

## PART I: SUMMARY OF TERMS AND CONDITIONS

Submission date: January 12, 2015

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| <b>Issuer</b>                           | City of Pasadena, California/Pasadena Public Financing Authority (the "City" or "Issuer")                   |
| <b>Issue:</b>                           | City of Pasadena Variable Rate Refunding Certificates of Participation, Series 2008 (the "Bonds")           |
| <b>Facilities and Amounts Proposed:</b> | <b>Series 2008:</b> \$136.36 million Direct-Pay Letter of Credit ("LOC") plus interest to support the Bonds |
| <b>Facility Provider:</b>               | Bank of America, N.A. ("BANA" or the "Bank").   |
| <b>Facility Tenor:</b>                  | LOC: 3 year   |

### PROPOSED TERMS AND CONDITIONS SUBJECT TO CERTAIN EVENTS:

*This Summary of Terms is intended only as an outline of certain of the material terms of the Facility and does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive documentation for the Facility contemplated hereby. This Summary of Terms is not a commitment. It represents a willingness on the part of BANA to seek approval to provide the commitment indicated herein and consummate a transaction based upon the terms and conditions outlined in this term sheet and is subject to:*

- Final credit approval which will take approximately 10-15 days from the point at which the Bank is officially awarded the transaction. BANA currently has in its possession all materials considered necessary for a full credit analysis.
- Absence of any material adverse change in the financial condition, operations or prospects of the City, or in any law, rule or regulation (or their interpretation or administration), that, in each case, may adversely affect the consummation of the transaction, to be determined in the sole discretion of the Bank.
- Such additional due diligence as the Bank may require.
- Agreement by the Bank, in its sole discretion, as to all final terms and conditions and satisfactory documentation thereof (including satisfactory legal opinions).

### EXPIRATION OF TERMS AND CONDITIONS:

Consideration of a financing based on the terms and conditions presented in this term sheet shall automatically expire on February 15, 2015. The Bank reserves the right to terminate, reduce or otherwise amend its commitment if the subject transaction is not closed by March 31, 2015.

ATTACHMENT A



**FUTURE MODIFICATIONS:**

The terms, conditions, pricing levels and fees (including legal fees and expenses) cited herein reference the financing and the Facility Amount as described in this Summary of Terms and Conditions and are subject to revision in the event that (i) the Facility Amount changes, (ii) the security or transaction structure is modified, (iii) the transaction deviates materially from what is described herein or in conjunction therewith, (iv) after acceptance, the proposed financing does not close by March 31, 2015.

**CONFIDENTIALITY:**

This Summary of Terms and Conditions contains confidential and proprietary structuring and pricing information. Except for disclosure on a confidential basis to your accountants, attorneys and other professional advisors retained by you in connection with the Facility or as may be required by law, the contents of this Summary of Terms and Conditions may not be disclosed in whole or in part to any other person or entity without our prior written consent, provided that nothing herein shall restrict disclosure of information relating to the tax structure or tax treatment of the proposed transaction.

**NO ADVISORY OR FIDUCIARY ROLE:**

The Issuer acknowledges and agrees that: (i) the transaction contemplated by this Summary of Terms and Conditions is an arm’s length, commercial transaction between the Issuer and the Bank in which the Bank is acting solely as a principal and for its own interest; (ii) the Bank is not acting as a municipal advisor or financial advisor to the Issuer; (iii) the Bank has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Issuer on other matters); (iv) the only obligations the Bank has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Summary of Terms and Conditions; and (v) the Bank is not recommending that the Issuer take an action with respect to the transaction contemplated by this Summary of Terms and Conditions, and before taking any action with respect to the contemplated transaction, Issuer should discuss the information contained herein with its own legal, accounting, tax, financial and other advisors, as it deems appropriate. If Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to Issuer, Issuer is free to engage a municipal advisor to serve in that capacity. This Summary of Terms and Conditions is provided to Issuer pursuant to and in reliance upon the “bank exemption” provided under the municipal advisor rules of the Securities and Exchange Commission, Rule 15Ba1-1 *et seq.*

**AGREEMENT BY THE ISSUER:**

The Issuer hereby agrees to engage Bank of America to provide the Facility(s), which is the subject hereof, pursuant to the terms and conditions stated herein, and subject to approval by Pasadena City Council, as appropriate. Please evidence your agreement with the foregoing either by e-mail or by signing and returning a copy of this document to the Bank.

**ACCEPTED AND AGREED TO:**

By: \_\_\_\_\_ Date: \_\_\_\_\_



## PART II: SUPPLEMENTAL INFORMATION

### City of Pasadena, Pasadena Public Financing Authority Variable Rate Demand Refunding Certificates of Participation, Series 2008A

#### Background Information

##### Bank Credit Contacts

|            |   |   |
|------------|---|---|
| Name:      | Grace L. Barvin   | Greg S. Bailey  |
| Title:     | SVP/Sr. Credit Products Officer   | SVP/Sr. Credit Products Underwriter   |
| Address:   | Bank of America, N.A.<br>Public Sector Banking<br>555 California St, Ste 1160<br>CA5-705-11-00<br>San Francisco, CA 94104 | Bank of America, N.A.<br>Public Sector Banking<br>333 S Hope St, Suite 2310<br>CA9-193-23-04<br>Los Angeles, CA 90071 |
| Telephone: | (415) 913-2325  | (213) 621-7131  |
| Facsimile: | (213) 984-4051  | (415) 796-5697  |
| Email:     | <a href="mailto:grace.barvin@baml.com">grace.barvin@baml.com</a>  | <a href="mailto:greg.s.bailey@baml.com">greg.s.bailey@baml.com</a>  |

#### Direct-Pay Letter of Credit Proposal

| Series 2008A                          |   |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
|---------------------------------------|---|-------------|---|-------------|----------------|-----|--------|----|--------|---|--------|----|--------|------|--------|-----|--------|------|--------|
| <b>Counterparty:</b>                  | BANA  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| <b>Commitment Amount:</b>             | \$134,720,000, plus interest coverage   |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| <b>Expiration Date:</b>               | 3 years   |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| <b>Facility Fee:</b>                  | 34 bppa   |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| <b>Ratings Based Price Increases:</b> | <p><u>Unchanged</u> from existing Fee Letter Agreement dated March 8, 2012</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">S&amp;P / Fitch</th> <th style="width: 50%;">Applicable Spread<br/>(incremental increase)</th> </tr> </thead> <tbody> <tr> <td>AA or above</td> <td>Proposed Above</td> </tr> <tr> <td>AA-</td> <td>0.025%</td> </tr> <tr> <td>A+</td> <td>0.050%</td> </tr> <tr> <td>A</td> <td>0.150%</td> </tr> <tr> <td>A-</td> <td>0.150%</td> </tr> <tr> <td>BBB+</td> <td>0.150%</td> </tr> <tr> <td>BBB</td> <td>0.150%</td> </tr> <tr> <td>BBB-</td> <td>0.150%</td> </tr> </tbody> </table> <p>Change in pricing if the City's ratings* are downgraded</p> <p>**"Rating" is defined as the lowest unenhanced long-term rating by S&amp;P or Fitch assigned to any long-term debt of the City that is on a parity with, or senior to, the Certificates (without regard to bond insurance or any other form of credit enhancement).</p> <p>Plus an additional:</p> <p>(1) 150 bppa should a rating be reduced below BBB- / BBB- or withdrawn or suspended for any reason and</p> <p>(2) 150 bppa upon the occurrence and during the continuance of an Event of Default as described in the Reimbursement Agreement</p> | S&P / Fitch | Applicable Spread<br>(incremental increase) | AA or above | Proposed Above | AA- | 0.025% | A+ | 0.050% | A | 0.150% | A- | 0.150% | BBB+ | 0.150% | BBB | 0.150% | BBB- | 0.150% |
| S&P / Fitch                           | Applicable Spread<br>(incremental increase)   |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| AA or above                           | Proposed Above  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| AA-                                   | 0.025%  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| A+                                    | 0.050%  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| A                                     | 0.150%  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| A-                                    | 0.150%  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| BBB+                                  | 0.150%  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| BBB                                   | 0.150%  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| BBB-                                  | 0.150%  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |
| <b>Term-out Period:</b>               | 5 years, semi-annual principal amortization ( <u>unchanged</u> )  |             |   |             |                |     |        |    |        |   |        |    |        |      |        |     |        |      |        |



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|---|---|
| <b>Upfront or Closing Fee (\$):</b>           | None  |
| <b>Advance Fee (\$ per draw) :</b>            | \$250 plus customary wire transfer costs ( <u>unchanged</u> )   |
| <b>Amendment Fee (\$):</b>                    | \$2,500 ( <u>lowered</u> )  |
| <b>Termination Fee:</b>                       | Due from closing through the first anniversary, with a carve-out added if the Bank institutes increased costs. (existing carve-outs remain) ( <u>improved</u> )   |
| <b>Bank Counsel and Fees:</b>                 | Neil Rust, McGuireWoods, LLP<br>1800 Century Park East - 8 <sup>th</sup> Floor<br>Los Angeles, CA 90067<br>Telephone: (310) 315-8240<br>Email: <a href="mailto:nrust@mcguirewoods.com">nrust@mcguirewoods.com</a><br><br>Bank Counsel estimates fees to be \$5,000 and will cap fees at \$7,500. Expenses will be charged on an as incurred basis.  |
| <b>Other Fees (\$):</b>                       | None expected   |
| <b>Documentation:</b>                         | We anticipate minimal substantive changes to the existing bank documents. Documentation will include an amended Reimbursement Agreement and revised Fee Letter (based on BANA's current Letter of Credit and Reimbursement Agreement dated April 2008 (as previously amended, the "Reimbursement Agreement"), prepared by Bank Counsel and acceptable to the Bank. The Agreement will include, but not be limited to, the terms and conditions outlined herein, as well as the provisions that are customary and standard with respect to conditions precedent, representations and warranties, covenants, events of default and remedies.<br><br>We envision the extension amendment to make the following relatively minimal changes, as outlined below: <ul style="list-style-type: none"> <li>▪ Modify Base Rate and Liquidity Rate definitions (see below).</li> <li>▪ Update Increased Costs language to identify Dodd-Frank and Basel provisions (see below);</li> <li>▪ Updated to add OFAC representation and covenant (see below).</li> <li>▪ Updated to add No Advisory or Fiduciary Role language (see below).</li> </ul> |
| <b>Interest Rates During Term-out Period:</b> | <b>Base Rate (%) (<u>revised lower</u>):</b> The greatest of (i) Bank of America's Prime Rate + 1.0%, (ii) Fed Funds + 2.00%, and (iii) 7.00%<br><b>Bank Rate (%) (<u>unchanged</u>):</b> Days 1-90: Base Rate. Day 91+: Base Rate + 1.00%  |
| <b>Default Rate (%):</b>                      | Base Rate + 3.00% ( <u>unchanged</u> )  |
| <b>Opinions:</b>                              | The Bank will require customary legal opinions from counsel to the City and Bond Counsel as to the obligations of the City, respectively, under the agreement.  |
| <b>Increased Costs:</b>                       | If a change in laws, rules, guidelines, accounting principles or regulations (or their interpretation, implementation or administration) shall occur or be implemented and shall increase the cost to the Bank, its parent companies or participants (if any) of issuing or maintaining the Facility or decrease the return on the Bank's, its parent companies' or any of its participants' capital, or on the capital of the holding  |



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|  | <p>company of any participant, the Bank may increase the Facility Fee by such amount as is necessary to compensate it, its parent companies or such participant for such increased costs or decreased return. In addition, the Agreement shall contain customary provisions providing for all payments to the Bank to be made free and clear of taxes and other claims and, to the extent the Issuer is required by law to withhold amounts to the Bank, its parent companies or its participant's, the Issuer shall be required to gross up those payments. The foregoing shall include costs and charges that result from the implementation of the Dodd-Frank Act and/or Basel Committee on Banking Regulations and Supervisory Practices. (<u>no substantive change</u>)</p>   |
| <p><b>OFAC Representation:</b></p>           | <p>The City represents that neither the City or, to the knowledge of the City, any council member, officer, employee, agent, affiliate or representative of the City is currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, Sanctions).</p>  |
| <p><b>No Advisory or Fiduciary Role:</b></p> | <p>The Issuer acknowledges and agrees that: (i) the transaction contemplated by this Proposal and Summary of Terms and Conditions is an arm's length, commercial transaction between the Issuer and the Bank in which the Bank is acting solely as a principal and for its own interest; (ii) the Bank is not acting as a municipal advisor or financial advisor to the Issuer; (iii) the Bank has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Issuer on other matters); (iv) the only obligations the Bank has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Summary of Terms and Conditions; and (v) the Bank is not recommending that the Issuer take an action with respect to the transaction contemplated by this Summary of Terms and Conditions, and before taking any action with respect to the contemplated transaction, Issuer should discuss the information contained herein with its own legal, accounting, tax, financial and other advisors, as it deems appropriate. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to Issuer, the Issuer is free to engage a municipal advisor to serve in that capacity. This Summary of Terms and Conditions is provided to the Issuer pursuant to and in reliance upon the "bank exemption" provided under the municipal advisor rules of the Securities and Exchange Commission, Rule 15Ba1-1 et seq.</p> |

