

NOTICE OF SETTLEMENT OF LITIGATION

Name of Issuer: City of Redwood City
Purpose: Disclosure about Settlement of Litigation
Date: April 20, 2016

MLC
4/20/16

Names of Affected Issues:

\$20,235,000
City of Redwood City Public Financing Authority
Water Revenue Refunding Bonds, Series 2015

\$26,870,000
City of Redwood City Public Financing Authority
Water Revenue Bonds, Series 2013

\$15,150,000
City of Redwood City Public Financing Authority
Water Revenue Bonds, Series 2007A

Introduction. The City of Redwood City (the "City") provides notice of settlement of certain litigation (the "Litigation"). The City is providing this notice because it provided similar disclosure about the Litigation in connection with the issuance by Silicon Valley Clean Water on November 24, 2015 of its \$70,200,000 initial principal amount 2015 Wastewater Revenue Bonds.

Summary of the Litigation. On November 9, 2015, a Petition for Writ of Mandamus and Complaint for Declaratory and Injunctive Relief (the "Complaint") was filed in the Superior Court of the State of California in and for the County of San Mateo (the "Court"), against the City, entitled Citizens for the Public Trust and Ted J. Hannig v. City of Redwood City, CIV 536168. The Complaint raised Public Trust Doctrine issues related to the City's Docktown Marina ("Docktown").

On January 25, 2016, the City's City Council voted to approve a Settlement Agreement (the "Agreement"), effective as of January 26, 2016. The City is obligated to do the following under the Agreement:

(i) The City has agreed to set aside \$3 million in an earmarked fund to address environmental issues, including any potential water and soil contamination, and Public Trust Doctrine issues, such as possible relocation assistance, associated with the public trust portion of Docktown.

(ii) The City must pay \$1.5 million to Citizens for the Public Trust and Ted J. Hannig as reimbursement to them for all of their legal fees, costs, and damages arising from the Litigation. In exchange, the Citizens for the Public Trust and Ted J. Hannig have provided the City with a complete release of all known and unknown claims related to the Litigation. The Agreement also explicitly states that the City's payment is not intended, and shall not be construed, to be an acknowledgment, admission, concession, or stipulation of liability or

wrongdoing by the City but, rather, constitutes a resolution and settlement of disputed issues without admission of any fault.

(iii) The City must undertake certain other actions related to Docktown, including formulating a policy to bring uses of Docktown into conformance with applicable state law and policies and completing an environmental assessment.

The City expects to pay for its obligations under the Agreement with moneys from its general fund reserves. The settlement of the Litigation will not impact the sufficiency of Net Revenues from the City's water system to pay the Installment Payments.

The Agreement constitutes a final, non-appealable judgement with respect to the Litigation.

Disclaimer. The City has no responsibility to provide further information about the Litigation except as required to comply with its continuing disclosure undertakings relating to the Bonds and applicable law.

[End of Notice]