PRELIMINARY OFFICIAL STATEMENT AND MEMO FROM BOND COUNSEL SIDLEY

SIDLEY AUSTIN LLP
SIDLEY

MEMORANDUM

TO: Vic Erganian, Treasurer of the City of Pasadena

FROM: Eric Tashman

RE: Pasadena City Resolution to Reapprove Revised Preliminary Official Statement for Pension Obligation Bonds

DATE: February 21, 2012

The City Council is being asked to approve a revised draft of the Preliminary Official Statement for the proposed issuance of pension obligation bonds. The document was originally approved by the City Council on October 24, 2011. This memo summarizes the substantive changes to Appendix A to the Official Statement. It is these changes to Appendix A which prompted disclosure counsel's recommendation to return to the City Council. Other changes were made to Appendix A to update statistical, financial and demographic information. This memo does not summarize these changes. Page references below refer to the attached blacklined version of Appendix A to the Preliminary Official Statement, which has been marked to show changes since the version approved at the October 24, 2011 City Council meeting.

Employee Relations (p. A-9). The POS was updated to reflect recent labor contract agreements and negotiations.

Retirement System (pp. A-10-17) In addition to updating financial and actuarial information, a table showing CalPERS contribution rates was added (p. A-15) and the OPEB discussion was refined, in part to integrate the discussion with the Grand Jury Report on Public Pensions. The City's response to the Grand Jury's recommendations was updated. (pp. A-16-17).

City Financial Information (pp. A-18-41). A much-expanded section was added to focus on the City's five-year financial plan and forecasts, as the investor community is keenly interested in the future financial burdens facing municipalities and the manner in which they are addressing such challenges (pp. A-19-22). In addition, comparative budget information (past two fiscal years) was added to provide a more comprehensive look at the City's budgeting and adjustment process. (pp. A-24-25).

Transfers to the General Fund from Utility Funds (pp. A-32-33). Potential risks to future transfers from such fund are highlighted. The risks are discussed in greater detail in the discussion of Article XIIIC and D (pp. A-44-45) under the major heading "CONSTITUTIONAL

AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS," commencing on p. A-41.

State Budget (pp. A-40-41). A short description of the State budgetary problems was included, as well as its limited potential impact upon the City's financial condition.

Litigation (A-52). The discussion was shortened to reflect the absence of any significant litigation which could potentially impact upon the City's financial condition.

PRELIMINARY OFFICIAL STATEMENT DATED __________, 2012

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 2012 Bonds is includable in the gross income of the owners of the 2012 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 2012 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 2012 Bonds. See "TAX MATTERS" herein.

$__________*
CITY OF PASADENA, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS

$________*	**$________***
Series 2012A Fixed Rate Bonds	**Series 2012B 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 2012A Fixed Rate Bonds (the "2012 Fixed Rate Bonds") and the City of Pasadena, California Taxable Pension Obligation Bonds, Series 2012B Mandatory Tender Bonds (the "2012 Mandatory Tender Bonds" and, together with the 2012 Fixed Rate Bonds, the "2012 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 _________, 2012 (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 2012 Fixed Rate Bonds will be payable on May 15 and November 15 of each year, commencing May 15, 2012. Interest on the 2012 Mandatory Tender Bonds will be payable on each May 15 and November 15, commencing on May 15, 2012.

The 2012 Fixed Rate Bonds are subject to optional redemption prior to maturity and mandatory sinking fund redemption as described herein. The 2012 Mandatory Tender Bonds are subject to redemption and mandatory tender prior to maturity as described herein.

THE 2012 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 2012 Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about _________, 2012.

WEDBUSH

Dated: _________, 2012

† For an explanation of ratings, see "OTHER MATTERS – Ratings" herein.
* Preliminary, subject to change.

MATURITY SCHEDULE

$__________*

CITY OF PASADENA, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS

$________*

Series 2012A Fixed Rate Bonds

Maturity (May 15)	Principal Amount	Interest Rate	Yield	CUSIP†

$_______ ___% Fixed Rate Term Bonds due May 15, 20__ – Yield _____% CUSIP†: _________

$________*

Series 2012B Mandatory Tender Bonds

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

* Preliminary, subject to change.

† CUSIP Copyright 2012, 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 2012 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 2012 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 2012 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

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CITY OF PASADENA, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS

$________*	**$________***
Series 2012A Fixed Rate Bonds	**Series 2012B 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 2012 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 2012 in the aggregate principal amount of $__________,* consisting of $__________* principal amount of Series 2012A Fixed Rate Bonds (the "2012 Fixed Rate Bonds") and $__________* principal amount of Series 2012B Mandatory Tender Bonds (the "2012 Mandatory Tender Bonds"). The 2012 Fixed Rate Bonds and the 2012 Mandatory Tender Bonds are collectively referred to herein as the "2012 Bonds."

The 2012 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__________, 2012 (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 2012 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." [2011?]

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* Preliminary, subject to change.

Purpose of the 2012 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 2012 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, 2012 actuarial valuation had the net proceeds of the 2012 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, 2012. See APPENDIX A – "THE CITY OF PASADENA—RETIREMENT SYSTEMS—Pasadena Fire and Police Retirement System."

Security and Sources of Payment for the 2012 Bonds

The 2012 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 2012 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 2012 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 2012 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 2012 Bonds is not limited to any special source of funds of the City. The 2012 Bonds do not constitute an obligation of the FPRS.

THE 2012 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 2012 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE 2012 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 2012 BONDS—Outstanding Pension Obligation Bonds" herein and APPENDIX A – "THE CITY OF PASADENA—Outstanding Indebtedness."

Summaries Not Definitive

Brief descriptions of the 2012 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 2012 Bonds, the Debenture and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the 2012 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 2012 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 2012 Bonds, the proceeds of the 2012 Bonds will be deposited with the Trustee. The Trustee will transfer to the FPRS the portion of the proceeds of the 2012 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 2012 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 2012 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 2012 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2012 Bonds are set forth below:

Estimated Sources of Funds	
Proceeds of 2012 Bonds	
Total Sources	
Estimated Uses of Funds	
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 2012 BONDS

General

The 2012 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 2012 Bonds. Ownership interests in the 2012 Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the 2012 Bonds purchased. Payments of principal of and interest on the 2012 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 2012 Bonds. See APPENDIX D – "BOOK-ENTRY SYSTEM" herein.

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

Redemption of the 2012 Bonds

Optional Redemption. The 2012 Fixed Rate Bonds maturing prior to May 15, 20__ shall not be subject to redemption before their respective stated maturities. The 2012 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 2012 Fixed Rate Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The 2012 Mandatory Tender Bonds shall not be subject to redemption before their stated maturity.

Mandatory Redemption – 2012 Fixed Rate Bonds. The 2012 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

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† Final Maturity

Mandatory Redemption – 2012 Mandatory Tender Bonds. The 2012 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

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† Final Maturity

Selection of 2012 Bonds for Redemption. Whenever less than all Outstanding 2012 Bonds of a series of 2012 Bonds are to be redeemed, the Trustee shall select 2012 Bonds of the same maturity for redemption pro rata from the Holders thereof. For purposes of this selection, 2012 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 2012 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 2012 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 2012 Bond or 2012 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 2012 Bond so surrendered. **So long as there is a securities depository for the 2012 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 2012 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 2012 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 2012 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 2012 Bonds.

If notice of redemption has been duly given and money for the payment of the redemption price of the 2012 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2012 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such 2012 Bonds shall cease to accrue, and the owners of such 2012 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Mandatory Tender for Purchase

The 2012 Fixed Rate Bonds are not subject to mandatory tender for purchase.

The 2012 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 2012 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 2012 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 2012 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 2012 Mandatory Tender Bonds shall be deemed tendered for purchase and the registered owners of the 2012 Mandatory Tender Bonds shall be entitled only to receive the Purchase Price so deposited with the Trustee on surrender of the 2012 Mandatory Tender Bonds to the Trustee.

Conversion Provisions. The 2012 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 2012 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 2012 Mandatory Tender Bonds must be tendered, no information regarding other modes is provided herein.

BACKGROUND ON FPRS AND THE 2012 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 (the "Reimbursement Agreement"), 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 2012 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 2012 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 2012 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 2012 BONDS—Contribution Agreement" herein and APPENDIX A – "THE CITY OF PASADENA—Retirement Systems."

SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS

General

The obligation of the City to make payments with respect to the 2012 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 2012 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 2012 Bonds, and the 2012 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 2012 Bonds is due and payable, an amount of money equal to the interest on or principal of the 2012 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 2012 Bonds, including any mandatory tender, on any date on which payment of the 2012 Bonds is due, on each payment date for the 2012 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 2012 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 2012 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 2012 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 2012 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 2012 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE 2012 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 Fixed Rate Bonds (the "Series 1999A Bonds") and $51,205,000 Series 1999B 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 2012 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 2012 Bonds to the FPRS. In making this contribution, the City is fulfilling a commitment under a Contribution Agreement entered into on October __, 2012, 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 2012 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 2012 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 was validated in the judicial validation action undertaken in connection with the issuance of the Series 1999A Bonds.

In 2011, the State of California enacted legislation (commonly referred to as "AB1x 26"), which requires the dissolution of California redevelopment agencies ("CRA's") and the disposition and winding-up of the operations of those agencies. However, AB1x 26 requires that the Commission's enforceable obligations are "to be honored." 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 AB1x 26 and thus would survive the dissolution of the Commission. It will be up to the City, as the successor agency, the oversight committee, and ultimately, the county auditor-controller and State authorities to determine whether the Reimbursement Agreement is an enforceable obligation. If it is ultimately determined, or as a result of litigation thereon, that the Commission'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. See "Risk Factors–Redevelopment Agency Dissolution.

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	2012
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	800,000	800,000	800,000	800,000	800,000
Net Amount Available for Pension Obligation Bond Debt Service (Pro Forma)	$19,197,170	$19,108,278	$20,296,540	$20,607,213	$21,711,894
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)
					0
Supplemental Contribution	(3,832,160)	(3,185,103)	(947,693)	(4,981,704)	(8,036,000)
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 2012 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.