15th) day of the month immediately preceding the day on which interest is to be paid; provided, that with respect to overdue interest or interest payable on redemption of this Variable Rate Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which may be not more than thirty (30) days before the date set for payment. The Trustee will mail notice of a special record date to the registered owners of the Variable Rate Bonds at least ten (10) days before the special record date.

This Variable Rate Bond is subject to mandatory tender for purchase at a price (the "Purchase Price") of par plus accrued interest (i) on each Effective Date and on the date of

conversion or proposed conversion from one Mode to another Mode or the conversion from one Rate Period to another Rate Period and (ii) on (a) the effective date of a substitute Credit Facility or Liquidity Facility or (b) a date that is not more than fifteen (15) or less than five (5) days prior to the expiration or termination of the Credit Facility or Liquidity Facility (other than the early termination of a Liquidity Facility which results from certain early termination events approved by the Rating Agencies or upon conversion to the Fixed Rate Mode). Notice of mandatory tender shall be given or caused to be given by the Paying Agent in writing to the registered owner specified above at least ten (10) days prior to the mandatory Purchase Date. THE REGISTERED OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE TRUST AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS BOND TO THE PAYING AGENT. From and after the Purchase Date, no further interest on this Bond shall be payable to the registered owner above set forth, provided that there are sufficient funds available to pay the Purchase Price.

Variable Rate Bonds the Purchase Price of which is paid from funds drawn on the Liquidity Facility shall be registered in the name of the Liquidity Provider or its designee, by the Paying Agent (whether or not such Bonds are delivered by the tendering Holder) and shall constitute the Liquidity Provider Bonds under the Trust Agreement. Credit Provider Bonds shall bear interest at the Liquidity Provider Bond Rate.

The Purchase Price of this Variable Rate Bond shall be paid to the registered owner specified above by the Paying Agent on the Purchase Date or any subsequent Business Day on which this Variable Rate Bond is delivered to the Paying Agent. The Purchase Price of this Variable Rate Bond shall be paid only upon surrender of this Variable Rate Bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this Variable Rate Bond shall be payable to the registered owner specified above who gave notice of tender for purchase, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. If on any date this Variable Rate Bond is subject to mandatory tender for purchase, payment of the Purchase Price of this Variable Rate Bond to such registered owner shall be made on the Purchase Date if presentation and surrender of this Variable Rate Bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this Variable Rate Bond is made prior to 11:00 A.M., New York City time.

The Variable Rate Bonds in the Flexible Rate Mode are subject to mandatory and optional redemption by the City as a whole or in part as provided in the Trust Agreement.

This Variable Rate Bond is transferable by the registered owner specified above, in person or by its attorney duly authorized in writing, at the office of the Trustee, upon surrender of this