

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject however, to certain qualifications described in this Official Statement, under existing law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS.”



\$4,350,000
CITY OF REDWOOD CITY
COMMUNITY FACILITIES DISTRICT NO. 2010-1
(ONE MARINA)
2016 SPECIAL TAX REFUNDING BONDS

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The City of Redwood City, California (the “City”), for and on behalf of the City of Redwood City Community Facilities District No. 2010-1 (One Marina) (the “District”), is issuing the above-captioned bonds (the “Bonds”) to (i) refund in full the City of Redwood City Community Facilities District No. 2010-1 (One Marina) Special Tax Bonds, Series 2011 (the “Prior Bonds”), (ii) fund a reserve fund for the Bonds, and (iii) pay costs of issuing the Bonds. See “PLAN OF REFUNDING.” The Prior Bonds were issued by the City, for and on behalf of the District, to finance various public infrastructure improvements within the City. The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2016 (the “Fiscal Agent Agreement”), by and between the City, for and on behalf of the District, and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”).

The Bonds are payable from the proceeds of an annual Special Tax (as defined in this Official Statement) being levied on property located within the District (see “THE DISTRICT”), and from certain funds pledged under the Fiscal Agent Agreement. The Special Tax is being levied according to a rate and method of apportionment of Special Taxes approved in 2010 by the then-qualified elector of the District. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Special Taxes” and APPENDIX A – “Rate and Method of Apportionment of Special Tax.”

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing on March 1, 2017. The Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers of the Bonds will not receive physical certificates representing their ownership interests in the Bonds purchased. The Bonds will be issued in the principal amount of \$5,000 and any integral multiple thereof. Principal of and interest on the Bonds are payable directly to DTC by the Fiscal Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Bonds. See “THE BONDS” and APPENDIX E – “Book Entry System.”

The Bonds are subject to optional redemption, mandatory sinking payment redemption and mandatory redemption from Special Tax Prepayments, prior to their respective maturities. See “THE BONDS—Redemption.”

The City may issue additional bonded indebtedness that is secured by a lien on the Special Tax Revenues and by funds pledged under the Fiscal Agent Agreement for the payment of the Bonds on a parity with the Bonds (“Parity Bonds”), but only for the purpose of refunding the Bonds and refunding any outstanding Parity Bonds. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Issuance of Additional Bonds.”

NONE OF THE FAITH AND CREDIT OF THE DISTRICT, THE CITY OR THE STATE OF CALIFORNIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NEITHER GENERAL NOR SPECIAL OBLIGATIONS OF THE CITY, NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CITY FOR THE DISTRICT, PAYABLE SOLELY FROM CERTAIN AMOUNTS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “SPECIAL RISK FACTORS” herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the Bonds.

MATURITY SCHEDULE
(see inside cover)

The Bonds are offered when, as and if issued, subject to approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Certain legal matters will also be passed on by Norton Rose Fulbright US LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California and for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 29, 2016 in New York, New York.

STIFEL

MATURITY SCHEDULE

| Maturity Date (Sept. 1) | Principal Amount | Interest Rate | Yield | CUSIP[†] (757893) | Maturity Date (Sept. 1) | Principal Amount | Interest Rate | Yield | CUSIP[†] (757893) |
|--------------------------------|-------------------------|----------------------|--------------|-----------------------------------|--------------------------------|-------------------------|----------------------|--------------|-----------------------------------|
| 2017 | \$115,000 | 2.000% | 0.730% | DR0 | 2027 | \$160,000 | 2.500% | 2.580% | EB4 |
| 2018 | 135,000 | 2.000 | 0.950 | DS8 | 2028 | 165,000 | 2.500 | 2.750 | EC2 |
| 2019 | 135,000 | 2.000 | 1.150 | DT6 | 2029 | 170,000 | 2.750 | 2.850 | ED0 |
| 2020 | 140,000 | 2.000 | 1.320 | DU3 | 2030 | 175,000 | 2.750 | 2.940 | EE8 |
| 2021 | 140,000 | 2.000 | 1.540 | DV1 | 2031 | 175,000 | 3.000 | 3.000 | EF5 |
| 2022 | 145,000 | 2.000 | 1.760 | DW9 | 2032 | 180,000 | 3.000 | 3.040 | EG3 |
| 2023 | 145,000 | 2.000 | 1.960 | DX7 | 2033 | 190,000 | 3.000 | 3.090 | EH1 |
| 2024 | 150,000 | 2.000 | 2.090 | DY5 | 2034 | 195,000 | 3.000 | 3.140 | EJ7 |
| 2025 | 155,000 | 2.000 | 2.250 | DZ2 | 2035 | 200,000 | 3.000 | 3.190 | EK4 |
| 2026 | 155,000 | 2.250 | 2.420 | EA6 | | | | | |

\$1,325,000 3.125% Term Bond Due September 1, 2041 Yield: 3.360% CUSIP:[†] 757893 EM0

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Bonds. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF REDWOOD CITY, CALIFORNIA

City Council

John D. Seybert, *Mayor*
Ian Bain, *Vice Mayor*
Alicia C. Aquirre, *Councilmember*
Janet Borgens, *Councilmember*
Jeffrey Gee, *Councilmember*
Diane Howard, *Councilmember*
Shelly Masur, *Councilmember*

City Staff

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Newport Beach, California

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San Francisco, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

[†] On June 2, 2016 the public finance group at Sidley Austin LLP moved to Norton Rose Fulbright US LLP.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. No dealer, broker, salesperson or other person has been authorized by the City, the Fiscal Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds 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 the City, the Fiscal Agent or the Underwriter. 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City. This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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 a 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.

The information and expressions of opinion herein are subject to change without notice and neither the 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 affairs of the City, the District or any other parties described herein since the date hereof. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" 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 which 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 the forward-looking statements set forth in this Official Statement.

While the City maintains an internet website for various purposes, none of the information on such website is incorporated by reference herein or constitutes a part of this Official Statement.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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OFFICIAL STATEMENT

\$4,350,000
CITY OF REDWOOD CITY
COMMUNITY FACILITIES DISTRICT NO. 2010-1
(ONE MARINA)
2016 SPECIAL TAX REFUNDING BONDS

This official statement, which includes the cover page, the inside cover page, the table of contents and the attached appendices (the "Official Statement") is provided to furnish certain information in connection with the issuance by the City of Redwood City, California (the "City"), for and on behalf of the City of Redwood City Community Facilities District No. 2010-1 (One Marina) (the "Community Facilities District" or the "District") of the bonds captioned above (the "Bonds").

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the respective meanings set forth in the Rate and Method of Apportionment of Special Tax or the Fiscal Agent Agreement. See APPENDIX A – "Rate and Method of Apportionment of Special Tax" and "APPENDIX F – Summary of Certain Provisions of the Fiscal Agent Agreement – Definitions."

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Bonds are being issued by the City, for and on behalf of the District, to (i) refund in full the City of Redwood City Community Facilities District No. 2010-1 (One Marina) Special Tax Bonds, Series 2011 (the "Prior Bonds"), (ii) fund a reserve fund for the Bonds, and (iii) pay costs of issuing the Bonds. See "PLAN OF REFUNDING." The Prior Bonds were issued to finance various public infrastructure improvements (the "Improvements") necessitated by development in the District.

Authority for Issuance

General. The District was formed under the authority of the Mello-Roos Community Facilities Act of 1982, as amended, commencing at Section 53311, et seq., of the California Government Code (the "Act"), which was enacted by the California Legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. The Act authorizes local governmental entities to establish community facilities districts as legally constituted governmental entities within defined boundaries, with the legislative body of the local applicable governmental entity acting on behalf of the district. Subject to approval by at least a two-thirds vote of the votes cast by the qualified electors within a district and compliance with the provisions of the Act, the legislative body may issue bonds for the community facilities district established by it and may levy and collect a special tax within such district to repay such bonds.

Bond Authority. The Bonds are authorized to be issued pursuant to the Act, Article 11 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California (the “Refunding Law”), Resolution No. 15494 adopted on May 23, 2016 by the City Council of the City (the “City Council”) acting as the legislative body of the District, and the Fiscal Agent Agreement dated as of June 1, 2016 (the “Fiscal Agent Agreement”), between the City, for and on behalf of the District, and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”).

For more detailed information about the formation of the District, the authority for issuance of the Prior Bonds and the authority for issuance of the Bonds, see “THE DISTRICT.”

The Bonds

General. The Bonds will be issued only as fully registered bonds, in denominations of \$5,000 or any integral multiple thereof, and will bear interest at the rates per annum and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds will be dated the date of their issuance and interest on the Bonds, will be payable on March 1 and September 1 of each year (individually an “Interest Payment Date”), commencing March 1, 2017. See “THE BONDS.” The Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. See “THE BONDS—General Provisions.”

Redemption Prior to Maturity. The Bonds are subject to optional redemption, mandatory sinking payment redemption and mandatory redemption from Special Tax prepayments prior to their respective maturities. See “THE BONDS—Redemption.”

Security for the Bonds

Pledge Under the Fiscal Agent Agreement. Pursuant to the Fiscal Agent Agreement, the Bonds are secured by a first pledge of all of the Special Tax Revenues (other than, in each fiscal year, up to the amount of the Minimum Administrative Expense Requirement that may be deposited into the Administrative Expense Fund) and all moneys deposited in the Bond Fund, the Special Tax Prepayment Account, the Reserve Fund and, until disbursed in accordance with the Fiscal Agent Agreement, in the Special Tax Fund. “Special Tax Revenues,” as defined in the Fiscal Agent Agreement, means the proceeds of the Special Taxes (as defined below) received by the City, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien, but does not include interest and penalties, if any, collected with the Special Taxes that are in excess of the rate of interest payable on the Bonds. “Minimum Administrative Expense Requirement” means (a) for fiscal year 2016-2017, \$28,500.00; and (b) for each fiscal year after fiscal year 2016-2017, an amount equal to 102% of the Minimum Administrative Expense Requirement in effect for the immediately preceding fiscal year. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds in accordance with the Fiscal Agent Agreement until all of the Bonds have been paid or defeased. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Special Taxes” and APPENDIX A – “Rate and Method of Apportionment of Special Tax.”

Amounts in the Administrative Expense Fund and the Costs of Issuance Fund, and Special Tax Revenues collected in any fiscal year in the amount of the Minimum Administrative Expense Requirement that may be deposited to the Administrative Expense Fund on a priority basis, are not pledged to the repayment of the Bonds. Proceeds of the Bonds and other amounts deposited to the Refunding Fund are not pledged to, and will not be available for, the payment of Bonds. See “PLAN OF REFUNDING – Redemption of Prior Bonds.”

Special Taxes; Rate and Method. The Special Taxes to be used to pay debt service on the Bonds will be levied in accordance with the Rate and Method of Apportionment (“Rate and Method”) of Special Tax. “Special Taxes” are those taxes levied on the Taxable Property within the District pursuant

to the Rate and Method and the Fiscal Agent Agreement. See APPENDIX A – “Rate and Method of Apportionment of Special Tax.”

Limitations. The Improvements are not pledged as collateral for the Bonds. The proceeds of condemnation or destruction of any of the Improvements are not pledged to pay the debt service on the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to repay the Bonds are amounts held by the Fiscal Agent under the Fiscal Agent Agreement in the Bond Fund and the Reserve Fund, amounts held by the City under the Fiscal Agent Agreement in the Special Tax Fund, and the proceeds, if any, from foreclosure sales of parcels with delinquent Special Taxes.

Reserve Fund

The Fiscal Agent Agreement establishes a Reserve Fund to be held by the Fiscal Agent as a reserve for the payment of principal of and interest on the Bonds. The Reserve Fund is required to be funded in an amount equal to the lesser of (i) 75% of Maximum Annual Debt Service, (ii) 125% of average Annual Debt Service, or (iii) 10% of the initial principal amount of the Bonds (the “Reserve Requirement”). The Reserve Fund will be available to pay debt service on the Bonds and any Parity Bonds (as defined below), in the event that there is a shortfall in the amount in the Bond Fund to pay such debt service. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Reserve Fund.”

The District

The District is located in the northeastern area of the City adjacent to the San Francisco Bay and approximately 25 miles south of San Francisco. Land in the District includes a preserved marina basin and is bordered by Redwood Creek to the southeast, which meanders through wetlands and joins the bay approximately 3 miles from the District border, providing boating access from the District.

The District originally encompassed approximately 33.24 acres of gross land area, inclusive of approximately 2.83 acres now represented as Parcel 1 of Parcel Map No. 2011-02. The land area within this Parcel 1 is identified in the Rate and Method as Future Excluded Property and has subsequently been removed from the boundaries of the District pursuant to the provisions in Section G of the Rate and Method.

Original development plans called for 231 condominium units to be constructed in the District, and subsequent to District formation the Planning Commission of the City approved an amendment to allow up to 249 residential condominium units in the District. As of the date of this Official Statement all such 249 units, contained within 24 separate buildings housing between 3 units and 16 units each, have been constructed and sold to individual homeowners. The residential condominium units range in size from 1,277 square feet to 1,971 square feet, with an average unit size equal to approximately 1,500 square feet. The aggregate value-to-District lien ratio of Taxable Property in the District, based on fiscal year 2015-16 County assessed values of \$167,867,795 and the initial principal amount of the Bonds of \$4,350,000, is 38.59 to 1.0. See “THE DISTRICT.”

Limited Obligation

NONE OF THE FAITH AND CREDIT OF THE DISTRICT, THE CITY OR THE STATE OF CALIFORNIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NEITHER GENERAL NOR SPECIAL OBLIGATIONS OF THE CITY, NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CITY FOR THE DISTRICT PAYABLE SOLELY FROM CERTAIN AMOUNTS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Issuance of Additional Bonds

The City may incur additional bonded indebtedness for the District that is secured by a lien on the Special Tax Revenues and on the funds pledged under the Fiscal Agent Agreement for the payment of the Bonds on a parity with the Bonds ("Parity Bonds"), but only for the purpose of refunding the Bonds or refunding any outstanding Parity Bonds. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Issuance of Additional Bonds."

Bondowners' Risks

Certain events could affect the ability of the City to pay the principal of and interest on the Bonds when due. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. See "SPECIAL RISK FACTORS" for a discussion of certain factors that should be considered in evaluating an investment in the Bonds. The purchase of the Bonds involves significant risks, and the Bonds are not appropriate investments for all types of investors.

Other Information

This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change without notice. Except where otherwise indicated, all information contained in this Official Statement has been provided by the City on behalf of the District.

PLAN OF REFUNDING

Redemption of Prior Bonds

A portion of the proceeds of the sale of the Bonds, together with available funds held under the Fiscal Agent Agreement, dated as of April 1, 2011, pursuant to which the Prior Bonds were issued (the "2011 Prior Agreement"), will be deposited in an escrow account (the "Refunding Fund") held by U.S. Bank National Association, as escrow bank (the "Escrow Bank") pursuant to an Escrow Agreement, dated as of June 1, 2016, between the City, for and on behalf of the District, and the Escrow Bank. Amounts in the Refunding Fund will be invested in certain federal securities, and together with interest earnings thereon will be sufficient to fully pay principal and interest due on the Prior Bonds on September 1, 2016 and to redeem on September 1, 2016 the Prior Bonds maturing on or after September 1, 2017 at a redemption price of 103%, of the principal amount thereof plus accrued interest to the redemption date. Upon the deposit of proceeds of the Bonds and certain amounts held under the 2011 Prior Agreement with the Escrow Bank and in accordance with the Escrow Agreement, the Prior Bonds will be legally defeased and will no longer be entitled to the benefits of, or be secured by, the 2011 Prior Agreement or any pledge of, or lien on, the Special Taxes levied in the District.

Concurrently with the issuance of the Bonds, Grant Thornton LLP, as verification agent, will deliver a report with respect to the mathematical accuracy of certain computations, contained in schedules provided to them, which were prepared by the Underwriter, relative to the sufficiency of moneys and securities deposited in the Refunding Fund to pay, principal and interest and the redemption price of the Prior Bonds as described above. The report of Grant Thornton LLP will include a statement that the scope of its engagement is limited to verifying the mathematical accuracy of the aforesaid computations and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

Amounts deposited in the Refunding Fund are not in any way available to pay debt service on the Bonds.

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the Bonds are expected to be as follows:

| | | |
|--|----|--------------|
| Principal Amount of Bonds | \$ | 4,350,000.00 |
| Plus: Amounts relating to the Prior Bonds ⁽¹⁾ | | 2,200,840.69 |
| Less: Net Original Issue Discount | | (65,050.25) |
| Less: Underwriter's Discount | | (44,478.75) |
| Total Sources | \$ | 6,441,311.69 |
| | | |
| Deposit to Refunding Fund ⁽²⁾ | \$ | 6,057,097.79 |
| Deposit to Reserve Fund ⁽³⁾ | | 188,150.92 |
| Deposit to Costs of Issuance ⁽⁴⁾ | | 196,062.98 |
| Total Uses | \$ | 6,441,311.69 |

(1) Includes amounts from the Debt Service Reserve Fund, the Bond Fund and available special taxes and development fees. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Reimbursement of Excess Costs of Improvements."

(2) See "PLAN OF REFUNDING—Redemption of Prior Bonds."

(3) Equal to the initial Reserve Requirement. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Reserve Fund."

(4) Costs of issuance include, without limitation, Fiscal Agent fees and expenses; Municipal Advisor fees and expenses; Bond Counsel, Disclosure Counsel, City Attorney and other legal fees; Escrow Bank fees and expenses; printing costs and other costs related to the issuance of the Bonds and the redemption of the Prior Bonds.

THE BONDS

Authority for Issuance

Pursuant to the Act, on September 13, 2010, the City Council adopted Resolution No. 15052 establishing the District ("Resolution of Formation"). Also on September 13, 2010, the then sole owner of land in the District voted to authorize the issuance of bonded indebtedness to finance the Improvements, and approved the rate and method of apportionment of Special Tax for the District. Accordingly, the District was established and authorized to incur bonded indebtedness. The Prior Bonds were the only new money bonds authorized to be issued.

Pursuant to proceedings conducted by the City Council on March 11, 2011, certain changes were made to the rate and method of apportionment of Special Tax for the District, and a copy of the rate and method of apportionment of Special Tax, as so modified and currently in effect for the District (the "Rate and Method"), is attached to this Official Statement as APPENDIX A.

The Bonds are authorized to be issued pursuant to the Act, the Refunding Law, Resolution No. 15494 adopted on May 23, 2016, by the City Council, acting as the legislative body of the District, and the Fiscal Agent Agreement. The Special Taxes to be used to pay debt service on the Bonds will be levied in accordance with the Rate and Method.

General Provisions

The Bonds will be issued only as fully registered Bonds, in the denomination of \$5,000 or any integral multiple thereof, and will bear interest at the rates per annum and will mature on the dates set forth on the inside cover page of this Official Statement. The Bonds will be dated the date of their issuance and interest will be payable on each Interest Payment Date, commencing March 1, 2017.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following

Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2017, in which event it will bear interest from the date of issuance of the Bonds; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. "Record Date" is defined in the Fiscal Agent Agreement as the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

The Bonds will be payable both as to principal and interest, and as to any premium upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and any premium due upon the redemption thereof will be payable upon the presentation and surrender of the Bonds to be redeemed at the principal corporate trust office of the Fiscal Agent. Interest on each Bond will be computed using a year of 360 days comprised of twelve 30-day months.

The Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers of the Bonds will not receive physical certificates representing their ownership interests in the Bonds purchased. Principal and interest payments represented by the Bonds are payable directly to DTC by the Fiscal Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Bonds. See APPENDIX E – "Book Entry System." *So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the owners shall mean Cede & Co., and shall not mean the holders or the Beneficial Owners of the Bonds.*

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2018 are subject to optional redemption prior to their stated maturities on any Interest Payment Date, occurring on or after September 1, 2017 as a whole or in part, upon payment from any source of funds available for that purpose, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) as set forth below, together with accrued interest thereon to the date fixed for redemption:

| <u>Redemption Dates</u> | <u>Redemption Price</u> |
|---|-------------------------|
| any Interest Payment Date from September 1, 2017 to and including March 1, 2024 | 103% |
| September 1, 2024 and March 1, 2025 | 102 |
| September 1, 2025 and March 1, 2026 | 101 |
| September 1, 2026 and any Interest Payment Date thereafter | 100 |

The District is entitled to receive reimbursement for certain costs of the Improvements that the City will collect from development fees on certain properties outside the District that undertake redevelopment into residential use and that are deemed to benefit from the Improvements. To the extent that the City collects fees for this purpose, the District expects to use such money to redeem Bonds. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Reimbursement of Excess Costs of Improvements."

Mandatory Sinking Payment Redemption

The Bonds maturing on September 1, 2041, are subject to mandatory sinking payment redemption in part on September 1, 2036, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

| Redemption Date (September 1) | Sinking Payments |
|----------------------------------|------------------|
| 2036 | \$ 205,000 |
| 2037 | 210,000 |
| 2038 | 215,000 |
| 2039 | 225,000 |
| 2040 | 230,000 |
| 2041 [†] | 240,000 |

[†] Final maturity.

The amounts in the foregoing tables shall be reduced to the extent practicable so as to maintain substantially level debt service for the Bonds, as a result of any prior partial redemption of the Bonds pursuant to an optional redemption or a mandatory redemption from special tax prepayments, as specified in writing by the City to the Fiscal Agent.

Mandatory Redemption From Special Tax Prepayments. The Bonds are subject to mandatory redemption prior to their stated maturity on any Interest Payment Date, from the proceeds of Special Tax Prepayments and corresponding transfers of funds from the Reserve Fund (as described below under “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Reserve Fund”), as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

| Redemption Dates | Redemption Price |
|---|------------------|
| any Interest Payment Date from March 1, 2017 to and including March 1, 2024 | 103% |
| September 1, 2024 and March 1, 2025 | 102 |
| September 1, 2025 and March 1, 2026 | 101 |
| September 1, 2026 and any Interest Payment Date thereafter | 100 |

Since the formation of the District, there have been no prepayments of Special Taxes; however, no assurance can be given that prepayments of Special Taxes will not occur in the future. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.”

Purchase of Bonds In Lieu of Redemption. In lieu of redemption as described above, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer’s Certificate requesting such purchase prior to the selection of Bonds for redemption, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer’s Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Selection of Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds (other than a mandatory sinking payment redemption), the Fiscal Agent will select the Bonds to be redeemed, from all Bonds not previously called for redemption among maturities, so as to maintain substantially level debt service on the Bonds, and within a maturity by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions, and such portions shall be treated as separate Bonds that may be separately redeemed.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for

redemption, to the Securities Depositories and to the Information Services, and to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing is not a condition precedent to redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds. The redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or will state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, will state as to any Bond called in part the principal amount thereof to be redeemed, and will require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such Bonds will not accrue after the redemption date.

Notwithstanding the foregoing, in the case of any redemption of the Bonds pursuant to the redemption provisions described above under “—Optional Redemption” or “—Mandatory Redemption from Special Tax Prepayments,” the notice of redemption may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the redemption will not occur if by no later than the scheduled redemption date sufficient moneys to redeem the Bonds have not been deposited with the Fiscal Agent. In the event that the Fiscal Agent does not receive sufficient funds by the scheduled redemption date to so redeem the Bonds to be redeemed, the Fiscal Agent will send written notice to the owners of the Bonds, to the Securities Depositories and to the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of redemption was given will remain Outstanding for all purposes of the Fiscal Agent Agreement.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption have been deposited in the Bond Fund, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Tender of Bonds in Payment of Special Taxes. The City has covenanted in the Fiscal Agent Agreement not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal or and interest on the Bonds that will remain Outstanding following such tender.

Transfer or Exchange of Bonds

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds shall be made in accordance with DTC procedures. See APPENDIX E – “Book Entry System.” If the book-entry only system for the Bonds is ever discontinued, any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of Bonds will be required to be made (i) within the 15 days prior to the date designated by the Fiscal Agent as the date for selecting Bonds for redemption, or (ii) with respect to any Bond after such Bond has been selected for redemption.

Discontinuance of DTC Services

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect to the Bonds under applicable law. The City may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfers through DTC is not in the best interest of the Beneficial Owners. The City will mail any such notice of termination to the Fiscal Agent.

Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest of the Beneficial Owners of the Bonds that they obtain certificated Bonds, the Bonds will no longer be restricted to being registered in the Registration Books of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners designate at that time, in accordance with the Fiscal Agent Agreement.

To the extent that the Beneficial Owners are designated as the transferees by the Owners, the Bonds will be delivered to such Beneficial Owners as soon as practicable in accordance with the Fiscal Agent Agreement.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

Pursuant to the Fiscal Agent Agreement, the Bonds are secured by a first pledge of all of the Special Tax Revenues (other than, in each fiscal year, the amount of the Minimum Administrative Expense Requirement that may be deposited to the Administrative Expense Fund on a priority basis), and all moneys deposited in the Bond Fund, the Special Tax Prepayment Account, the Reserve Fund and, until disbursed in accordance with the Fiscal Agent Agreement, the Special Tax Fund. Special Tax Revenues do not include interest and penalties, if any, collected in respect of delinquent Special Taxes in excess of the rate of interest payable on the Bonds. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds in accordance with the Fiscal Agent Agreement until all of the Bonds have been paid or defeased. Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Refunding Fund, and Special Tax Revenues collected in any fiscal year in the amount of the Minimum Administrative Expense Requirement that may be deposited to the Administrative Expense Fund on a priority basis, are not pledged to the repayment of the Bonds.

The Improvements are not pledged as collateral for the Bonds. The proceeds of condemnation or destruction of any of the Improvements are not pledged to pay the Debt Service on the Bonds.

Limited Obligation

NONE OF THE FAITH AND CREDIT OF THE DISTRICT, THE CITY OR THE STATE OF CALIFORNIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NEITHER GENERAL NOR SPECIAL OBLIGATIONS OF THE CITY, NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CITY FOR THE DISTRICT PAYABLE SOLELY FROM CERTAIN AMOUNTS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Taxes

A Special Tax applicable to each taxable parcel in the District has been and will continue to be levied and collected according to the tax liability determined in accordance with the Fiscal Agent Agreement through the application of the Rate and Method. The Rate and Method apportions the Special Tax Requirement (as defined in the Rate and Method and described below) among the taxable parcels of real property within the District according to the methodology, and the rates, set forth in the Rate and Method. See “Special Tax Methodology” below. See also “APPENDIX A – Rate and Method of Apportionment of Special Tax.” Interest and principal on the Bonds is payable from the annual Special Taxes (net of the Minimum Administrative Expense Requirement) to be levied and collected on taxable property within the District, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Costs of Issuance Fund and the Administrative Expense Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California Constitution, pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City and a vote of qualified electors of the District pursuant to the Act in an amount determined according to the Rate and Method approved by the City. See “Special Tax Methodology” below and “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum tax rates approved by the qualified electors within the District which are set forth as the “Maximum Special Tax Rate” in the Rate and Method. Under the Rate and Method, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount, not in excess of the applicable Maximum Special Tax Rates.

So long as the principal of and interest on the Bonds remains unpaid, the Special Taxes deposited to the Special Tax Fund held by the Director of Finance of the City and investment earnings thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held for the benefit of the owners of the Bonds and will be applied pursuant to the Fiscal Agent Agreement. The City has covenanted to fix and annually levy the Special Taxes in the amount required for the timely payment of principal of and interest on any outstanding Bonds becoming due and payable, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses, and shall take into account any prepayments of Special Taxes theretofore received by the City. The Special Taxes are collected for the City by the County of San Mateo in the same manner and at the same time as *ad valorem* property taxes.

Because each Special Tax levy is limited to the annual Maximum Special Tax Rates authorized and set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the amount required to pay principal and interest on the Bonds will be collected in each year. See “County Teeter Plan” and “SPECIAL RISK FACTORS—Special Tax Delinquencies” herein. In addition, pursuant to the Act, under no circumstances will the Special Tax levied against any Assessor’s Parcel of Residential Property for which a Certificate of Occupancy has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor’s Parcel within the District.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the Special Tax Requirement determined by the City through the application of the applicable special tax rates as set forth in the Rate and Method the text of which is contained in “APPENDIX A – Rate and Method of Apportionment of Special Tax.” Capitalized terms set forth in this section and not otherwise defined herein have the meanings set forth in the Rate and Method or the Fiscal Agent Agreement.

Determination of Special Tax Requirement. Each year, the City will determine the Special Tax Requirement of the District for the upcoming fiscal year. The "Special Tax Requirement" includes the following items:

- (i) Administrative Expenses, including County collection fees;
- (ii) debt service on the bonds issued for the District and certain bond related expenses; and
- (iii) any amounts needed to establish or replenish bond reserve funds and to pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the previous fiscal year or anticipated for the current year.

The City has determined to no longer levy Special Taxes to pay directly for acquisition or construction of Authorized Facilities.

The Special Tax Requirement is the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the annual Maximum Special Tax identified for each parcel in the Rate and Method. In addition, pursuant to the Act, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which a Certificate of Occupancy has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District.

Parcels Subject to the Special Tax. The Special Tax Administrator will prepare a list of the parcels subject to the Special Tax using the records of the City and the County Assessor. For each fiscal year in which the Bonds are outstanding, all Taxable Property within the District shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the Rate and Method. All parcels within the District shall be subject to a Special Tax except property which is exempt from the Special Tax pursuant to the Rate and Method, which exemption includes, subject to certain limitations, Public Property and Property Owner Association Property.

Annual Special Tax Levy. The Special Tax will be levied each year by calculating the Special Tax Requirement which needs to be generated by all Taxable Property in the District; the Special Tax (up to maximum allowable amount) will be levied against each Taxable Property until the total scheduled Special Tax revenue equals the Special Tax Requirement, however the Rate and Method establishes a priority for which properties will be levied a Special Tax, with "Developed Property" (as defined in the Rate and Method) receiving a Special Tax levy prior to "Undeveloped Property." Accordingly, the Special Tax will generally be levied to meet the Special Tax Requirement in each fiscal year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the applicable Maximum Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which a Certificate of Occupancy has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District. Such limitation of Residential Property shall not apply to Non-Residential Property, of which will still be subject to 100% of the applicable Maximum Special Tax.

Termination of the Special Tax. The Special Tax may be levied for a period not to exceed fifty years commencing with fiscal year 2010-11, provided however that the Special Tax will cease to be levied

in an earlier fiscal year if the Special Tax Administrator has determined that all required interest and principal payments on the bonds issued for the District have been paid.

Prepayment of the Special Tax. The Rate and Method provides that landowners of Developed Property (or property for which a building permit has been issued) may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City. The amount of the prepayment required is to be calculated according to a formula set forth in the Rate and Method, which is generally based on the parcel's share of the outstanding Bonds, the reserve fund credit, administrative fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment and expected future facilities costs. Since the establishment of the District, there have been no prepayments of Special Taxes. However, no assurance can be given that there will not be prepayments of Special Taxes in the future, which if they occur will result in a redemption of a portion of the Bonds prior to their stated maturities. See "THE BONDS—Redemption – Mandatory Redemption From Special Tax Prepayments."

Levy of Annual Special Tax; Maximum Special Tax

The annual Special Tax will be calculated by the City and levied to provide money for administration of the District, debt service on the Bonds, establishment or replenishment of the Reserve Fund and anticipated Special Tax delinquencies.

In no event may the City levy a Special Tax in any year above the annual Maximum Special Tax identified for each type of Developed Property as defined and indicated in the Rate and Method. Residential Property shall be assigned to Land Use Classes 1 through 4, as listed in a table in the Rate and Method, based on the type of use, Residential Floor Area, and the location for each residential dwelling unit. Such Maximum Special Tax rates for land classified as Developed Property range from \$1,700.28 to \$3,400.57 per unit for fiscal year 2015-16; Below Market Rate Units, assigned to Land Use Class 4, are also taxed at \$1,700.28. See, however, "THE DISTRICT" – Location and Description of the District and the Immediate Area – Affordable Units." There are no parcels of Taxable Property classified as Non-Residential Property or Undeveloped Property in the District. See "THE DISTRICT – Land Use Distribution" and "APPENDIX A – Rate and Method of Apportionment of Special Tax."

Subject to the limitations of the Maximum Special Tax rates set forth in the Rate and Method and subject to the limitations of the Act, the Special Tax will be levied annually in an aggregate amount at least equal to the Special Tax Requirement as described in the Rate and Method. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Special Tax Methodology" above. See "APPENDIX A – Rate and Method of Apportionment of Special Tax" for a copy of the Rate and Method.

Special Tax Fund

There is established by the Fiscal Agent Agreement as a separate fund to be held by the Director of Finance of the City, the Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds Special Tax Fund, to the credit of which the Director of Finance shall deposit, immediately upon receipt by the City, all Special Tax Revenue received (except for amounts up to the Minimum Administrative Expense Requirement, which are to be deposited to the Administrative Expense Fund). "Minimum Administrative Expense Requirement" means (a) for fiscal year 2016-2017, \$28,500.00; and (b) for each fiscal year after fiscal year 2016-2017, an amount equal to 102% of the Minimum Administrative Expense Requirement in effect for the immediately preceding fiscal year. Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

The City shall remit Special Taxes received by it (after deposit by the City to the Administrative Expense Fund of an amount up to the amount of the Minimum Administrative Expense Requirement) to the Fiscal Agent for deposit by the Fiscal Agent in the Bond Fund as necessary to make the transfers from the Bond Fund for payment of principal and interest on the Bonds and any other amounts required to

be transferred pursuant to the Fiscal Agent Agreement. Notwithstanding the foregoing, (i) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Director of Finance of the City and shall be remitted by the Director of Finance first, for transfer to the Fiscal Agent for deposit by the Fiscal Agent in the Bond Fund to pay any past due debt service on the Bonds and second for transfer to the Fiscal Agent for deposit by the Fiscal Agent in the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement before transferring to the remainder to the Bond Fund, and (ii) any proceeds of Special Tax Prepayments shall be separately identified by the Director of Finance and shall be remitted by the Director of Finance to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account.

In each fiscal year, from the first remittance of Special Taxes received from the County, the City shall first withdraw from the Special Tax Fund an amount up to that year's Minimum Administrative Expense Requirement for deposit to the Administrative Expense Fund. No later than the Business Day prior to each Interest Payment Date, the City shall withdraw from the Special Tax Fund and transfer, in the following order of priority: (i) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date and (ii) to the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement provided that no such transfers shall exceed the amount then available to be transferred from the Special Tax Fund.

In addition to the foregoing, if in any fiscal year there are sufficient funds in the Special Tax Fund to make the foregoing transfers to the Bond Fund and the Reserve Fund in respect of the Interest Payment Dates occurring in the Bond Year that commences in such fiscal year, the Director of Finance of the City may transfer to the Administrative Expense Fund, from time to time, any amount in the Special Tax Fund in excess of the amount needed to make such transfers to the Bond Fund and the Reserve Fund, if monies are needed to pay Administrative Expenses in excess of the amount then on deposit in the Administrative Expense Fund.

Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure

The Special Tax will be collected in the same manner and at the same time as *ad valorem* property taxes, except at the City's option, the Special Taxes may be billed directly to property owners. In the event of a delinquency in the payment of Special Taxes, the Act authorizes the City to institute foreclosure proceedings in order to enforce the lien of the delinquent Special Taxes.

The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually, on or about July 1 of each year, have the Director of Finance compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City. Following such comparison, or if at any other time the Director of Finance becomes aware of any delinquency in the payment of any Special Tax due and owing:

(A) If the Director of Finance determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$7,500 or more, the Director of Finance shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner by the following October 1, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City against the delinquent parcel within 90 days of the sending of such notice and shall be diligently pursued by the City to completion. Notwithstanding the foregoing, the City need not take any such action so long as the amount then in the Reserve Fund is at least equal to the Reserve Requirement.

(B) If the Director of Finance determines that the aggregate amount of Special Taxes levied in the District for the preceding fiscal year and theretofore collected is less than ninety-five percent (95%) of the total amount of Special Taxes levied for such

fiscal year, the Director of Finance shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to each property owner with delinquent Special Taxes by the following October 1, and (if any such delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of the sending of such notices against all such delinquent parcels.

The Director of Finance is authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense.

Under the Act, foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the special taxes may be sold at a judicial foreclosure sale for a minimum price which will be sufficient to pay or reimburse the delinquent special taxes.

The owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the annual Maximum Special Tax rates set forth in the Rate and Method, the City may adjust (but not to exceed the annual Maximum Special Tax) the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund. However, pursuant to the Act, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which a Certificate of Occupancy has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments.

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City or the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale and the City and the District do not intend to acquire any lot or parcel in this manner.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the

redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale. Neither the Act nor the Fiscal Agent Agreement requires the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale, and the City has no intent to be such a purchaser.

County Teeter Plan

The County and the other political subdivisions within its boundaries operate under the provisions of Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State of California, commonly referred to as the “Teeter Plan,” with respect to property tax collection and disbursement procedures. These sections provide an alternative method of apportioning secured taxes whereby agencies levying taxes through the County roll may receive from the County 100% of their taxes at the time they are levied. The County treasury’s cash position (from taxes) is insured by a special tax loss reserve fund accumulated from delinquent penalties.

The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County, if the rate of secured tax and assessment delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. See “THE DISTRICT – Special Tax Delinquencies.”

The Special Taxes are expected to be collected pursuant to the procedures described above. Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual Special Taxes levied without regard to actual collections; however, there is no assurance that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures.

Reserve Fund

The Fiscal Agent Agreement establishes a debt service reserve fund (the “Reserve Fund”) as a separate fund to be held by the Fiscal Agent for the benefit of the Owners of the Bonds (the Bonds and any Parity Bonds), as a reserve for the payment of principal of, and interest and any premium on, the Bonds and moneys in the Reserve Fund are subject to a lien in favor of the Owners of the Bonds. The Reserve Fund is required by the Fiscal Agent Agreement to be maintained in an amount equal to the Reserve Requirement, which is defined in the Fiscal Agent Agreement, as of any date of calculation, as an amount equal to the lesser of (i) 75% of Maximum Annual Debt Service, (ii) 125% of average Annual Debt Service, or (iii) 10% of the initial principal amount of the Bonds issued under the Fiscal Agent Agreement.

Except as otherwise provided in the Fiscal Agent Agreement (with respect to the use of moneys in the Reserve Fund for the payment of any rebate liability due to the federal government, and the use of moneys in excess of the Reserve Requirement to pay debt service on the Bonds), all amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds. See APPENDIX F – “Summary of Certain Provisions of the Fiscal Agent Agreement.”

Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay all of the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent will transfer the amount in the Reserve Fund to the Bond Fund to be used for the payment and redemption of all of the Outstanding Bonds. In the event that the amount transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund will be retained by the City, free of any encumbrance by the Fiscal Agent Agreement, to be used for any lawful purpose under the Act. Notwithstanding the foregoing, no amounts will be transferred from the Reserve Fund until after (i) amounts in the Reserve Fund are withdrawn for purposes of making payment to the federal

government in accordance with the Fiscal Agent Agreement, and (ii) payment of any fees and expenses due to the Fiscal Agent. See APPENDIX F – “Summary of Certain Provisions of the Fiscal Agent Agreement.”

Reimbursement of Excess Costs of Improvements

The amended and restated infrastructure and financing plan described in the first amendment to development agreement between R.C. Peninsula Park LLC, a Delaware limited liability company (the “Developer”) and the City provides for reimbursement to the District of certain excess infrastructure costs (the “Excess Costs”) from certain benefitted properties that have direct access to that portion of the Improvements that improved Bair Island Road in the District. These benefitted properties are the properties known as “Pete’s Harbor” (San Mateo County Assessor’s Parcel No (“APN”) 052-540-010) and the “Bair Island Infill Property” (comprised of the “Mini Storage” (APN 052-520-360) and the “Bayport Marina Plaza” parcels (APN 052-520-260, -270 and 280)) (together, the “Benefitted Properties”). The City has established a Benefitted Property infrastructure development fee of \$3,489 per residential unit (the “Benefitted Property Development Fee”) applicable to any residential units developed on these Benefitted Properties. Such development fee will be used to redeem outstanding bonds of the District. The City recently approved plans for a 402-unit development on the Pete’s Harbor parcels, and the developer of this project has paid Benefitted Property Development Fees totaling \$1,402,578, which fees represent this development’s pro rata share of Excess Costs. This payment will be applied as a source of funds to reduce the par amount of bonds necessary to refund the Prior Bonds. No proposed plans have been submitted to the City for the Bair Island Infill Property site, which could be developed for up to approximately 302 residential units, although development plans for this site could be proposed at a future time. Any future Benefitted Properties Development Fees paid in connection with such development will be applied to redeem Bonds in advance of their stated maturity. See “THE BONDS – Redemption – Optional Redemption” herein.

Investment of Moneys

Except as otherwise provided in the Fiscal Agent Agreement, all moneys in any of the funds or accounts established pursuant to the Fiscal Agent Agreement will be invested by the Fiscal Agent solely in Permitted Investments, as directed by the City. See APPENDIX F – “Summary of Certain Provisions of the Fiscal Agent Agreement” for a definition of “Permitted Investments” and for additional provisions regarding the investment of funds held under the Fiscal Agent Agreement.

Issuance of Additional Bonds

Parity Bonds. The Fiscal Agent Agreement does not authorize the City to issue any additional “new money” bonds for the District on a parity with the Bonds, but it does authorize the City to issue one or more series of “Refunding Bonds” secured and payable on a parity under the Fiscal Agent Agreement with the Bonds. The Fiscal Agent Agreement defines Refunding Bonds as bonds issued by the City for the District the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds or any previously issued Parity Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds or previously issued Parity Bonds being refunded, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds or previously issued Parity Bonds being refunded.

Subject to meeting the conditions summarized below, Refunding Bonds will be “Parity Bonds” that will be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agreement on a parity with all other Bonds Outstanding under the Fiscal Agreement; the Fiscal Agreement defines “Bonds” as the Bonds described in this Official Statement and any Parity Bonds.

The City may issue the Parity Bonds subject to the following specific conditions precedent:

(A) **Current Compliance; Refunding Bonds.** The City must be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in the Fiscal Agent Agreement and any Supplemental Agreements, and the principal amount of the Parity Bonds must not cause the City to exceed the maximum authorized indebtedness of the District under the provisions of the Act. The Parity Bonds must in any event be Refunding Bonds.

(B) **Payment Dates.** The interest on the Parity Bonds must be payable on March 1 and September 1, and principal of the Parity Bonds must be payable on September 1 in any year in which principal is payable (provided that there is no requirement that any Parity Bonds pay interest on a current basis).

(C) **Reserve Fund Deposit.** There must be a deposit to the Reserve Fund (or to a separate account created for such purpose) in an amount necessary so that the amount on deposit in the Reserve Fund (together with the amount in any such separate account), following the issuance of such Parity Bonds, is equal to the Reserve Requirement.

(D) **Officer's Certificate.** The City must certify to the Fiscal Agent that the proposed issue of Parity Bonds constitutes Refunding Bonds, and that the conditions for the issuance of Parity Bonds in the Fiscal Agent Agreement have been met.

Subordinate Bonds. Nothing in the provisions described above or otherwise in the Fiscal Agent Agreement prohibits the City from issuing bonds or otherwise incurring debt secured by a pledge of Special Tax Revenues subordinate to the pledge of such Special Tax Revenues under the Fiscal Agent Agreement.

DEBT SERVICE SCHEDULE

The annual debt service on the Bonds, based on the interest rates and maturity schedule set forth on the inside cover of this Official Statement and assuming no optional redemption of the Bonds and no redemption from prepayments of the Special Tax, is set forth below.

Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds Scheduled Debt Service

| Year Ending (Sept. 1) | Principal | Interest | Total |
|--------------------------|----------------|-----------------|-------------------|
| 2017 | \$115,000 | \$135,867.89 | \$250,867.89 |
| 2018 | 135,000 | 113,606.26 | 248,606.26 |
| 2019 | 135,000 | 110,906.26 | 245,906.26 |
| 2020 | 140,000 | 108,206.26 | 248,206.26 |
| 2021 | 140,000 | 105,406.26 | 245,406.26 |
| 2022 | 145,000 | 102,606.26 | 247,606.26 |
| 2023 | 145,000 | 99,706.26 | 244,706.26 |
| 2024 | 150,000 | 96,806.26 | 246,806.26 |
| 2025 | 155,000 | 93,806.26 | 248,806.26 |
| 2026 | 155,000 | 90,706.26 | 245,706.26 |
| 2027 | 160,000 | 87,218.76 | 247,218.76 |
| 2028 | 165,000 | 83,218.76 | 248,218.76 |
| 2029 | 170,000 | 79,093.76 | 249,093.76 |
| 2030 | 175,000 | 74,418.76 | 249,418.76 |
| 2031 | 175,000 | 69,606.26 | 244,606.26 |
| 2032 | 180,000 | 64,356.26 | 244,356.26 |
| 2033 | 190,000 | 58,956.26 | 248,956.26 |
| 2034 | 195,000 | 53,256.26 | 248,256.26 |
| 2035 | 200,000 | 47,406.26 | 247,406.26 |
| 2036 | 205,000 | 41,406.26 | 246,406.26 |
| 2037 | 210,000 | 35,000.00 | 245,000.00 |
| 2038 | 215,000 | 28,437.50 | 243,437.50 |
| 2039 | 225,000 | 21,718.76 | 246,718.76 |
| 2040 | 230,000 | 14,687.50 | 244,687.50 |
| 2041 | <u>240,000</u> | <u>7,500.00</u> | <u>247,500.00</u> |
| Total | \$4,350,000 | \$1,823,905.59 | \$6,173,905.59 |

The following table sets forth the Maximum Annual Special Tax that may be levied in the District and the scheduled annual debt service on the Bonds.

**Community Facilities District No. 2010-1 (One Marina)
2016 Special Tax Refunding Bonds
Estimated Debt Service Coverage**

| Year Ending September 1st | Maximum Taxing Capacity⁽¹⁾ | Administrative Expenses⁽²⁾ | Debt Service on the Bonds | Estimated Debt Service Coverage⁽³⁾ |
|--------------------------------------|--|--|--------------------------------------|--|
| 2017 | \$307,305 | \$28,500 | \$250,868 | 111.14% |
| 2018 | 305,444 | 29,070 | 248,606 | 111.17 |
| 2019 | 303,113 | 29,651 | 245,906 | 111.21 |
| 2020 | 306,296 | 30,244 | 248,206 | 111.22 |
| 2021 | 303,881 | 30,849 | 245,406 | 111.26 |
| 2022 | 306,980 | 31,466 | 247,606 | 111.27 |
| 2023 | 304,482 | 32,096 | 244,706 | 111.31 |
| 2024 | 307,498 | 32,738 | 246,806 | 111.33 |
| 2025 | 310,418 | 33,392 | 248,806 | 111.34 |
| 2026 | 307,743 | 34,060 | 245,706 | 111.39 |
| 2027 | 310,156 | 34,741 | 247,219 | 111.41 |
| 2028 | 312,020 | 35,436 | 248,219 | 111.43 |
| 2029 | 313,763 | 36,145 | 249,094 | 111.45 |
| 2030 | 314,915 | 36,868 | 249,419 | 111.48 |
| 2031 | 310,433 | 37,605 | 244,606 | 111.54 |
| 2032 | 310,985 | 38,357 | 244,356 | 111.57 |
| 2033 | 316,889 | 39,124 | 248,956 | 111.57 |
| 2034 | 316,979 | 39,907 | 248,256 | 111.61 |
| 2035 | 316,922 | 40,705 | 247,406 | 111.65 |
| 2036 | 316,718 | 41,519 | 246,406 | 111.68 |
| 2037 | 316,084 | 42,350 | 245,000 | 111.73 |
| 2038 | 315,297 | 43,196 | 243,438 | 111.77 |
| 2039 | 319,857 | 44,060 | 246,719 | 111.79 |
| 2040 | 318,592 | 44,942 | 244,688 | 111.84 |
| 2041 | 322,675 | 45,840 | 247,500 | 111.85 |

⁽¹⁾ Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency of default by the owner of any other Assessor's parcel within the District by more than ten percent above the amount that would have been levied in the fiscal year had there never been any such delinquencies of defaults. Maximum taxing capacity represents a tax levy at this statutorily allowed maximum amount.

⁽²⁾ Based on the Minimum Administrative Expense Requirement that can be levied pursuant to the Fiscal Agent Agreement.

⁽³⁾ Maximum Taxing Capacity, less Administrative Expenses, divided by Debt Service on the Bonds.

Source: David Taussig & Associates, Inc., Stifel, Nicolaus & Company, Inc.

THE DISTRICT

Formation of the District

On August 9, 2010, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on September 13, 2010, the City Council adopted the Resolution of Formation, which established Community Facilities District No. 2010-1 (One Marina), set forth the rate and method of apportionment of Special Tax within the District and set forth the necessity to incur bonded indebtedness. Proceedings were subsequently conducted to alter the boundaries of the District, to reduce the bonded indebtedness limit for the District from \$17,000,000 to \$7,500,000, and to alter the original rate and method of apportionment to reduce the special tax rates and to make other changes, and that first amended rate and method of apportionment is the Rate and Method. See APPENDIX A – “Rate and Method of Apportionment of Special Tax.” On the same day, an election was held within the District in which the Developer (who was then the only eligible landowner voter in the District) approved the proposed bonded indebtedness (the amount of which was later revised by approval) and the levy of the Special Tax. See “Original Ownership of Property within the District” below.

Location and Description of the District and the Immediate Area

The District is located in the northeastern area of the City adjacent to the San Francisco Bay and approximately 25 miles south of San Francisco. Portions of the City in the vicinity of the District include wetlands with extensive sloughs between the bay and the developed portions of the City. Land in the District includes a preserved marina basin and is bordered by Redwood Creek to the southeast, which meanders through wetlands and joins the bay approximately 3 miles from the District border, providing boating access from the District. The area in the immediate vicinity of the District includes an apartment and marina development to the north (The Villas at Bair Island Marina), U.S. Highway 101 to the south, Redwood Creek to the east, and development, including office, industrial, office commercial, mini storage and multifamily residential uses, to the west.

The District originally encompassed approximately 33.24 acres of gross land area, inclusive of approximately 2.83 acres now represented as Parcel 1 of Parcel Map No. 2011-02. The land area within this Parcel 1 is identified in the Rate and Method as Future Excluded Property and has subsequently been removed from the boundaries of the District pursuant to the provisions in Section G of the Rate and Method. The second amended boundary map of the District is set forth below. See “—Map.”

Original development plans called for 231 condominium units to be constructed in the District, and subsequent to District formation the Planning Commission of the City approved an amendment to allow up to 249 residential condominium units in the District. As of the date of this Official Statement all such 249 units, contained within 24 separate buildings housing between 3 units and 16 units each, have been constructed and sold to individual homeowners. The residential condominium units range in size from 1,277 square feet to 1,971 square feet, with an average unit size equal to approximately 1,500 square feet.

Primary access and frontage to the property is provided along the east side of Bair Island Road. A network of interior streets provide access to development within the District. The District has visibility from Bair Island Road, Redwood Creek and from the Bayshore Freeway (U.S. Highway 101). Pedestrian access to the District is via both a separate sidewalk and extension of the Bay Trail along Bair Island Road and via the outer Esplanade along Redwood Creek.

Affordable Units. Fifteen of the residential condominium units of the District were initially available as single family residential units affordable to buyers of moderate income households. The District Affordable Housing Plan provided that, in the event the subject moderate income affordable

residential condominium units are offered for sale and insufficient buyers are eligible for purchasing them, the Developer could sell the available units at market rate, but would be required to pay a variable “in-lieu” fee to the City for each such unit sold to a non-moderate income purchaser. The Developer paid the ‘in-lieu” fee to the City for all such units and no such units are now categorized as Below Market Rate Units. See “Table 1” below.

Map. A District boundary map is shown on the following page, followed by an aerial photo of the District.

SECOND AMENDED BOUNDARIES OF CITY OF REDWOOD CITY
COMMUNITY FACILITIES DISTRICT NO. 2010-1
(ONE MARINA)
COUNTY OF SAN MATEO
STATE OF CALIFORNIA

CITY CLERK'S MAP STATEMENT

This second amended map amends the boundary map for City of Redwood City Community Facilities District No. 2010-1 (One Marina), County of San Mateo, State of California prior recorded in the San Mateo County Recorder's Office at Book 18 of Maps of Assessment and Community Facilities Districts at Page 11, as amended by the amended boundary map for City of Redwood City Community Facilities District No. 2010-1 (One Marina), County of San Mateo, State of California prior recorded in the San Mateo County Recorder's Office at Book 18 of Maps of Assessment and Community Facilities Districts at Page 22.

Silvia Vandennoen, City Clerk

CITY CLERK'S MAP FILING STATEMENT

Filed in the office of the City Clerk of the City of Redwood City this 22 day of September, 2011.

Silvia Vandennoen, City Clerk

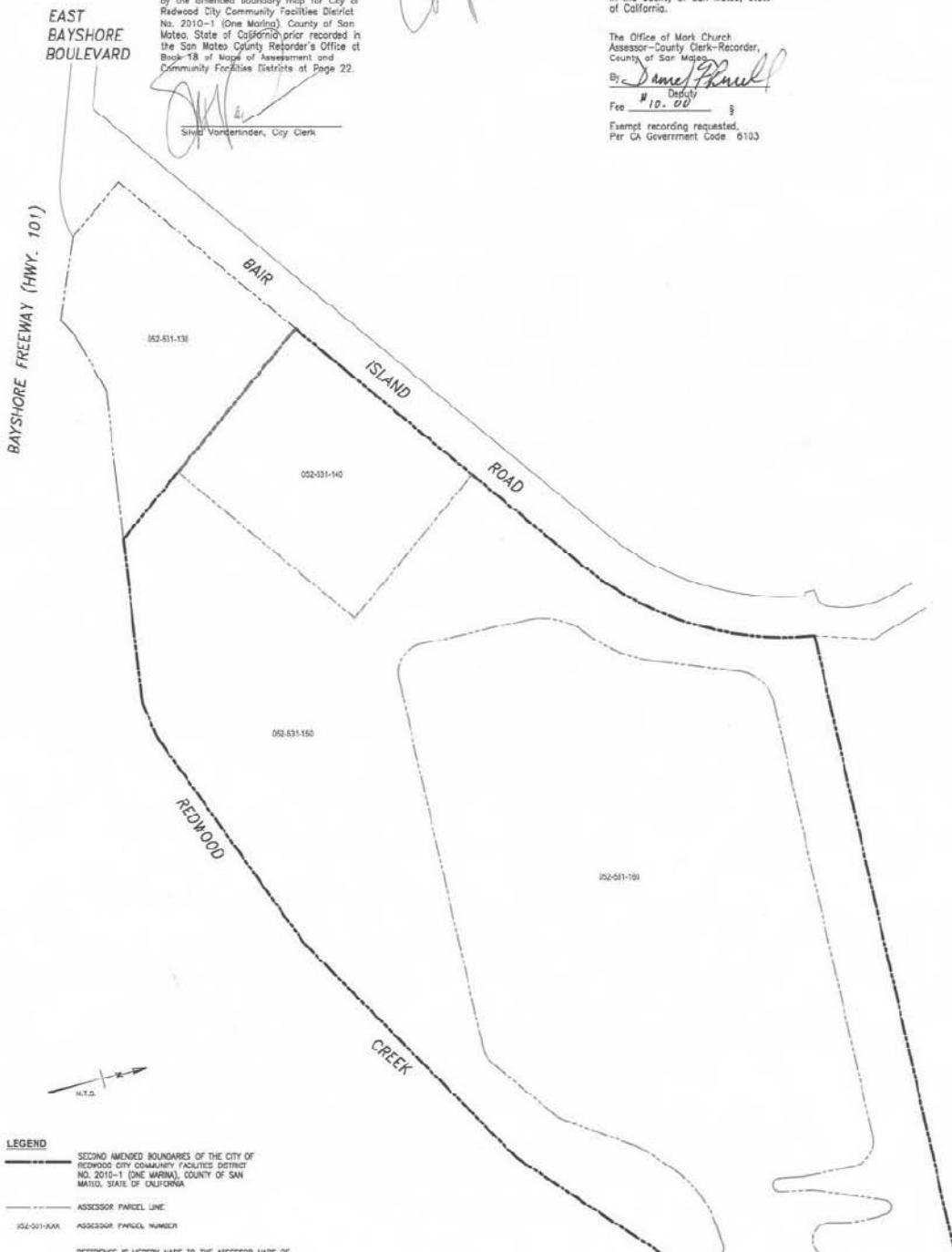
COUNTY RECORDER'S MAP FILING STATEMENT

Filed this 22 day of September 2011 at the hour of 9:55 o'clock A.M. in book 18 of Maps of Assessment and Community Facilities Districts of Page 22 and as Instrument No. 2011-18090 in the office of the County recorder in the County of San Mateo, State of California.

The Office of Mark Church Assessor-County Clerk-Recorder, County of San Mateo.

By: *James Paul*
Deputy
Fee \$ 10.00

Exempt recording requested.
Per CA Government Code 6103



LEGEND
--- SECOND AMENDED BOUNDARIES OF THE CITY OF REDWOOD CITY COMMUNITY FACILITIES DISTRICT NO. 2010-1 (ONE MARINA), COUNTY OF SAN MATEO, STATE OF CALIFORNIA
--- ASSessor PARCEL LINE
052-011-XXX ASSessor PARCEL NUMBER

REFERENCE IS HEREBY MADE TO THE ASSessor MAPS OF THE COUNTY OF SAN MATEO FOR A DESCRIPTION OF THE LINES AND DIMENSIONS OF THESE PARCELS.

CITY OF REDWOOD CITY
Community Facilities District No. 2010-1 (One Marina)



-23-



Original Ownership of Property Within the District

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the Taxable Property within the District. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of Taxable Property within the District of the Special Tax or of the principal or interest on the Bonds, nor will they have the ability to control who becomes a subsequent owner of any Taxable Property within the District.

At the time of formation of the District, the Developer owned all of the Taxable Property in the District. The last of the 249 single-family residential condominium units in the District was sold by the Developer to an individual homeowner in June of 2015.

Land Use Distribution

The following table shows the distribution of land use classes of Taxable Property within the District based on the Rate and Method, the current maximum Special Tax rate for those land use classes, the projected Special Tax levy for fiscal year 2016-17 per parcel of Taxable Property and in the aggregate for each land use class, and the percentage of the overall Special Tax levy by land use class.

Table 1
City of Redwood City
Community Facilities District No. 2010-1
(One Marina)
Distribution of Land Use Classes Under the Rate and Method

| Rate and Method Land Use Category | | | Number of Units/ Acreage | Fiscal Year 2016-2017 Maximum Special Tax Rate ⁽¹⁾ | Projected Fiscal Year 2016-2017 Special Tax Rate ⁽²⁾ | Projected Fiscal Year 2016-2017 Special Tax Levy Total ⁽²⁾ | Percent of Total |
|-------------------------------------|--|------------------------------------|-----------------------------|---|---|---|---------------------|
| Developed Property ⁽³⁾ | | | | | | | |
| Description | Residential Floor Area | Location | | | | | |
| Residential Property | Less than 1,375 | Non-Marina View | 35 | \$1,700.28 | \$658.88 | \$23,060.80 | 8.25% |
| Residential Property | 1,375 to less than 1,525 Less than 1,375 | & Non-Marina View & Marina View | 78 | \$2,550.43 | \$988.34 | \$77,090.52 | 27.59% |
| Residential Property | 1,375 to less than 1,525 1,525 or Greater | & Marina View NA | 136 | \$3,400.57 | \$1,317.78 | \$179,218.08 | 64.15% |
| Below Market Rate Unit | NA | NA | 0 | \$1,700.28 | \$0.00 | \$0.00 | 0.00% |
| Non-Residential Property | NA | NA | 0.0 | \$95,856.30 | \$0.00 | \$0.00 | 0.00% |
| Undeveloped Property ⁽³⁾ | NA | NA | 0.0 | \$113,830.73 | \$0.00 | \$0.00 | 0.00% |
| TOTAL | | | 249 | NA | NA | \$279,369.40 | 100.00% |

(1) Based on the Maximum Special Tax pursuant to the Rate and Method. Maximum Special Taxes have increased annually by 2% through fiscal year 2015-2016 and will remain level hereafter.

(2) Based on the levy of the Special Tax required to fund Administrative Expenses and debt service on the Bonds.

(3) Based on development status pursuant to the Rate and Method for fiscal year 2016-2017.

Source: David Taussig & Associates, Inc.

Assessed Property Values

Assessed Valuation. The valuation of real property in the City for ad valorem tax purposes is established by the County Assessor. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. Article XIII A of the California Constitution defines “full cash value” as the appraised value as of March 1, 1975, plus adjustments not to exceed 2% per year to reflect inflation, and requires assessment of “full cash value” upon change of ownership or new construction. Accordingly, the assessed valuations presented in this Official Statement may not necessarily be representative of the actual market value of the property in the District.

According to the County Assessor’s records, as reported by the Special Tax Administrator, the fiscal year 2015-16 total assessed value of Taxable Property in the District is \$167,867,795.

Historical Assessed Values. The table below shows annual changes in assessed valuations between fiscal years 2011-12 and 2015-16 in the District. Fiscal year 2011-12 was the first fiscal year for which Special Taxes were levied by the District.

Table 2
City of Redwood City
Community Facilities District No. 2010-1
(One Marina)
Historical Assessed Values
Fiscal Years 2011-12 through 2015-16

| Fiscal Year | Number of Taxable Parcels | Land Assessed Value ⁽¹⁾ | Improvement Assessed Value ⁽¹⁾ | Total Assessed Value ⁽¹⁾ | Annual Percentage Change |
|-------------|---------------------------|------------------------------------|---|-------------------------------------|--------------------------|
| 2011-12 | 7 | \$25,240,631 | \$ 5,802,705 | \$ 31,043,336 | N/A |
| 2012-13 | 2 | 12,919,584 | 7,292,819 | 20,212,403 | -34.89 ⁽²⁾ % |
| 2013-14 | 61 | 22,713,718 | 33,586,244 | 56,299,962 | 178.54 |
| 2014-15 | 176 | 37,812,664 | 74,311,873 | 112,124,537 | 99.16 |
| 2015-16 | 207 ⁽³⁾ | 46,394,480 | 121,473,315 | 167,867,795 | 49.72 |

(1) Based on the applicable San Mateo County Assessor Roll for each applicable fiscal year.

(2) Number of taxable parcels in the District dropped due to demolition.

(3) As of the date of the fiscal year 2015-2016 levy one of the parcels of Taxable Property had not been subdivided. That parcel was subsequently subdivided. As of the date of this Official Statement there are 249 parcels of Taxable Property. See, Table 1 above.

Sources: Based on information obtained from the County of San Mateo Assessor’s Office as compiled by David Taussig & Associates, Inc.

Value-to-District Lien Ratio

General Information Regarding Value-to-District Lien Ratios. The property value-to-District lien ratio on Bonds secured by special taxes will generally vary over the life of those Bonds as a result of changes in the value of the property that is security for the special taxes and the principal amount of the Bonds.

In comparing the aggregate assessed value of the real property within the District and the principal amount of the Bonds, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the Bonds is not allocated among the parcels within the District based on their respective assessed values; rather, the total Special Taxes have been allocated among the parcels within the District according to the Rate and Method.

Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Property caused by, among other possibilities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District. See "SPECIAL RISK FACTORS—Land Values" and "Bankruptcy and Foreclosure."

Aggregate Value-to-District Lien Ratio. The aggregate value-to-District lien ratio of Taxable Property in the District, based on fiscal year 2015-16 County assessed values of \$167,867,795 and the initial principal amount of the Bonds of \$4,350,000, is 38.59 to 1.0. There is, however, overlapping debt, and the properties in the District are subject to a number of ad valorem tax levies to support general obligation bonds. See "THE DISTRICT—Direct and Overlapping Governmental Obligations" below.

Value-to-District Lien Ratio Distribution. The following table sets forth the distribution of assessed value-to-District lien ratios among parcels of Taxable Property based on the projected fiscal year 2016-17 Special Tax levy, fiscal year 2015-16 assessed value and the initial principal amount of the Bonds.

Table 3
City of Redwood City
Community Facilities District No. 2010-1
(One Marina)
Distribution of Value-to-District Lien Ratios

| Value-to-Lien Burden Category | Number of Units | Projected Fiscal Year 2016-2017 Special Tax ⁽¹⁾ | Percent of Projected Fiscal Year 2016-2017 Special Tax | Fiscal Year 2015-2016 Assessed Valuation ⁽²⁾ | Percent of Total Valuation | Pro Rata Share of Bonds ⁽³⁾⁽⁶⁾ | Percent of Total Burden | Value-to-Lien Burden Ratio ⁽⁴⁾ |
|----------------------------------|-----------------|--|--|---|----------------------------|---|-------------------------|---|
| 55.00:1 and above | 22 | \$15,484 | 5.54% | \$15,425,935 | 9.19% | \$241,094 | 5.54% | 63.98 |
| 45.00:1 to 54.99:1 | 41 | 38,874 | 13.92 | 30,288,906 | 18.04 | 605,306 | 13.92 | 50.04 |
| 35.00:1 to 44.99:1 | 110 | 125,519 | 44.93 | 78,248,013 | 46.61 | 1,954,426 | 44.93 | 40.04 |
| 25.00:1 to 34.99:1 | 39 | 50,735 | 18.16 | 26,078,867 | 15.54 | 789,976 | 18.16 | 33.01 |
| 15.00:1 to 24.99:1 | 36 | 47,440 | 16.98 | 17,730,025 | 10.56 | 738,679 | 16.98 | 24.00 |
| Less than 15.00:1 ⁽⁵⁾ | 1 | 1,318 | 0.47 | 96,049 | 0.06 | 20,519 | 0.47 | 4.68 |
| TOTAL | 249 | \$279,369 | 100.00% | \$167,867,795 | 100.00% | \$4,350,000 | 100.00% | 38.59 |

- (1) Based on the levy to fund Administrative Expenses and debt service on the Bonds.
- (2) Based on the San Mateo County Assessor Roll for fiscal year 2015-2016. The assessed valuation for the parcel of Taxable Property that had not been subdivided as of the date of the fiscal year 2015-2016 levy was proportionately allocated to the units in that parcel.
- (3) There are currently no overlapping assessment districts and/or other community facilities districts encumbering the District. The Bonds have been allocated based on Percent of Projected Fiscal Year 2016-2017 Special Tax column.
- (4) Calculated by dividing the Assessed Value column by the Pro Rata Share of Bonds column.
- (5) Represents one parcel with a Proposition 60 assessed valuation reduction where a homeowner age 55+ can transfer a Proposition 13 base value from a former residence to a replacement residence.
- (6) Totals may not add due to rounding.

Source: David Taussig & Associates, Inc.

No Major Land Owners

Presently, no property owner owns more than two of the parcels of Taxable Property in the District. Five sets of two parcels of Taxable Property have the same owners.

Special Tax Delinquencies

The following table is a summary of Special Tax levies, collections and delinquency rates on taxable properties in the District for fiscal years 2011-12 through fiscal year 2015-16 based on amounts levied and outstanding delinquencies following the respective fiscal year end.

Table 4
City of Redwood City
Community Facilities District No. 2010-1
(One Marina)
Special Tax Levies, Collections and Delinquencies
Fiscal Years 2011-12 through 2015-16

| Fiscal Year | Annual Special Tax Levied | Number of Parcels Subject to Levy | As of Fiscal Year End ⁽¹⁾ | | | | As of June 8, 2016 | | |
|-------------|---------------------------|-----------------------------------|--------------------------------------|----------------------------------|------------------------------|--------------------|----------------------------------|-----------------------------|--------------------|
| | | | Amount Collected | Amount Delinquent ⁽²⁾ | Number of Parcels Delinquent | Percent Delinquent | Amount Delinquent ⁽²⁾ | Number of parcel Delinquent | Percent Delinquent |
| 2011-2012 | \$32,987 | 1 | \$32,987 | \$0 | 0 | 0.00% | \$0 | 0 | 0.00% |
| 2012-2013 | \$376,911 | 2 | \$376,911 | \$0 | 0 | 0.00% | \$0 | 0 | 0.00% |
| 2013-2014 | \$453,486 | 61 | \$453,486 | \$0 | 0 | 0.00% | \$0 | 0 | 0.00% |
| 2014-2015 | \$534,015 | 176 | \$534,015 | \$0 | 0 | 0.00% | \$0 | 0 | 0.00% |
| 2015-2016 | \$535,558 | 207 | NA | NA | NA | NA | \$1,263 | 1 | 0.24% |

(1) Amount Collected and Amount Delinquent for fiscal year end 2015-2016 will be available June 30, 2016.

(2) Amount Delinquent does not include penalties, interest or fees. The District is a participant in the County's Teeter Plan and as such receives from the County 100% of the proceeds of the Special Taxes levied but none of the penalties or interest in the case of delinquencies. Amount delinquent was \$3,158 (0.59%) as of May 23, 2016.

Source: San Mateo County Tax Collector, as compiled by David Taussig & Associates, Inc.

Direct and Overlapping Governmental Obligations

Taxes, Charges and Assessments. The base ad valorem secured property tax rate on property in the District is 1.085% (including ad valorem tax overrides). Property in the District is also subject, or will be subject, to certain annual charges and assessments (which are billed to property owners on a semi-annual basis). See "Table 6" below for a list of public agencies that currently levy annual charges and assessments on property in the District.

Overlapping Public Debt. The District is located within the boundaries of certain local agencies, other than the City, that provide public services and assess property taxes, assessments, special taxes and other charges on the property in the District. Some of these local agencies have outstanding debt.

The current and estimated direct and overlapping obligations affecting the property in the District are shown in the following table. The table is included for general information purposes only. The City has not reviewed this report for completeness or accuracy and makes no representation in connection therewith.

Table 5
City of Redwood City
Community Facilities District No. 2010-1
(One Marina)
Direct and Overlapping Bonded Debt
(as of May 1, 2016)

2015-16 Assessed Valuation: \$167,867,795

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 5/1/16 |
|---|---------------------|--------------------------|
| San Mateo Community College District General Obligation Bonds | 0.094% | \$ 606,488 |
| Sequoia Union High School District General Obligation Bonds | 0.224 | 940,506 |
| Redwood City School District General Obligation Bonds | 0.770 | 244,631 |
| Midpeninsula Regional Park and Open Space District General Obligation Bonds | 0.074 | 33,500 |
| City of Redwood City Community Facilities District No. 2010-1 | 100.000 | 5,680,000 ⁽¹⁾ |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | \$7,505,125 |

Ratios to 2015-16 Assessed Valuation:

| | |
|--|--------------|
| Direct Debt (\$5,680,000) | 3.38% |
| Total Direct and Overlapping Tax and Assessment Debt | 4.47% |

(1) Represents the outstanding amount of Prior Bonds.

Source: California Municipal Statistics, Inc.

Estimated Overall Tax Obligation for Property in the District

The table below provides, for an average parcel of Taxable Property in land use classes 1, 2 & 3 under the Rate and Method, the expected property tax bill that would be received by an owner of the property in the District.

Table 6
City of Redwood City
Community Facilities District No. 2010-1
(One Marina)
Estimated Average Tax Obligation⁽¹⁾
For Individually Owned Parcels of Developed Property

| ASSESSED VALUATION | | LAND USE CLASS 1 | LAND USE CLASS 2 | LAND USE CLASS 3 |
|--|-----------------|-----------------------------|-----------------------------|-----------------------------|
| Average Assessed Value ⁽¹⁾ | | \$597,800 | \$667,200 | \$782,800 |
| Less: Homeowner Exemption | | (\$7,000) | (\$7,000) | (\$7,000) |
| Equals: Net Taxable Assessed Value ⁽²⁾ | | \$590,800 | \$660,200 | \$775,800 |
| AD VALOREM PROPERTY TAXES^(2,3) | Tax Rate | Amount | Amount | Amount |
| Base Property Tax | 1.00000% | \$5,908.00 | \$6,602.00 | \$7,758.00 |
| Sequoia Union High School District Debt Service | 0.04340% | \$256.41 | \$286.53 | \$336.70 |
| San Mateo Community College District Debt Service | 0.02500% | \$147.70 | \$165.05 | \$193.95 |
| Redwood City Elementary School District Debt Service | 0.01580% | \$93.35 | \$104.31 | \$122.58 |
| Midpeninsula Regional Open Space District Debt Service | 0.00080% | \$4.73 | \$5.28 | \$6.21 |
| Subtotal Ad Valorem Property Tax Rate/Taxes | 1.08500% | \$6,410.18 | \$7,163.17 | \$8,417.43 |
| PARCEL CHARGES, ASSESSMENTS AND SPECIAL TAXES⁽⁴⁾ | | Amount | Amount | Amount |
| FEDCA & NPDES Storm Fee | | \$3.38 | \$3.38 | \$3.38 |
| San Mateo County Mosquito Abatement District | | \$3.74 | \$3.74 | \$3.74 |
| Sequoia Union High School District Maintenance | | \$10.52 | \$10.52 | \$10.52 |
| Redwood City Elementary School District Measure W Parcel Tax | | \$67.00 | \$67.00 | \$67.00 |
| City Of Redwood City CFD No. 2010-1 (One Marina) ⁽⁵⁾ | | \$658.88 | \$988.34 | \$1,317.78 |
| Subtotal Parcel Charges, Assessments And Special Taxes | | \$743.52 | \$1,072.98 | \$1,402.42 |
| Estimated Total Property Taxes | | \$7,153.70 | \$8,236.15 | \$9,819.85 |
| Estimated Total Effective Tax Rate (As % Of Average Assessed Value) | | 1.197% | 1.234% | 1.254% |

(1) Average assessed value for a individually owned dwelling unit based on assessed value information provided by the San Mateo County Assessor for fiscal year 2015-2016.

(2) Assessed Value and ad valorem taxes incorporate owner-occupied AV exemption of \$7,000. Average Assessed Value used to determine the Estimated Total Effective Tax Rate.

(3) Based on the fiscal year 2015-2016 ad valorem rates for Tax Rate Area 09-001. Rates subject to change in future years.

(4) Based on the fiscal year 2015-2016 charges identified on the San Mateo County issued property tax bills. Charges subject to change in future years.

(5) Based on the projected fiscal year 2016-2017 Special Tax levy.

Source: David Taussig & Associates, Inc., San Mateo County

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate for all investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors that may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of

the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the Taxable Property in the District and the value of the Bonds in the secondary market. See “—Limited Secondary Market” below.

Payment of the Special Tax is not a Personal Obligation

The owners of the Taxable Property in the District are not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation that is secured only by a lien against the Taxable Property on which it is levied. If the value of the Taxable Property is not sufficient to secure fully the payment of the Special Tax, the City has no recourse against the property owners.

No General Obligation of the City or the District

The City's obligations under the Bonds and under the Fiscal Agent Agreement are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and amounts in the Special Tax Fund, the Special Tax Prepayments Account, the Bond Fund and the Reserve Fund. The Bonds are neither general or special obligations of the City nor general obligations of the District, but are limited obligations of the City for the District payable solely from the Special Tax Revenues and funds pledged therefor and under the Fiscal Agent Agreement. None of the faith and credit of the District, the City or the State of California or of any of their respective political subdivisions is pledged to the payment of the Bonds.

Risks of Real Estate Secured Investments Generally

The Owners will be subject to the risks generally incident to an investment secured by real estate, including, but not limited to, (a) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and sites in the event of sale or foreclosure; (b) changes in real estate tax rates, governmental rules (including, but not limited to zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (c) natural disasters (including, but not limited to earthquakes and floods), which may result in uninsured losses; and (d) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the owners of the Taxable Property within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “—Bankruptcy and Foreclosure” for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Insufficiency of Special Tax Revenues

As discussed below, the Special Taxes may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because Taxable Property within the District becomes exempt from taxation due to the transfer of title to a public agency.

To pay debt service on the Bonds, it is generally necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the City has established a Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Reserve Fund.” The City has covenanted in the Fiscal Agent Agreement to maintain in the Reserve Fund an amount equal to the Reserve Requirement, subject to the availability of Special Taxes in amounts sufficient to do so and subject to the limitation that the City may not levy the Special Tax in any fiscal year at rates in excess of the maximum rates permitted under the Rate and Method. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitations on the amount of the Special Tax that may be levied. If such defaults

were to continue in successive years, the Reserve Fund could be depleted and a default on the Bonds could occur.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on, and enforceable against, the public entity that acquired the property. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts, but it is questionable that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, then, subject to the limitation of the Special Tax under the Rate and Method, the Special Tax will be reallocated to the remaining Taxable Property within the District. This would result in the owners of such Taxable Property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to pay the Special Tax. Moreover, if a substantial portion of additional land within the District became exempt from the Special Tax because of public ownership or otherwise, the Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of, and interest on, the Bonds when due and a default will occur with respect to the payment of such principal and interest.

The City has covenanted that, under certain circumstances, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure" for provisions in the Fiscal Agent Agreement and the Act that apply in the event of such foreclosure and that the City must follow in the event of delinquencies.

If sales or foreclosures of property are necessary, there could be a delay in payments to Owners (if the Reserve Fund has been depleted) pending such sales or the prosecution of the foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on Taxable Property in the District, subject to limitations described above under the caption "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Special Tax Methodology," to provide an amount required to pay interest on, and principal of, the Bonds, and any amount necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property in the District will be at all times sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement, even if the Special Tax is levied at the maximum Special Tax rates authorized under the Rate and Method.

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the City or the District to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale, and they have no intention to do so. The Act and the Fiscal Agent Agreement do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

Before July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 120 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale

of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the applicable District), an action to set aside the sale may be commenced by the delinquent property owner within 90 days after the date of sale. The constitutionality of this legislation repealing the one-year redemption period (California Code of Civil Procedure Section 701.680.) has not been tested, and there can be no assurance that, if tested, the legislation will be upheld.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditor's rights could adversely impact the interests of owners of the Bonds. The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure" herein. In addition, the prosecution of a foreclosure action could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in procuring Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Parity Taxes and Special Assessments

Property within the District is subject to taxes and other charges levied by several other public agencies. See the discussion of direct and overlapping indebtedness under the heading "THE DISTRICT—Direct and Overlapping Governmental Obligations."

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with the lien of all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general *ad valorem* property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See "—FDIC/Federal Government Interests in Properties" below.

Neither the City nor the District has control over the ability of other entities and districts to issue indebtedness secured by ad valorem taxes, special taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by ad valorem taxes, special taxes or assessments. Any such ad valorem taxes, special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for Taxable Property within the District. See "THE DISTRICT—Value-to-District Lien Ratio."

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of and interest on the Bonds are derived, are customarily billed to the Taxable Properties within the District on the *ad valorem* property tax bills sent by the County to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which each District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “—FDIC/Federal Government Interests in Properties” below for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the City’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

Property Values

The value of the Taxable Property within the District is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of a Special Tax installment, the City’s only remedy is to judicially foreclose on that property. Prospective purchasers of the Bonds should not assume that the Taxable Property within the District could be sold for the assessed values described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County of San Mateo Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

The actual market value of the property is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the District which is the security for the Bonds. As discussed herein, many factors could adversely affect property values within the District.

Teeter Plan Termination

The County of San Mateo has implemented its Teeter Plan, as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County of San Mateo has elected to provide local agencies and taxing areas, including the District, with full tax and assessment levies instead of actual tax and assessment collections. In return the County of San Mateo is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County of San Mateo’s Teeter Plan may help protect Owners from the risk of delinquencies in the payment of Special Taxes. However, the County of San Mateo is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquent Special Taxes. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—County Teeter Plan.”

Natural Disasters

The occurrence of one of the natural disasters discussed below in the District could result in substantial damage to properties in the District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the owners of the Taxable Property to pay their Special Taxes.

Earthquake. The property within the District, like all California communities, may be subject to unpredictable seismic activity, fires, floods or other natural disasters. There are several earthquake faults in the greater San Francisco Bay Area that potentially could result in damage to buildings, roads, bridges, and property within the District in the event of an earthquake. Local building codes take into account the likelihood of seismic activity and are intended to provide both earthquake building design integrity and safety to the building occupants.

It is possible that properties within the District could sustain damage if a major seismic event greater than those experienced in recent years should occur within or near the District. Such damage would likely occur from ground motion and possible liquefaction of underlying soils. Damage could include slope failures along shorelines, pavement displacement, distortions of pavement grades, breaks in utility, drainage and sewage lines, displacement or collapse of buildings and other facilities, failure of bulkhead walls and rupture of gas and fuel lines.

Sea Level Rise. In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property in the State of California is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. Approximately one-quarter of the value of this at-risk property is concentrated in the County of San Mateo, indicating that the County of San Mateo is particularly vulnerable to impacts associated with sea-level rise due to extensive development on its coastline. The City is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the value of property in the District. There can be no assurance that property in the District would not be damaged in whole or in part by a sea-level rise or other impacts of climate change.

Prior to the construction of the residential condominium units in the District, portions of the District fell within the FEMA flood zone designation of "AE," or "Areas with a 1% annual chance of flood." Flood insurance is required by federally regulated or insured lenders for property in a zone with a designation of AE. As part of the construction in the District, fill was brought onto the site and elevations were raised. The District filed for an amendment to the FEMA flood zone map based on these new elevations. As a result, all of the buildings in the District are now in zones designated as "X", or "Areas of 0.2% annual chance of flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than one square mile; and areas protected by levees from the 1% annual chance flood." Flood insurance is not required by federally regulated or insured lenders for property in a zone with a designation of X. Much of Bair Island Road remains in a zone designated as AE, as do some portions of the District where there are no structures.

FEMA is currently in the process of updating their flood zone maps and new maps are expected to become effective in 2017. Based on the preliminary maps FEMA has provided, no changes are expected to the current flood zone designations in this area.

The high tide level adjacent to the District is elevation 9.3 feet, according to jurisdictional delineation documents prepared by the District's project consultant and approved by the U.S. Army Corps of Engineers. Based on numbers given by the San Francisco Bay Conservation and Development Commission (BCDC), the anticipated sea level rise for this area is 1.3 feet by mid-century (2050) and 4.58 feet by the end of the century (2100). The lowest finished floor elevation within the District is 13.5 feet. Given these numbers, property in the District is not anticipated to be affected by sea level rise by mid-century (high tide level would be 10.6 feet), but may be affected by the end of the century (high tide would be 13.9 feet) if no further protection measures are installed.

Hazardous Substances

The value of a parcel may be reduced as a result of the presence of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

The value of the Taxable Property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. Neither the City nor the District has knowledge of any hazardous substances being located on the property within the District.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax that may be levied against the taxable parcels in the District to be recorded in the Office of the Recorder for The County of San Mateo. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a Taxable Property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method. In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity

through a negotiated transaction, or by gift or devise, that is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property, for outstanding Bonds only, is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested.

In particular, insofar as the Act requires payment of the Special Tax by a federal entity acquiring property within the District, it may be unconstitutional (see “—FDIC/Federal Government Interests in Properties”). If for any reason property within the District becomes exempt from taxation by reason of ownership by a nontaxable entity, subject to the limitations of the Rate and Method, the Special Tax will be reallocated to the remaining Taxable Property. Moreover, if a substantial portion of land within the District becomes exempt from the Special Tax because of public ownership, or otherwise, the maximum rate that could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due.

FDIC/Federal Government Interests in Properties

The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”) or other Federal government entities such as Fannie Mae or Freddie Mac, have or obtain an interest, has an interest. In the event that any financial institution making any loan which is secured by Taxable Property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that non-*ad valorem* taxes secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or before December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the nonpayment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court ruled in favor of the FDIC, Orange County appealed, and the FDIC cross-appealed. On August 28, 2001, the United States Court of Appeals for the Ninth Circuit (the “Ninth Circuit”), issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, if a taxable parcel is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a taxable parcel is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held, based on the supremacy clause of the United States Constitution, that “this Constitution, and the Laws of the United States which shall be

made in Pursuance thereof; and all Treaties made, or which shall be made, under the City of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding.” In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a taxable parcel but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress provides otherwise, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel because of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Cir. 1979) 597 F.2d 174, the Ninth Circuit held that Fannie Mae is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by Fannie Mae constitutes an exercise of state power over property of the United States. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities, or federal government sponsored entities. See “— Insufficiency of Special Tax Revenues” above

The City’s remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. Pursuant to the Fiscal Agent Agreement, an Owner of the Bonds is given the right for the equal benefit and protection of all owners similarly situated to pursue certain remedies described in APPENDIX F – “Summary of Certain Provisions of the Fiscal Agent Agreement.”

Limitations on Remedies

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and by the exercise of judicial discretion in accordance with general principles of equity. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Fiscal Agent Agreement.

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to State or

local income taxation, or may otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or State tax exemption or the market value of the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which the City expresses no opinion.

For example, various proposals have been made in Congress and by the President that would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Bonds, to federal income tax payable by certain bondholders with adjusted gross income in excess of specified thresholds. Prospective purchasers should consult their tax advisors as to the effect of such proposals on their individual situations.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Although the City has committed to provide certain financial information and operating data on an annual basis, there can be no assurance that such information will be available to Owners of the Bonds on a timely basis. See APPENDIX D – “Form of Continuing Disclosure Undertaking.” The failure to provide the required annual information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating, or adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes available to the City to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On August 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council of the City to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Nevertheless, to the maximum extent that the law permits it to do so, the City has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates in the District below an amount equal to 110% of the debt service for the Bonds in each Bond Year. However, no assurance can be given as to the enforceability of the foregoing covenant.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS—Limitations on Remedies."

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D, all of which placed certain limitations on the power of local agencies to tax, collect and expend revenues, were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or the District to increase revenues or to increase appropriations.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted in the Fiscal Agent Agreement to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX C to this Official Statement, and the final opinion will be made available to registered owners of the Bonds at the time of the initial delivery of the Bonds. At times, Bond Counsel represents the Underwriter (defined below) in matters unrelated to the Bonds.

Certain legal matters will also be passed on by Norton Rose Fulbright US LLP,[†] San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California and for the City by the City Attorney.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next March 30 after the end of the City's fiscal year (presently June 30) in each year (the "City Annual Report") commencing with its report for the 2015-16 fiscal year (due March 30, 2017) and to provide notices of the occurrence of certain enumerated events.

The City Annual Report and notices of material events will be filed with the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Currently and until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City is summarized in "APPENDIX D – Form of Continuing Disclosure Undertaking."

The City has not failed to comply in all material respects with any undertaking under the Rule in the past five years, except to the extent the following are material: (i) with respect to water revenue bonds issued in 2006 and 2007, the City's dissemination agent omitted from its fiscal year 2014 filing the City's operating data reports; (ii) the City's financial statements were filed almost two months late for fiscal year 2011-12 and 16 days late for fiscal year 2012-13 for the City's Community Facilities District No. 99-1 Special Tax Refunding Bonds, Series 2012B and the City's Community Facilities District No. 2000-1 Special Tax Refunding Bonds, Series 2012 (although they were timely filed for all other City bond issues); (iii) the City's financial statements were not filed for fiscal year 2010-2011 with respect to the City's Community Facilities District No. 99-1 Special Tax Bonds, Series 2001 and 2003 and for the City's Community Facilities District No. 2000-1 Special Tax Bonds, Series 2000 (although they were timely filed for all other City bond issues); and (iv) with respect to the City of Redwood City Public Financing Authority Lease Revenue Bonds, Series 2003, the FY 2010-11 and fiscal year 2011-12 annual reports did not include the reserve account balances. The bond issues identified in clause (iii) and (iv) have been defeased and no longer have a continuing disclosure obligation. Additionally, with respect to the South Bayside System Authority 2008 Wastewater Revenue Bonds for which the City has a continuing disclosure obligation, (i) the City's financial statements for fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13 were not filed until April 1, 2015 and (ii) the fiscal year 2012-13 report did not include a table – Historical Sewer Service Charge Revenue by Customer Class – that the City had agreed to provide as part of that report. Finally, in all of these cases where a notice of failure to file was required to be filed, no notice of a failure to file such information was provided.

All required filings have now been made with respect to outstanding bonds and the City is presently current with all of its continuing disclosure undertakings due during the past five years for bonds which currently have a continuing disclosure obligation. On May 23, 2016, the City adopted debt disclosure policies and procedures which include procedures with respect to contractually required continuing disclosure filings such as the continuing disclosure undertaking with respect to the Bonds.

[†] On June 2, 2016 the public finance group at Sidley Austin LLP moved to Norton Rose Fulbright US LLP.

MUNICIPAL ADVISOR

The City has retained William Euphrat Municipal Finance, Inc., as Municipal Advisor in connection with the issuance of the Bonds and certain other financial matters. The Municipal Advisor is not obligated to undertake and has not undertaken to make an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the businesses of underwriting, trading or distributing municipal securities or other negotiable instruments.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Municipal Advisor, Bond Counsel, and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

UNDERWRITING

The Bonds were purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter agreed to purchase the Bonds at a price of \$4,240,471.00 (which is equal to the par amount of the Bonds, less a net original issue discount of \$65,050.25 and less the Underwriter's discount of \$44,478.75). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

RATINGS

The City has not applied to a rating agency for the assignment of a rating to the Bonds and does not contemplate applying for a rating.

NO LITIGATION

At the time of delivery of and payment for the Bonds, the City Attorney will deliver an opinion to the Underwriter that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents.

EXECUTION

The execution and delivery of this Official Statement by the City has been duly authorized by the City Council on behalf of the District.

CITY OF REDWOOD CITY

By: _____ /s/ Starla Robinson
Interim Director of Finance

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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**FIRST AMENDED
RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2010-1
OF THE CITY OF REDWOOD CITY (ONE MARINA)**

A Special Tax hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in Community Facilities District No. 2010-1 of the City of Redwood City ("CFD No. 2010-1") and collected in each Fiscal Year, in an amount determined by the City Council of the City of Redwood City, through the application of this First Amended Rate and Method of Apportionment as described below. All of the real property in CFD No. 2010-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area expressed in acres of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County map or the land area calculated to the reasonable satisfaction of the CFD Administrator using the boundaries set forth on such map or plan. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Community Facilities Act of 1982, being Chapter 2.5, Part 1, Division 2 of Title 5 of the California Government Code.

"Acquisition Agreement" means the acquisition/financing agreement by and between the City of Redwood City and R.C. Peninsula Park, LLC for CFD No. 2010-1 providing for the acquisition and construction of Authorized Facilities with the proceeds of CFD No. 2010-1 Bonds and Special Taxes, as modified, amended and/or supplemented from time to time in accordance with its terms, or any applicable predecessor or successor to or restatement of such agreement.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2010-1, including but not limited to: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2010-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2010-1 or any designee thereof of complying with City, CFD No. 2010-1 or obligated persons disclosure requirements of applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2010-1 or any designee thereof related to an appeal of the Special Tax; the costs of the City, CFD No. 2010-1, or any designee thereof related to the reduction of the Maximum Special Tax in accordance with Section C herein; the costs of the City, CFD No. 2010-1, or any designee thereof related to the Buydown of Outstanding Bonds in accordance with Section D.4 herein; the costs associated with the release of funds from any escrow account; and the City's annual administration fees, accounting fees and expenses, and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2010-1 for any other administrative purposes of CFD No. 2010-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure as a result of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel to which an Assessor's parcel number is assigned as determined from an Assessor Parcel Map or the applicable assessment roll.

“Assessor’s Parcel Map” means an official map of the County Assessor of the County designating parcels by Assessor’s Parcel number.

“Authorized Facilities” means those facilities eligible to be funded by CFD No. 2010-1, as defined in the Acquisition Agreement.

“Buydown of Outstanding Bonds” means a mandatory buydown of Outstanding Bonds made by a property owner to reduce the amount of Outstanding Bonds to compensate for a loss of Special Tax revenues resulting from the construction of fewer residential dwelling units, smaller residential dwelling units, a modification to the type and/or Location of residential dwelling units, or a modified amount of non-residential Acreage, as determined in accordance with Section D herein.

“Below Market Rate Unit(s)” means up to 15 residential dwelling units located on one or more Assessor’s Parcels of Residential Property that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing for affordable housing (the “Deed Restrictions”), and for which building permits were issued on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied. In order to ensure that a residential dwelling unit is correctly classified as a Below Market Rate Unit for the current Fiscal Year, the owner of such property shall, prior to May 1 of the previous Fiscal Year, provide the CFD Administrator with a recorded copy of any applicable Deed Restrictions. In cases where such building permits were issued on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Tax is being levied, and for which the owner of such property provides the applicable Deed Restrictions to the CFD Administrator after May 1 of the previous Fiscal Year but prior to May 1 of the current Fiscal Year, then such residential units located on an Assessor’s Parcel of Residential Property shall first be assigned to Land Use Classes 1 through 3 based on the Residential Floor Area and Location for each such residential dwelling unit in the current Fiscal Year, and subsequently classified as a Below Market Rate Unit in the following Fiscal Year. Residential dwelling units within CFD No. 2010-1 that qualify as Below Market Rate Units shall be so designated by the CFD Administrator in the chronological order in which a recorded copy of any applicable Deed Restrictions has been provided to the CFD Administrator. However, if the total number of residential dwelling units constructed that would otherwise qualify as Below Market Rate Units exceeds 15, then the units exceeding such total shall not be considered Below Market Rate Units for special tax levy purposes if the CFD Administrator determines that such classification will reduce the amount of Special Taxes that may be levied on Taxable Property within CFD No. 2010-1 in all Fiscal Years to below the sum of (i) 1.10 times the debt service necessary to support the remaining Outstanding Bonds, and (ii) the Administrative Expenses as defined in this Section A. If such determination is made by the CFD Administrator, the residential dwelling units constructed that would otherwise qualify as Below Market Rate Units shall be assigned to Land Use Classes 1 through 3 based on the Residential Floor Area and Location for each such residential dwelling unit. Notwithstanding the above, any residential dwelling unit(s) located on an Assessor’s Parcel of Residential Property for which Deed Restrictions are not recorded in favor of the City providing for affordable housing prior to the close of escrow to the first private residential owner for such residential dwelling unit shall be assigned to Land Use Classes 1 through 3 based on the Residential Floor Area and Location for each such residential dwelling unit and shall permanently be ineligible for status as a Below Market Rate Unit.

“Certificate of Occupancy” means a certificate issued by the City that authorizes the actual occupancy of a residential dwelling unit for habitation by one or more residents.

“CFD Administrator” means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2010-1” means Community Facilities District No. 2010-1 of the City of Redwood City (One Marina).

“CFD No. 2010-1 Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2010-1 and secured solely by the Special Tax levy on property within the boundaries of CFD No. 2010-1 under the Act.

“City” means the City of Redwood City, California.

“Council” means the City Council of the City acting as the legislative body of CFD No. 2010-1.

“County” means the County of San Mateo.

“Developed Property” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued after January 1, 2010 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

“Final Subdivision” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that, in either case, creates individual lots for which building permits may be issued without further subdivision. The term “Final Subdivision” shall not include any Assessor’s Parcel Map or subdivision map or portion thereof, which does not create individual lots for which a building permit may be issued, including Assessor’s Parcels that are designated as remainder parcels.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Future Excluded Property” means all property located within Lot 1 as depicted for both hotel and retail uses on One Marina Vesting Tentative Map approved by Redwood City Planning Commission on July 20, 2010.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2010-1 Bonds are issued, as modified, amended and/or supplemented from time to time.

“Land Use Class” means any of the classes listed in Table 1 and Table 2, below.

“Location” means Marina View Property or Non-Marina View Property as defined in this Section A.

“Marina Property” means all property located within Lot 4 as depicted for existing preserved marina basin on One Marina Vesting Tentative Map approved by Redwood City Planning Commission on July 20, 2010.

“Marina View Property” means all Residential Property that have (i) front, rear, or side yard frontage along the Marina Property, or (ii) direct front door access to the Marina Property.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C herein, that can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Non-Marina View Property” means all Residential Property that is not Marina View Property.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City.

“One Time Special Tax” means a one-time special tax to be levied by the CFD Administrator on Public Property or Property Owner Association Property that is not exempted from the Special Tax under Section F herein, and is therefore required to prepay such Special Tax under Section F. The one-time special tax shall be equal to the Special Tax Prepayment Amount necessary to mitigate the loss of special tax revenues from such excess Public Property or Property Owner Association Property, as calculated under Section J.3 herein.

“Outstanding Bonds” means all CFD No. 2010-1 Bonds which are deemed to be outstanding under the Indenture.

“Property Owner Association Property” means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2010-1 for which the owner of record, as determined from the County Assessor’s secured tax roll for the Fiscal Year in which the Special Tax is being levied, is a property owner’s association, including any master or sub-association, (ii) any property located in a Final Subdivision that was recorded as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed, irrevocably dedicated, or irrevocably offered to a property owner’s association, including any master or sub-association, provided such conveyance, dedication, or offer is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Special Tax is being levied.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre for such property is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2010-1 that is (i) owned by, irrevocably offered or dedicated to the federal government, the State, the County, the City, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement.

“First Amended Rate and Method of Apportionment” means this First Amended Rate and Method of Apportionment for CFD No. 2010-1.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor’s Parcel shall be made by reference to the building permit(s) issued for such Assessor’s Parcel and/or to the appropriate records kept by the Building Inspection Division, or other applicable City department, as reasonably determined by the CFD Administrator. Such determination shall be final following the issuance of a Certificate of Occupancy for the residential dwelling unit.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit permitting the construction thereon of one or more residential dwelling units has been issued by the City.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within CFD No. 2010-1 to fund the Special Tax Requirement.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2010- 1 to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the CFD No. 2010-1 Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2010-1 Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of Authorized Facilities to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property; (vi) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax, as determined by the CFD Administrator pursuant to the Indenture.

“**State**” means the State of California.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of CFD No. 2010-1 which are not exempt from the Special Tax pursuant to law or Section F herein.

“**Trustee**” means the trustee or fiscal agent under the Indenture.

“**Undeveloped Property**” means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

Please refer to additional definitions in Section D herein relating to the Buydown of Outstanding Bonds, and to additional definitions in Section J herein relating to the Prepayment of Special Tax.

B. ASSIGNMENT TO LAND USE CLASSES

Each Fiscal Year, all Taxable Property within CFD No. 2010-1 shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with this First Amended Rate and Method of Apportionment determined pursuant to Sections C and E herein.

C. MAXIMUM SPECIAL TAX RATE

Residential Property shall be assigned to Land Use Classes 1 through 4, as listed in Table 1 below, based on the type of use, Residential Floor Area and Location for each residential dwelling unit. Non-Residential Property shall be assigned to Land Use Class 5. Prior to the issuance of CFD No. 2010-1 Bonds, the Maximum Special Tax on Developed Property (set forth in Table 1) may be reduced in accordance with, and subject to the conditions set forth in this Section C, without the need for any proceedings to make changes as permitted under the Act. These Maximum Special Tax reductions, if applicable, will be made if it is reasonably determined by the CFD Administrator that the overlapping debt burden as defined in the City of Redwood City “Statement of Local Goals and Policies Concerning the Use of the Mello-Roos Community Facilities Act of 1982” adopted by the Council on March 22, 1999, (the “Goals and Policies”) calculated pursuant to the Goals and Policies based upon the Maximum Special Tax on Developed Property exceeds the City’s maximum level objective set forth in the Goals and Policies, the Maximum Special Tax on Developed Property may be reduced to the amount necessary to satisfy the City’s objective with respect to the maximum overlapping debt burden level with the written consent of the CFD Administrator without need for any additional City Council proceedings. Each Maximum Special Tax reduction for a Land Use Class shall be calculated separately, as reasonably determined by the CFD Administrator, and it shall not be required that such reduction be proportionate among Land Use Classes. The reductions permitted pursuant to this paragraph shall be reflected in an amended notice of Special Tax lien which the City shall cause to be recorded by executing a certificate in substantially the form attached herein as Exhibit “A”.

1. Developed Property

(a) Maximum Special Tax

The Maximum Special Tax that may be levied and escalated as explained further in Section C.1.(b) below in any Fiscal Year for each Assessor’s Parcel classified as Developed Property is shown below in Table 1.

TABLE 1

**Maximum Special Tax for Developed Property
CFD No. 2010-1 (One Marina)
Fiscal Year 2010-2011**

| Land Use Class | Description | Residential Floor Area (square feet) | Location | Fiscal Year 2010-2011 Maximum Special Tax |
|-----------------------|--------------------------|---|-----------------|--|
| 1 | Residential Property | Less than 1,375 | Non-Marina View | \$1,540 per unit |
| 2 | Residential Property | 1,375 to less than 1,525 | Non-Marina View | \$2,310 per unit |
| | | Less than 1,375 | Marina View | |
| 3 | Residential Property | 1,375 to less than 1,525 | Marina View | \$3,080 per unit |
| | | 1,525 or Greater | NA | |
| 4 | Below Market Rate Unit | NA | NA | \$1,540 per unit |
| 5 | Non-Residential Property | NA | NA | \$86,820 per acre |

(b) Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2011 and ending July 1 of the fifth Fiscal Year in which Special Taxes are levied in CFD No. 2010-1, the Maximum Special Tax, identified in Table 1 above, as such table may be amended and restated in full pursuant to this First Amended Rate and Method of Apportionment, shall increase by an amount equal to two percent (2%) of the Maximum Special Tax in effect in the previous Fiscal Year. There will be no increase in the Maximum Special Tax that may be levied after the fifth Fiscal Year in which Special Taxes are levied in CFD No. 2010-1.

(c) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes for all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each Land Use Class shall be final.

2. Undeveloped Property

The Fiscal Year 2010-2011 Maximum Special Tax for Undeveloped Property shall be \$103,100 per acre and shall increase on each July 1, commencing on July 1, 2011 and ending July 1 of the fifth Fiscal Year in which Special Taxes are levied in CFD No. 2010-1, by an amount equal to two percent (2%) of the Maximum Special Tax for Undeveloped Property in effect in the previous Fiscal Year. There will be no increase in the Maximum Special Tax for Undeveloped Property that may be levied after the fifth Fiscal Year in which Special Taxes are levied in CFD No. 2010-1.

D. BUYDOWN OF OUTSTANDING BONDS

All of the requirements of this Section D, which describes the need for a Buydown of Outstanding Bonds ("Buydown") that may result from a change in development as determined pursuant to this Section D, shall only apply after the issuance of the first series of CFD No. 2010- 1 Bonds. Prior to the issuance of the first series of CFD No. 2010-1 Bonds, the terms of the Buydown shall not apply.

The following additional definitions apply to this Section D:

“Certificate of Satisfaction of Buydown” means a certificate from the CFD Administrator stating that the property described in such certificate has met the Buydown Requirement for such property as calculated under this Section D.

“Development Plan” means the plan submitted by R.C. Peninsula Park, LLC identifying the residential dwelling units and/or non-residential development anticipated within CFD No. 2010-1 approved by Redwood City Planning Commission on July 20, 2010, as modified, amended and/or supplemented from time to time in accordance with its terms.

“Letter of Compliance” means a letter from the CFD Administrator allowing the issuance of building permits based on the prior submittal of a request for letter of compliance by a property owner.

“Buydown Requirement” means the total amount needed to be collected to calculate and prepay Outstanding Bonds necessary to be prepaid in order to authorize the issuance of building permits listed in a request for a Letter of Compliance, as calculated under this Section D.

“Update Property” means an Assessor’s Parcel of Undeveloped Property for which a building permit has been issued. For purposes of all calculations in this Section D, Update Property shall be taxed as if it were already Developed Property during the current Fiscal Year.

1. Request for Letter of Compliance

After the issuance of the first series of CFD No. 2010-1 Bonds, a property owner shall, as a precondition to the issuance of a building permit for construction of any residential and/or non-residential development for a specific Assessor’s Parcel or lot, submit a Letter of Compliance for the construction on such Assessor’s Parcel or lot. If a Letter of Compliance has not yet been issued, the property owner must first request a Letter of Compliance from the CFD Administrator. The request from the property owner shall contain a list of all building permits for which the property owner is requesting a Letter of Compliance. The property owner shall also submit the Assessor’s Parcels or tract and lot numbers on which the construction is to take place, and the type of use, Residential Floor Area and Location (for each residential dwelling unit) or the Acreage (for each non-residential parcel) associated with each prospective building permit.

2. Issuance of Letter of Compliance

Upon the receipt of a request for a Letter of Compliance, the CFD Administrator shall assign each building permit identified in such request to Land Use Classes 1 through 5 as listed in Table 2 below based on the type of use, Residential Floor Area, Location and, if applicable, Acreage (for each non-residential parcel) identified for each such building permit. If the CFD Administrator determines (i) that the number of building permits requested for each Land Use Class, plus those building permits previously issued for each Land Use Class, will not cause the total number of residential dwelling units or non-residential Acreage within any such Land Use Class to exceed the number of residential dwelling units or non-residential Acreage for such Land Use Class identified in Table 2 below, and (ii) that the total number of residential dwelling units anticipated to be constructed pursuant to the current Development Plan for CFD No. 2010-1 shall not be less than 231 residential dwelling units, and the amount of non-residential Acreage will not be more than 0.00 acres, then a Letter of Compliance shall be submitted to the City and/or property owner by the CFD Administrator approving the issuance of the requested building permits for the subject property. This Letter of Compliance shall be submitted to the City and/or property owner by the CFD Administrator within ten days of the submittal of the request for Letter of Compliance by the property owner. However, should (i) the building permits requested, plus those previously issued, cause the total number of residential dwelling units or the amount of non-residential Acreage within any such Land Use Class to exceed the number of residential dwelling units or the amount of non-residential Acreage for such Land Use Class identified in Table 2 below, or (ii) the CFD Administrator determines that changes in the Development Plan may cause a decrease in the number of residential dwelling units within CFD No. 2010-1 to below 231 residential dwelling units or an increase in the amount of non-residential Acreage to above 0.00 acres, then a Letter of Compliance will not be issued and the CFD

Administrator will be directed to determine if a Buydown shall be required. The number of residential dwelling units and non-residential Acreage, as listed in Table 2 below, shall be updated by the CFD Administrator prior to the issuance of the first series of CFD No. 2010-1 Bonds to reflect the current Development Plan for CFD No. 2010-1.

TABLE 2

**Expected Residential Dwelling Units per Land Use Class and Non-Residential Acreage
CFD No. 2010-1 (One Marina)**

| Land Use Class | Description | Residential Floor Area (square feet) | Location | Number of Units/Acres |
|----------------|--------------------------|--------------------------------------|-----------------|-----------------------|
| 1 | Residential Property | Less than 1,375 | Non-Marina View | 27 units |
| 2 | Residential Property | 1,375 to less than 1,525 | Non-Marina View | 72 units |
| | | Less than 1,375 | Marina View | |
| 3 | Residential Property | 1,375 to less than 1,525 | Marina View | 117 units |
| | | 1,525 or Greater | NA | |
| 4 | Below Market Rate Unit | NA | NA | 15 units |
| 5 | Non-Residential Property | NA | NA | 0.00 acres |

3. Calculation of Buydown Requirement

If a Buydown calculation is required as determined by the CFD Administrator pursuant to paragraph 2 above, the CFD Administrator shall review the current Development Plan for CFD No. 2010-1 in consultation with the current property owners for all remaining Undeveloped Property in CFD No. 2010-1, and shall prepare an updated version of Table 2 identifying the revised number of residential dwelling units or the amount of non-residential Acreage anticipated within each Land Use Class. The CFD Administrator shall not be responsible for any delays in preparing the updated Table 2 that result from a refusal on the part of one or more current property owners of Undeveloped Property to provide information on their future development.

The CFD Administrator shall then review the updated Table 2 and determine the Buydown Requirement, if any, to be applied to the property identified in the request for Letter of Compliance to assure CFD No. 2010-1's ability to collect the Maximum Special Tax equal to 110% debt service coverage on the Outstanding Bonds, plus the Administrative Expenses as defined in Section A herein. The calculations shall be undertaken by the CFD Administrator, based on the data in the updated Table 2, as follows:

- Step 1. Compute the sum of the Maximum Special Tax authorized to be levied on all Developed Property and Update Property within CFD No. 2010-1, plus the sum of the Maximum Special Tax authorized to be levied on all future development as identified in the current Development Plan assuming buildout, as determined by the CFD Administrator in consultation with the property owner(s).
- Step 2. Determine the amount of Maximum Special Taxes required to provide 110% debt service coverage on the Outstanding Bonds, plus the Administrative Expenses as defined in Section A herein.
- Step 3. If the total sum computed pursuant to step 1 is greater than or equal to the amount computed pursuant to step 2, then no Buydown will be required and a Letter of Compliance shall immediately be issued by the CFD Administrator for all of the building permits currently being requested. If the total sum computed pursuant to step 1 is less than the amount computed pursuant to step 2, then continue to step 4.

- Step 4. Determine the Maximum Special Tax shortfall by subtracting the total sum computed pursuant to step 1 from the amount computed pursuant to step 2. Divide this difference by the amount computed pursuant to step 2.
- Step 5. Multiply the quotient computed pursuant to Step 4 by the Outstanding Bonds and round up to the nearest increment of \$5,000 to compute the amount of Outstanding Bonds to be retired and prepaid.
- Step 6. Multiply the amount computed pursuant to Step 5 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed.
- Step 7. Compute the amount needed to pay interest on the amount computed pursuant to Step 5 from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest possible redemption date for the Outstanding Bonds, and subtract therefrom the estimated amount of interest earnings to be derived from the reinvestment of the amounts computed pursuant to Step 5 and Step 6 until such redemption.
- Step 8. The administrative fees and expenses of CFD No. 2010-1 are as calculated by the CFD Administrator and include the costs of computation of the Buydown Requirement, the costs to invest the Buydown Requirement proceeds and the costs of redeeming CFD No. 2010-1 Bonds.
- Step 9. The Buydown Requirement is equal to the sum of the amounts computed pursuant to Steps 5, 6, 7 and 8 (the "Buydown Requirement").
- Step 10. The reserve fund credit shall equal the lesser of: (a) the expected reduction in the reserve requirement (as specified in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the Buydown, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the Buydown from the balance in the reserve fund on the Buydown date, but in no event shall such amount be less than zero. No reserve fund credit shall be granted if the amount then on deposit in the reserve fund for the Outstanding Bonds is below 100% of the reserve requirement (as defined in the Indenture).

The Buydown Requirement computed under Step 9 shall be billed directly to the property owner of each Assessor's Parcel identified in the request for Letter of Compliance and shall be due within 30 days of the billing date. If the Buydown Requirement is not paid within 45 days of the billing date, a Letter of Compliance will not be issued to the City and/or property owner by the CFD Administrator and the authorization of the requested building permits for the subject property will not be approved until such Buydown Requirement is paid. Upon receipt of the Buydown Requirement, the CFD Administrator shall issue a Letter of Compliance and a Certificate of Satisfaction of Buydown for the subject property. The reserve fund credit calculated pursuant to Step 10 above shall be credited to the property owner against the Buydown Requirement of each Assessor's Parcel identified in the request for Letter of Compliance once the CFD Administrator has confirmed receipt of all Special Taxes due for such property owner(s) in the Fiscal Year the Buydown Requirement was made. If the Buydown Requirement has been paid prior to such determination by the CFD Administrator, the amount equal to the reserve fund credit shall be reimbursed to the payee within 30 days following such confirmation.

4. Costs and Expenses Related to Implementation of Buydown of Outstanding Bonds

The costs of the CFD Administrator or other consultants required to review the application for building permits and issue Letters of Compliance, as identified in Sections D.1 and D.2 above, shall be paid out of the administrative expenses account as defined in the Fiscal Agent Agreement. The property owner of each Assessor's Parcel identified in the request for Letter of Compliance shall pay all costs of the CFD

Administrator or other consultants required to calculate the Buydown, issue Letters of Compliance and any other actions required under Section D.3. Such payments shall be due 30 days after receipt of invoice by such property owner. A deposit may be required by the CFD Administrator prior to undertaking work related to the Buydown pursuant to Section D.3.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2010-2011, and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement and shall provide for the levy of the Special Tax until the total Special Tax levy equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the applicable Maximum Special Tax for Undeveloped Property.

Notwithstanding the above the CFD Administrator may, in any Fiscal Year, calculate a levy Proportionately less than 100% of the Maximum Special Tax in step one (above), when (i) the CFD Administrator is no longer required to provide for the levy of the Special Tax pursuant to step two (above) in order to meet the Special Tax Requirement, and (ii) all authorized CFD No. 2010-1 Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD No. 2010-1 Bonds (except refunding bonds) to be supported by the Special Tax in CFD No. 2010-1.

Further notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which a Certificate of Occupancy has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2010-1. Such limitation of Residential Property shall not apply to Non-Residential Property, of which will still be subject to 100% of the applicable Maximum Special Tax.

F. EXEMPTIONS

No Special Tax shall be levied on up to 23.6 acres of Public Property and/or Property Owner Association Property in CFD No. 2010-1, and up to 2.83 acres of Future Excluded Area. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property in CFD No. 2010-1 becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as Public Property or Property Owner Association Property, it will, from that point forward, be subject to the Special Tax.

Notwithstanding the above, an Assessor's Parcel in CFD No. 2010-1 that is transferred to a public agency or property owner's association prior to the sale of a first bond issue that causes the Acreage of Public Property and Property Owner Association Property to exceed the 23.6 Acreage limit that can be designated by the CFD Administrator under this Section F shall also be exempted from paying the Special Tax. However, all or any portion of an Assessor's Parcel in CFD No. 2010-1 that is transferred to a public agency or property owner's association after the sale of a first bond issue that causes the Acreage of Public Property and/or Property Owner Association Property to exceed such 23.6 Acreage limit shall not be exempt from the Special Tax and shall instead require a prepayment of the Special Tax pursuant to Section J.3 herein, unless the CFD Administrator determines that such transfer will not reduce the amount of Special Taxes that may be levied on Taxable Property within CFD No. 2010-1 in all Fiscal Years to below the sum of (i) 1.10 times the debt service necessary to support the remaining Outstanding Bonds, and (ii) the Administrative Expenses as defined in this Section A. The prepayment of the Special Tax for Assessor's Parcels, or portion thereof, requiring such prepayment shall occur prior to the transfer of the Assessor's Parcel to a public agency or property owner association. Should the

excess Public Property and/or Property Owner Association Property be transferred without such Special Tax being prepaid, a One Time Special Tax equivalent to the appropriate Prepayment Amount as calculated under Section J.3 herein shall be imposed on the public agency or property owner association that now owns the Assessor's Parcel, to be paid within 30 days of receipt of a demand letter from the CFD Administrator for payment.

G. RELEASE OF PROPERTY

Upon recordation of a map which creates separate legal lots for such property, all property within the Future Excluded Area shall be removed from the boundaries of CFD No. 2010-1 and the City shall cause (i) an amended boundary map to be recorded in compliance with the Act to indicate that such property is not in CFD No. 2010-1, and (ii) a suitable notice to be recorded in compliance with the Act to indicate the release of the Special Tax lien on such property.

H. APPEALS AND INTERPRETATIONS

Any landowner or resident who feels that the amount of the Special Tax levied on his Assessor's Parcel is in error may submit a written appeal to the CFD Administrator. The CFD Administrator shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified through an adjustment to the Special Tax levy in the following Fiscal Year. No refunds shall be given. The CFD Administrator may interpret this First Amended Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals.

I. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2010-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

J. PREPAYMENT OF SPECIAL TAX

Under this First Amended Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2010-1 is permitted to prepay the Special Tax. The obligation of the Assessor's Parcel to pay the Special Tax may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or for an Assessor's Parcel of Undeveloped Property for which a building permit has been issued after January 1, 2010, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. If there are Outstanding Bonds, prepayment must be made not less than 30 days prior to a date that notice of redemption of CFD No. 2010-1 Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture that is specified in the report of the Special Tax Prepayment Amount (defined below). A prepayment may also be made for an Assessor's Parcel, or portion therefore, deemed to be excess Public Property and/or Property Owner Association Property, as determined pursuant to Section F herein.

The following additional definitions apply to this Section J:

“Buildout” means, for CFD No. 2010-1, that all expected building permits for residential dwelling units and/or non-residential development identified in the Development Plan for CFD No. 2010-1 have been issued (not including the Future Excluded Area), as reasonably determined by the CFD Administrator.

“CFD Public Facilities Costs” means either \$5,625,000 in 2011 dollars, which shall increase by the Construction Inflation Index on July 1, 2012, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide funding for all of the Authorized Facilities, or (ii) shall be determined by Council concurrently with a covenant that it will not issue any more CFD No. 2010-1 Bonds (except refunding bonds) to be supported by the Special Tax levy under this First Amended Rate and Method of Apportionment as described in Section E herein.

“Construction Inflation Index” means the annual percentage change in the Engineering News Record Building Cost Index for the City of San Francisco, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News Record Building Cost Index for the City of San Francisco.

“Future Facilities Costs” means the CFD Public Facilities Costs minus (i) costs of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund available to pay costs of Authorized Facilities, (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the costs of Authorized Facilities, and (iv) the amount the CFD Administrator reasonably expects to derive from the reinvestment of these funds.

“Improvement Fund” means a fund or account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct Authorized Facilities.

“Previously Issued Bonds” means, for any Fiscal Year, all Outstanding Bonds that are outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

| | |
|------------------------|--------------------------------------|
| Bond Redemption Amount | |
| plus | Redemption Premium |
| plus | Future Facilities Amount |
| plus | Defeasance Amount |
| plus | Administrative Fees and Expenses |
| less | Reserve Fund Credit |
| less | Capitalized Interest Credit |
| Total: | equals Special Tax Prepayment Amount |

As of the proposed date of prepayment, the Special Tax Prepayment Amount shall be calculated according to the following paragraphs:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, compute the Maximum Special Tax for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued after May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, compute the Maximum Special Tax for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor’s Parcel.

3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Taxes for CFD No. 2010-1 based on the Developed Property Special Taxes which could be levied in the current Fiscal Year on all expected development assuming Buildout of CFD No. 2010-1, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Previously Issued Bonds to be redeemed (the "*Redemption Premium*").
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the redemption date for the Previously Issued Bonds specified in the report of the Special Tax Prepayment Amount.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax Prepayment Amount, less any interest earnings attributed to the Future Facilities Amount, and less any interest earnings attributed to the Administrative Fees and Expenses (defined below), from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "*Defeasance Amount*").
12. The administrative fees and expenses of CFD No. 2010-1 are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2010-1 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
13. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Previously Issued Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Previously Issued Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Previously Issued Bonds is below 100% of the reserve requirement (as defined in the Indenture).
14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient

computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment (the "*Capitalized Interest Credit*").

15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "*Special Tax Prepayment Amount*").

2. Prepayment in Part

The amount of the prepayment shall be calculated as in Section J.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = [(PE - A) \times F] + A$$

These terms have the following meaning:

PP = the partial prepayment.

PE = the Special Tax Prepayment Amount calculated according to Section J.1.

F = the percentage, expressed as a decimal, by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

A = the Administrative Fees and Expenses calculated according to Section J.1.

3. Prepayment of Public Property or Property Owner Association Property

An Assessor's Parcel, or portion thereof, of Public Property or Property Owner Association Property within CFD No. 2010-1 that is not exempt from the Special Tax pursuant to Section F herein shall be required to prepay the Special Tax obligation applicable to such Assessor's Parcel as calculated by the CFD Administrator according to the following steps:

1. Determine the Maximum Special Tax anticipated to apply to such Assessor's Parcel, or portion thereof, of excess Public Property or Property Owner Association Property by multiplying the Acreage of such Assessor's Parcel that is ineligible for exemption status, as determined pursuant to Section F herein, times the Maximum Special Tax for Non-Residential Property (set forth in Table 1 of Section C herein).
2. Divide the Maximum Special Tax computed pursuant to step 1 above by the sum of (i) the amount of Maximum Special Taxes required to provide 110% debt service coverage on the Outstanding Bonds, and (ii) the Administrative Expenses as defined in Section A herein.
3. Determine the amount of Special Tax delinquencies that apply to such Assessor's Parcel, or portion thereof.
4. The Special Tax prepayment shall be calculated using the prepayment formula described in Section J.1, with the following exceptions: (i) skip paragraphs 1, 2 and 3, and begin with paragraph 4; (ii) the Bond Redemption Amount in paragraph 4 of the prepayment formula described in Section J.1 shall equal the product of the quotient computed pursuant to step 2 above times the Previously Issued Bonds; (iii) the Future Facilities Amount in paragraph 7 of the prepayment formula described in Section J.1 shall be \$0; and (iv) the Capitalized Interest Credit described in paragraph 14 of the prepayment formula described in Section J.1 shall be \$0. The amount of Special Tax delinquencies as determined pursuant to step 3 above shall be added to this Special Tax prepayment amount (collectively the "*Special Tax Prepayment Amount*").

4. General Provisions Applicable to the Prepayment of Special Tax

(a) Use of the Special Tax Prepayment Amount

The Special Tax Prepayment Amount shall be applied in the following order of priority: (i) to be deposited into specific funds established under the Indenture and applied as specified therein, and (ii) to be remitted to the City and used for any Authorized Facilities.

(b) Full Prepayment of Special Tax

Upon confirmation of the payment of the current Fiscal Year's entire Special Tax obligation, the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid in accordance with Section J.1, the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

(c) Partial Prepayment of Special Tax

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section J.4.(a) and (ii) indicate in the records of CFD No. 2010-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's parcel, equal to the outstanding percentage (1.00 – F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section E herein.

(d) Debt Service Coverage

Notwithstanding the foregoing, no prepayment of the Special Tax shall be allowed unless, at the time of such proposed prepayment, the Special Tax that may be levied on Taxable Property within CFD No. 2010-1 in all Fiscal Years (after excluding Public Property and Property Owner Association Property as set forth in Section F herein), both prior to and after the proposed prepayment, is at least equal to the sum of (i) 1.10 times the debt service necessary to support the remaining Outstanding Bonds, and (ii) the Administrative Expenses as defined in Section A herein.

K. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed fifty years commencing with Fiscal Year 2010-2011, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on the CFD No. 2010-1 Bonds have been paid.

EXHIBIT A

CERTIFICATE TO AMEND SPECIAL TAX

CITY OF REDWOOD CITY AND CFD No. 2010-1 CERTIFICATE

- Pursuant to Section C of the First Amended Rate and Method of Apportionment, the City of Redwood City ("City") and City of Redwood City Community Facilities District No. 2010-1 ("CFD No. 2010-1") hereby agree to a reduction in the Maximum Special Tax for Developed Property within CFD No. 2010-1.

The information in Table 1 relating to the Fiscal Year 2010-2011 Maximum Special Tax for Developed Property within CFD No. 2010-1 shall be modified as follows:

| Land Use Class | Description | Residential Floor Area (square feet) | Location | Fiscal Year 2010-2011 Maximum Special Tax |
|----------------|--------------------------|--------------------------------------|-----------------|---|
| 1 | Residential Property | Less than 1,375 | Non-Marina View | \$_[] per unit |
| 2 | Residential Property | 1,375 to less than 1,525 | Non-Marina View | \$_[] per unit |
| | | Less than 1,375 | Marina View | |
| 3 | Residential Property | 1,375 to less than 1,525 | Marina View | \$_[] per unit |
| | | 1,525 or Greater | NA | |
| 4 | Below Market Rate Unit | NA | NA | \$_[] per unit |
| 5 | Non-Residential Property | NA | NA | \$_[] per acre |

- The Maximum Special Tax for Developed Property may only be modified prior to the first issuance of CFD No. 2010-1 Bonds.
- Upon execution of the certificate by the City and CFD No. 2010-1, the City shall cause an amended notice of Special Tax lien for CFD No. 2010-1 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City and CFD No. 2010-1, receipt of this certificate and modification of the First Amended Rate and Method of Apportionment as set forth in this certificate.

CITY OF REDWOOD CITY

By: _____ Date: _____

CITY OF REDWOOD CITY COMMUNITY FACILITIES DISTRICT NO. 2010-1

By: _____ Date: _____

APPENDIX B

THE CITY OF REDWOOD CITY AND SAN MATEO COUNTY

The following information in this Appendix is included only to provide general demographic and economic information regarding the City of Redwood City, California (the "City") and the County of San Mateo (the "County"). The information set forth in this Appendix has been obtained from sources that the City believes are reliable, but does not guarantee as to the accuracy or completeness. As discussed in the forepart of this Official Statement, the Bonds are not general obligations of the City, but are limited obligations of the City for the District, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

Location

The County is one of nine counties comprising the economic geographic unit known as the San Francisco Bay Area. The County is a major employment base, and is also accessible to San Jose and Silicon Valley areas approximately 30 miles south via Interstate 280 or U.S. Highway 101. San Francisco International Airport is located in the County.

The City is located in the San Francisco Bay Area 25 miles south of San Francisco. It is the oldest bayside city in the County. The City was incorporated in 1867, and has been the County Seat since 1856. City limits cover approximately 34 square miles of generally level terrain. The City combines residential, industrial, and commercial elements in a largely urban environment. Its waterfront provides a yacht harbor and the only deep-water port in the South Bay. A wide variety of housing types are available.

Population

The following table shows the population of State of California (the "State"), the County and the City.

Table B-1
COUNTY OF SAN MATEO AND REDWOOD CITY
POPULATION
2011 THROUGH 2015⁽¹⁾

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| Redwood City | 77,299 | 78,049 | 79,159 | 80,818 | 81,838 |
| San Mateo County | 722,372 | 727,793 | 736,647 | 745,635 | 753,123 |
| State of California | 37,427,946 | 37,688,804 | 37,984,138 | 38,357,121 | 38,714,725 |

(1) As of January 1 for the year shown.

Source: Historical Population Estimates for Cities, Counties and the State, 2011-2015, California Department of Finance, May 2015.

Employment

The following table compares labor force, employment and unemployment for the County, the State and the United States. The unemployment rate in the County has consistently been lower than that of the State and the nation, as illustrated in the following table.

Table B-2
COUNTY OF SAN MATEO
ANNUAL AVERAGE LABOR FORCE AND INDUSTRY EMPLOYMENT
2011 through 2015⁽¹⁾

| <u>Year</u> | <u>Area</u> | <u>Labor Force</u> | <u>Civilian Employment</u> | <u>Unemployment</u> | <u>Unemployment Rate</u> |
|-------------|---------------------|--------------------|----------------------------|---------------------|--------------------------|
| 2011 | County of San Mateo | 383,800 | 353,400 | 30,300 | 7.9% |
| | State of California | 18,404,500 | 16,237,300 | 2,167,200 | 11.8% |
| | United States | 153,617,000 | 139,869,000 | 13,747,000 | 8.9% |
| 2012 | County of San Mateo | 394,300 | 367,800 | 26,500 | 6.7% |
| | State of California | 18,494,900 | 16,560,300 | 1,934,500 | 10.5% |
| | United States | 154,975,000 | 142,469,000 | 12,506,000 | 8.1% |
| 2013 | County of San Mateo | 403,600 | 381,800 | 21,800 | 5.4% |
| | State of California | 18,551,000 | 16,970,000 | 1,581,000 | 8.5% |
| | United States | 155,389,000 | 143,929,000 | 11,460,000 | 7.4% |
| 2014 | County of San Mateo | 430,800 | 412,700 | 18,100 | 4.2% |
| | State of California | 18,811,400 | 17,397,100 | 1,414,300 | 7.5% |
| | United States | 155,922,000 | 146,305,000 | 9,617,000 | 6.2% |
| 2015 | County of San Mateo | 442,000 | 427,000 | 15,000 | 3.4% |
| | State of California | 18,981,000 | 17,798,600 | 1,183,200 | 6.2% |
| | United States | 157,130,000 | 148,834,000 | 8,296,000 | 5.3% |

(1) Data not seasonally adjusted. Data may not add due to rounding. The County's unemployment rate is calculated using rounded data.

Source: State of California Employment Development Department; United States Department of Labor Bureau of Labor and Statistics.

The ten largest employers in the County and their respective average number of employees are set forth in the following table.

Table B-3
COUNTY OF SAN MATEO
TEN LARGEST EMPLOYERS
(As of April 2016)

| <u>Employer</u> | <u>Type of Business</u> | <u>Number of Employees in the County</u> |
|---|--|--|
| Genentech, Inc. | Biotechnology | 9,800 |
| Oracle Corporation | Hardware and Software | 6,750 |
| County of San Mateo | County Government | 5,472 |
| Facebook | Social Networking Website | 3,957 |
| Visa Inc. | Payments Technology | 3,900 |
| Gilead Sciences, Inc. | Biopharmaceuticals | 3,115 |
| Mills-Peninsula Health Services | Health Care | 2,500 |
| San Mateo County Community College District | Education | 2,285 |
| Electronic Arts | Video Game Developer and Publisher | 1,550 |
| Seton Medical Center | Acute Care Hospital and Skilled Nursing Facility | 1,503 |

Source: San Francisco Business Times, 2016 Book of Lists.

The following table shows the principle employers in the City as of June 30, 2015.

**Table B-4
CITY OF REDWOOD CITY
TEN LARGEST EMPLOYERS
(As of June 2015)**

| <u>Employer</u> | <u>Number of Employees</u> | <u>% of Total City Employment</u> |
|---------------------------------|----------------------------|-----------------------------------|
| Oracle Corporation | 6,750 | 14.74% |
| County of San Mateo | 2,664 | 5.85 |
| Electronic Arts | 2,367 | 5.17 |
| Sequoia Hospital | 936 | 2.04 |
| Kaiser Permanente Medical Group | 911 | 1.99 |
| Kaiser Foundation Hospitals | 773 | 1.69 |
| Redwood City School District | 763 | 1.67 |
| Stanford Hospital & Clinics | 750 | 1.64 |
| Silver Spring Networks | 602 | 1.31 |
| Equinix | 532 | 1.16 |

Source: City of Redwood City, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2015.

Industry and Employment

The largest industries in the County, in terms of the percentage of employment in each respective industry, are set forth in the following table.

**Table B-5
COUNTY OF SAN MATEO
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
2014⁽¹⁾**

| <u>Industry</u> | <u>Number of County Employees</u> | <u>% of County Employment</u> |
|--|-----------------------------------|-------------------------------|
| Professional and Business Services | 75,400 | 20.3% |
| Trade, Transportation & Public Utilities | 74,300 | 20.0 |
| Education and Health Services | 42,800 | 11.5 |
| Leisure and Hospitality | 41,200 | 11.1 |
| Other | 34,600 | 9.3 |
| Government | 31,200 | 8.4 |
| Information | 26,200 | 7.0 |
| Manufacturing | 25,700 | 6.9 |
| Financial Activities | 20,700 | 5.6 |
| Total ⁽²⁾ | 372,200 | 100.0% |

(1) Most recent Benchmark available, March 2014.

(2) Totals may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division.

The following table shows employment by industry group in the County.

Table B-6
COUNTY OF SAN MATEO
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY GROUP⁽¹⁾
2010 through 2014⁽²⁾
(In Thousands)

| <u>Industry Group</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|--------------|
| Total Farm | 1.7 | 1.6 | 1.6 | 1.7 | 1.7 |
| Total Nonfarm | 315.9 | 324.5 | 338.0 | 353.2 | 370.5 |
| Mining, Logging and Construction | 13.4 | 14.5 | 15.3 | 16.8 | 19.0 |
| Manufacturing | 26.3 | 25.5 | 24.4 | 25.5 | 25.7 |
| Durable Goods | 12.7 | 12.2 | 11.8 | 11.9 | 11.7 |
| Nondurable Goods | 13.6 | 13.3 | 12.6 | 13.5 | 14.0 |
| Trade, Transportation & Public Utilities | 68.5 | 68.5 | 70.3 | 72.3 | 74.3 |
| Wholesale Trade | 11.2 | 11.1 | 11.5 | 11.2 | 11.6 |
| Retail Trade | 32.8 | 33.2 | 33.2 | 34.1 | 35.1 |
| Transportation, Warehousing & Utilities | 24.4 | 24.2 | 25.6 | 27.1 | 27.7 |
| Information | 17.5 | 17.9 | 20.9 | 23.8 | 26.2 |
| Financial Activities | 18.6 | 19.4 | 20.0 | 20.2 | 20.7 |
| Finance & Insurance | 13.2 | 13.5 | 13.8 | 13.9 | 14.3 |
| Real Estate & Rental & Leasing | 5.4 | 5.9 | 6.2 | 6.3 | 6.3 |
| Professional & Business Services | 60.0 | 64.1 | 69.8 | 71.2 | 75.4 |
| Professional, Scientific & Technical Services | 37.7 | 40.9 | 45.6 | 45.2 | 47.1 |
| Management of Companies & Enterprises | 4.6 | 4.0 | 3.9 | 4.6 | 5.7 |
| Administrative & Support & Waste Services | 17.7 | 19.2 | 20.3 | 21.5 | 22.6 |
| Educational & Health Services | 35.3 | 36.3 | 37.4 | 40.1 | 42.8 |
| Educational Services | 5.1 | 5.4 | 5.8 | 6.3 | 7.3 |
| Health Care & Social Assistance | 30.2 | 31.0 | 31.6 | 33.8 | 35.5 |
| Leisure & Hospitality | 33.8 | 35.5 | 36.8 | 39.4 | 41.2 |
| Arts, Entertainment & Recreation | 5.1 | 5.1 | 5.1 | 5.2 | 5.3 |
| Accommodation & Food Services | 28.7 | 30.4 | 31.7 | 34.3 | 35.9 |
| Other Services | 11.2 | 12.2 | 12.9 | 13.4 | 13.9 |
| Government ⁽³⁾ | 31.3 | 30.6 | 30.3 | 30.4 | 31.2 |
| Federal Government | 4.0 | 3.8 | 3.7 | 3.6 | 3.7 |
| State Government | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Local Government | 26.7 | 26.2 | 26.0 | 26.2 | 26.9 |
| Total All Industries ⁽⁴⁾ | <u>317.6</u> | <u>326.1</u> | <u>339.6</u> | <u>354.8</u> | <u>372.2</u> |

(1) Employment is by place of work and does not include persons who are involved in labor management trade disputes, self-employed, or unpaid family workers.

(2) Most recent Benchmark available, 2014.

(3) Includes all civilian government employees regardless of activity in which engaged.

(4) Totals may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division.

Per Capita Income

Per capita income figures for the County, the State and the United States are presented in the following table. In 2014, the latest year for which annual data is available, the County's per capita income was approximately 79.3% higher than that of the State and approximately 94.7% higher than that of the United States.

Table B-7
COUNTY OF SAN MATEO
PER CAPITA INCOME
2010 through 2014

| <u>Year</u> | <u>County</u> | <u>State</u> | <u>United States</u> |
|-------------|---------------|--------------|----------------------|
| 2010 | \$66,362 | \$42,297 | \$40,163 |
| 2011 | 71,051 | 44,749 | 42,332 |
| 2012 | 85,798 | 47,614 | 44,266 |
| 2013 | 85,653 | 48,125 | 44,438 |
| 2014 | 89,659 | 49,985 | 46,049 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis, CA1-3 Personal Income Summary (per capita personal income).

Commercial Activity

Commercial activity is an important contributor to the economies of the County and City. The following tables show the taxable transactions by type of business in the County and the City.

Table B-8
COUNTY OF SAN MATEO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
2009 through 2013⁽¹⁾
(\$ in Thousands)

| <u>Type of Business</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Motor Vehicle and Parts Dealers | \$ 1,063,294 | \$ 1,117,487 | \$ 1,241,177 | \$ 1,464,005 | \$ 1,682,692 |
| Furniture and Home Furnishings Stores | 300,412 | 317,652 | 342,833 | 362,570 | 362,764 |
| Electronics and Appliance Stores | 330,175 | 346,647 | 365,610 | 388,186 | 415,878 |
| Building Materials and Garden Equipment and Supplies | 713,094 | 699,781 | 716,722 | 758,787 | 843,865 |
| Food and Beverage Stores | 501,724 | 508,941 | 532,524 | 563,507 | 584,609 |
| Health and Personal Care Stores | 235,628 | 237,703 | 250,853 | 261,067 | 271,039 |
| Gasoline Stations | 804,551 | 935,284 | 1,154,740 | 1,262,692 | 1,250,794 |
| Clothing and Clothing Accessories Stores | 568,905 | 595,402 | 633,937 | 683,382 | 727,281 |
| Sporting Goods, Hobby, Book and Music Stores | 256,251 | 267,291 | 281,291 | 291,677 | 312,953 |
| General Merchandise Stores | 950,724 | 1,026,497 | 1,088,960 | 1,130,266 | 1,131,430 |
| Miscellaneous Store Retailers | 453,346 | 458,350 | 472,251 | 493,970 | 533,740 |
| Nonstore Retailers | 51,388 | 55,945 | 64,097 | 114,986 | 206,203 |
| Food Services and Drinking Places | 1,226,275 | 1,279,295 | 1,391,048 | 1,502,049 | 1,612,392 |
| All Other Outlets | 3,871,255 | 4,120,063 | 4,484,599 | 4,629,834 | 4,675,976 |
| Total All Outlets ⁽²⁾ | <u>\$ 11,327,022</u> | <u>\$ 11,966,338</u> | <u>\$ 13,020,643</u> | <u>\$ 13,906,978</u> | <u>\$ 14,611,618</u> |

(1) Annual data is only available through 2013.

(2) Totals may not add due to rounding.

Source: Taxable Sales In California (Sales and Use Tax) Reports California State Board of Equalization.

Table B-9
CITY OF REDWOOD CITY
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
2009 through 2013⁽¹⁾
(\$ in Thousands)

| Type of Business | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Motor Vehicle and Parts Dealers | \$ 265.0 | \$ 289.6 | \$ 334.9 | \$ 397.3 | \$ 447.4 |
| Home Furnishings and Appliance Stores | 70.1 | 63.6 | 74.3 | 80.5 | 89.7 |
| Building Materials and Garden Equipment and Supplies | 63.9 | 62.2 | 65.8 | 62.4 | 67.0 |
| Food and Beverage Stores | 80.0 | 76.4 | 77.1 | 81.3 | 84.4 |
| Gasoline Stations | 91.3 | 104.3 | 132.1 | 142.7 | 142.1 |
| Clothing and Clothing Accessories Stores | 40.5 | 40.9 | 42.1 | 42.7 | 44.5 |
| General Merchandise Stores | 121.2 | 187.4 | 203.2 | 216.2 | 216.8 |
| Other Retail Group | 110.7 | 108.2 | 107.6 | 105.4 | 113.6 |
| Food Services and Drinking Places | 118.3 | 121.1 | 133.1 | 150.0 | 158.3 |
| All Other Outlets | 426.3 | 397.7 | 381.0 | 417.9 | 465.0 |
| Total All Outlets ⁽²⁾ | <u>\$ 1,387.3</u> | <u>\$ 1,451.5</u> | <u>\$ 1,551.1</u> | <u>\$ 1,696.5</u> | <u>\$ 1,829.0</u> |

(1) Annual data is not yet available for 2014.

(2) Totals may not add due to rounding.

Source: Taxable Sales In California (Sales and Use Tax) Reports California State Board of Equalization.

Construction Activity

The following tables provide a building permit valuation summary for the County and the City, respectively.

Table B-10
COUNTY OF SAN MATEO
NEW BUILDING PERMIT VALUATION
2011 through 2015
(\$ in Thousands)

| Type of Permit | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Residential: | | | | | |
| New Single-Dwelling | \$ 194,950 | \$ 248,414 | \$ 286,238 | \$ 289,903 | \$ 342,724 |
| New Multi-Dwelling | 107,040 | 162,233 | 124,289 | 168,859 | 209,127 |
| Additions/ Alterations | 250,364 | 188,187 | 269,246 | 348,231 | 359,428 |
| Total Residential ⁽¹⁾ | <u>\$ 552,354</u> | <u>\$ 598,834</u> | <u>\$ 679,773</u> | <u>\$ 806,993</u> | <u>\$ 911,280</u> |
| Non Residential: | | | | | |
| New Commercial | \$ 6,734 | \$ 29,783 | \$ 66,843 | \$ 432,585 | \$ 402,924 |
| New Industrial | 3,359 | 2,022 | 15,724 | 9,600 | 0 |
| Other | 55,495 | 40,316 | 120,295 | 84,241 | 83,547 |
| Additions/Alterations | 249,545 | 159,618 | 241,362 | 490,365 | 462,506 |
| Total Non Residential ⁽¹⁾ | <u>\$ 315,133</u> | <u>\$ 231,739</u> | <u>\$ 444,224</u> | <u>\$ 1,016,791</u> | <u>948,977</u> |
| Total Valuation ⁽¹⁾ | <u>\$ 867,487</u> | <u>\$ 830,573</u> | <u>\$ 1,123,997</u> | <u>\$ 1,823,784</u> | <u>\$ 1,860,256</u> |

(1) Totals may not add up due to independent rounding.

Source: California Homebuilding Foundation | Construction Industry Research Board.

Table B-11
CITY OF REDWOOD CITY
NEW BUILDING PERMIT VALUATION
2011 through 2015
(\$ in Thousands)

| Type of Permit | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Residential: | | | | | |
| New Single-Dwelling | \$ 9,185 | \$ 35,517 | \$ 3,399 | \$ 6,400 | \$ 13,130 |
| New Multi-Dwelling | 13,095 | 103,126 | 57,869 | 83,820 | 16,463 |
| Additions/ Alterations | 22,505 | 10,363 | 28,261 | 26,302 | 27,434 |
| Total Residential ⁽¹⁾ | <u>\$ 44,784</u> | <u>\$ 149,005</u> | <u>\$ 89,529</u> | <u>\$ 116,522</u> | <u>\$ 57,027</u> |
| Non Residential: | | | | | |
| New Commercial | \$ 135 | \$ 2,651 | \$ 5,531 | \$ 27,056 | \$ 26,366 |
| New Industrial | 0 | 382 | 619 | 7,000 | 0 |
| Other | 0 | 16,038 | 111,295 | 1,046 | 6,420 |
| Additions/Alterations | \$49,044 | 438 | 47,257 | 63,598 | 87,473 |
| Total Non Residential ⁽¹⁾ | <u>\$ 49,179</u> | <u>\$ 19,508</u> | <u>\$ 164,702</u> | <u>\$ 98,699</u> | <u>\$ 120,259</u> |
| Total Valuation ⁽¹⁾ | <u>\$ 93,963</u> | <u>\$ 168,513</u> | <u>\$ 254,231</u> | <u>\$ 215,221</u> | <u>\$ 177,286</u> |

(1) Totals may not add up due to independent rounding.

Source: California Homebuilding Foundation | Construction Industry Research Board.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

June __, 2016

City Council
City of Redwood City
1017 Middlefield Road
Redwood City, California 94064

OPINION: \$4,350,000 City of Redwood City Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds

Members of the City Council:

We have acted as bond counsel to the City of Redwood City, California (the "City") in connection with the issuance by the City, for and on behalf of the City of Redwood City Community Facilities District No. 2010-1 (One Marina) (the "District"), of its \$4,350,000 City of Redwood City Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Sections 53311 et seq. of the California Government Code (the "Act"), Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a Fiscal Agent Agreement, dated as of June 1, 2016 (the "Fiscal Agent Agreement"), by and between the City, for and on behalf of the District, and U.S. Bank National Association, as fiscal agent, and Resolution No. 15494 adopted by the City Council of the City on May 23, 2016 (the "Resolution").

In connection with this opinion, we have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation and political subdivision of the State of California, with the power to enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein and issue the Bonds.
2. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City in accordance with its terms.
3. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds on a parity with the pledge thereof with respect to any Parity Bonds that may be issued under, and as such term is defined in, the Fiscal Agent Agreement.
4. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City for the District, payable solely from the sources provided therefor in the Fiscal Agent Agreement.
5. Subject to the City's compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used

in determining the federal alternative minimum tax for certain corporations. Failure by the City to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”), dated as of June __, 2016, is by and between the City of Redwood City (the “City”) and David Taussig & Associates, Inc., as Dissemination Agent (as hereinafter defined), in connection with the issuance of \$4,350,000 City of Redwood City Community Facilities District No. 2010-1 (One Marina) (the “District”) 2016 Special Tax Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2016 (the “Fiscal Agent Agreement”), by and among the City and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). The City and the Dissemination Agent covenant and agree as follows:

SECTION 1. **Purpose of this Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the City pursuant to the Fiscal Agent Agreement for the benefit of the Owners (as hereinafter defined) and Beneficial Owners (as hereinafter defined) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule (as hereinafter defined).

SECTION 2. **Definitions.** The definitions set forth in the Fiscal Agent Agreement shall apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

“Annual Report” means the Disclosure Report(s) described in Section 4.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“CUSIP Numbers” shall mean the Committee on Uniform Security Identification Procedure’s unique identification number for each public issue of a security.

“Disclosure Report” shall mean any Disclosure Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Dissemination Agent” shall mean David Taussig & Associates, Inc. or any other person authorized to act on its behalf, acting in the capacity of Dissemination Agent, or any successor Dissemination Agent (which may be the City) designated in writing by the City and which has filed with the City a written acceptance of such designation.

“EMMA System” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system.

“Fiscal Year” shall mean the one-year period ending on June 30 of each year.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

“Official Statement” shall mean the Official Statement issued by the City in connection with the sale of the Bonds.

“Owner” or “Bondowner” shall mean any person who shall be the registered owner of any one or more of the Bonds.

“Participating Underwriter” shall mean any of the underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Disclosure Reports.

(a) The City shall, or shall cause the Dissemination Agent to, each year, not later than the March 30 next succeeding the end of the City’s fiscal year, commencing with the report for the fiscal year ending June 30, 2016, provide to the MSRB through its EMMA System a Disclosure Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Disclosure Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the City may be submitted separately from the balance of the Disclosure Report and later than the date required above for the filing of the Disclosure Report if they are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to the date set forth in paragraph (a) above for providing the Disclosure Report to the MSRB, the City shall provide the Disclosure Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the City’s Disclosure Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection.

(c) If the Dissemination Agent is unable to verify that a Disclosure Report has been provided to the MSRB through its EMMA System by the date required in subsection (a), the Dissemination Agent shall in a timely manner send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(d) If the Dissemination Agent is other than the City, the Dissemination Agent shall file a report with the City certifying that the Disclosure Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement.

SECTION 4. Content of Disclosure Reports. The City’s Disclosure Report shall contain or include by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to the City from time to time by the Governmental Accounting Standards Board or other applicable entity. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to that used for the City’s audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; provided, that in each Annual Report or other filing containing the City’s financial statements, the following statement shall be included in bold type:

THE CITY’S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF’S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) The following additional items with respect to the Bonds:

(1) Principal amount of Bonds outstanding as of the September 2nd preceding the filing of the Annual Report.

(2) Tabular or numerical information of the types contained in the Official Statement in the following tables

a. Table 1, Distribution of Land Use Classes Under the Rate and Method based on the most recent Special Tax levy preceding the filing of the Annual Report;

b. Table 3, Distribution of Value-to-District Lien Ratios based on the most recent Special Tax levy preceding the filing of the Annual Report and the assessed value of parcels within the District on which the Special Taxes are levied as shown on the assessment roll of the San Mateo County Assessor last equalized prior to the September 30 next preceding the filing of the Annual Report; and

c. Table 4, Special Tax Levies, Collections and Delinquencies including a list of all taxpayers which own property within the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes.

(3) Balance in Bond Reserve Fund as of the September 2nd preceding the filing of the Annual Report.

(4) Status of foreclosure proceedings for any parcels within the District on which the Special Taxes are levied, if any, and a summary of results of any foreclosure sales, if available, as of the September 30 next preceding the filing of the Annual Report.

The City has not undertaken in this Disclosure Agreement to provide all information an investor may want to have in making decisions to hold, sell or buy the Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through its EMMA System. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given notice of the occurrence of any of the following events (a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. modifications to rights of Bond owners, if material;

8. optional, contingent or unscheduled calls of the Bonds, if material, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Bonds, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership, or similar event of the City. For purposes of this event the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;

13. consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, but, in the case of a Listed Event described in Subsection 2, 7, 8 (but only with respect to bond calls), 10, 13 and 14 of Section 5(a), only in the event the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall file or shall cause to be filed a notice of such occurrence with the MSRB through its EMMA System, in an electronic format as prescribed by the MSRB, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

(c) If the Dissemination Agent is other than the City, the Dissemination Agent shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events from the City request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsections (a) and (b) and, if applicable, promptly direct the Dissemination Agent to report such event to the Bondowners. In the absence of such direction, the Dissemination Agent shall not report such event unless required to be reported by the Dissemination Agent to the Bondowners under the Fiscal Agent Agreement, as applicable. The Dissemination Agent may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, actual knowledge of the occurrence of such Listed Events shall mean actual knowledge by the

Dissemination Agent. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

SECTION 6. **CUSIP Numbers.** Whenever providing information, including but not limited to Disclosure Reports, documents incorporated by reference in the Disclosure Reports, audited financial statements and notices of Listed Events, the City shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 7. **Termination of Reporting Obligation.** The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b) hereof.

SECTION 8. **Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement.

SECTION 9. **Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a), 5(b), 9(a), 9(b) (excluding the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel) or 9(c) (excluding the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement, as applicable, for amendments to the Fiscal Agent Agreement, respectively, with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. **Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth

in this Disclosure Agreement or any other means of communication, or including any other information in any Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Disclosure Report or notice of occurrence of a Listed Event.

SECTION 11. **Default.** In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Participating Underwriter, Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. **Duties, Immunities and Liabilities of Dissemination Agent.** A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. **Prior Undertakings.** The City hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to the Rule.

SECTION 14. **Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. **Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City: City of Redwood City, California
1017 Middlefield Road
Redwood City, California 94064
Attention: Director of Finance

To the Dissemination Agent: David Taussig & Associates, Inc.
5000 Birch Street, Suite 6000
Newport Beach, CA 92660

The City or the Dissemination Agent may, by written notice to the other parties acting hereunder, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 16. **Governing Law.** The laws of the State of California shall govern this Disclosure Agreement, the interpretation thereof and any right or liability arising hereunder, without regard to principles of conflict of law.

SECTION 17. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one in the same instrument.

IN WITNESS WHEREOF, this Disclosure Agreement is given as of the date first written above.

CITY OF REDWOOD CITY

By: _____
[]
[]

AGREED AND ACCEPTED:

DAVID TAUSSIG & ASSOCIATES, INC.

By: []
[]

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Redwood City

Name of Issue: \$4,350,000 City of Redwood City Community Facilities District No. 2010-1
(One Marina) 2016 Special Tax Refunding Bonds

Date of Issuance: June __, 2016

NOTICE IS HEREBY GIVEN that the City of Redwood City (the "City") has not provided a Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement relating to the Bonds. The City anticipates that the Disclosure Report will be filed by _____.

Dated: _____, 20__

[NAME OF SUBMITTING PARTY]

By: [form only; no signature required]

cc: City of Redwood City

APPENDIX E

BOOK ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions,

tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co. a consenting or voting right to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC or of its nominee, the City, the District or the Fiscal Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and redemption proceeds, distributions, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the District believe to be reliable, but the City and the District take no responsibility for the accuracy thereof.

The City and the District cannot and do not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the District are not responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Neither the City, the District nor the Fiscal Agent will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Owners under the Fiscal Agent Agreement; (iv) the selection by DTC, any Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as an Owner; or (vi) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the Fiscal Agent Agreement not otherwise described in the text of this Official Statement. This summary does not purport to be comprehensive or definitive and is subject to the complete terms and provisions of the Fiscal Agent Agreement, to which reference is hereby made.

Definitions

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

“Administrative Expenses” means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties under the Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the lien in respect of any delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to the rebate provisions of the Fiscal Agent Agreement, any amounts paid or payable to any persons or entities employed by the City in connection with the discharge of any of the City’s obligations under the Fiscal Agent Agreement (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States), any fees or expenses of the Escrow Bank and any costs incurred by the City under or in connection with the Escrow Agreement, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the discharge of their respective duties under the Fiscal Agent Agreement or in connection with the 2016 Bonds or the refunding of the Prior Bonds and, in the case of the City, in any way related to the administration of the Bonds or the District (including, but not limited to, administrative costs and expenses of the City. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid.

“Administrative Expense Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Agreement” means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions of the Fiscal Agent Agreement.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including providing for mandatory sinking payments as required by the Fiscal Agent Agreement), and (ii) the principal amount of the Outstanding Bonds due in such Bond

Year (including any mandatory sinking payment due in such Bond Year pursuant to the Fiscal Agent Agreement).

“Auditor” means the auditor/controller of the County, or such other official at the County who is responsible for preparing property tax bills.

“Authorized Officer” means the City Manager, the Director of Finance, the City Clerk, or any other officer or employee authorized by the City Council or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Quint & Thimmig LLP, or (ii) any attorney or other firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Bond Year” means the one-year period beginning on September 2 in each year and ending on September 1st in the following year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2016.

“Bonds” means, collectively, the 2016 Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent or any Supplemental Agreement.

“Business Day” means any day other than (i) a Saturday or a Sunday, or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its corporate trust office are authorized or obligated by law or executive order to be closed.

“Closing Date” means the date upon which there is a physical delivery of the 2016 Bonds in exchange for the amount representing the purchase price of the 2016 Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2016 Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the 2016 Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, executed by the City and David Taussig & Associates, Inc. as the initial Dissemination Agent thereunder, dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the 2016 Bonds and the refunding and defeasance of the Prior Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing

and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee, fees and expenses of Fiscal Agent's counsel, expenses incurred by the City in connection with the issuance of the 2016 Bonds and the defeasance and redemption of the Prior Bonds (including, but not limited to, administrative costs and expenses of the City and the City Attorney), Escrow Bank fees and expenses, verification agent fees, special tax consultant fees and expenses, Bond (underwriter's) discount, legal fees and charges, including bond counsel and disclosure counsel, municipal advisor fees, charges for execution, transportation and safekeeping of the 2016 Bonds and other costs, charges and fees in connection with the foregoing.

"Cost of Issuance Fund" means the fund by that name established by the Fiscal Agent Agreement.

"County" means San Mateo County, California.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository" means (i) initially, DTC, and (ii) any other Securities Depository acting as Depository pursuant to the Fiscal Agent Agreement.

"Director of Finance" means the Director of Finance of the City (including any Interim Director of Finance), or such other person who performs the duties of the chief financial officer of the City.

"District" means the City of Redwood City Community Facilities District No. 2010-1 (One Marina), formed pursuant to the Act and the Resolution of Formation.

"Escrow Agreement" means the Escrow Agreement, dated as of June 1, 2016, by and between the City and the Escrow Bank.

"Escrow Bank" means U.S. Bank National Association, in its capacity as escrow bank under the Escrow Agreement.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically

negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, or (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent:

(i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Independent Financial Consultant" means any consultant or firm of such consultants appointed by the City, and who, or each of whom: (i) is judged by the Director of Finance to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, (at <http://emma.msrb.org>); and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with

respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Date" means March 1 and September 1 of each year, commencing March 1, 2017.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final scheduled maturity date for any Outstanding Bonds.

"Minimum Administrative Expense Requirement" means (a) for Fiscal Year 2016-2017, \$28,500.00; and (b) for each Fiscal Year after Fiscal Year 2016-2017, an amount equal to 102% of the Minimum Administrative Expense Requirement in effect for the immediately preceding Fiscal Year.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means Ordinance No. 2358, adopted by the City Council on September 27, 2010, and any other ordinance of the City amending or supplementing said Ordinance, or otherwise providing for the levy of the Special Taxes.

"Original Purchaser" means the first purchaser of the 2016 Bonds from the City, being Stifel, Nicolaus & Company, Incorporated.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement relating to certain disqualified Bonds) all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Fiscal Agent Agreement or any Supplemental Agreement.

"Owner" or "Bondowner" means any person who is the registered owner of any Outstanding Bond.

"Parity Bonds" means bonds issued by the City for the District payable and secured on a parity with any then Outstanding Bonds, pursuant to the Parity Bond provisions of the Fiscal Agent Agreement.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means the following, but only to the extent that the same are acquired at Fair Market Value and are otherwise legal investments for funds of the City:

- (a) Federal Securities.

(b) Registered state warrants or treasury notes or bonds of the State of California (the "State"), including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, which are rated in one of the two highest short-term or long-term rating categories by either Moody's Investors Service or Standard and Poor's Ratings Group, and which have a maximum term to maturity not to exceed three years.

(c) Time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, or a state or federal savings and loan association which may include the Fiscal Agent and its affiliates; provided, that the certificates of deposit shall be one or more of the following: continuously and fully insured by the Federal Deposit Insurance Corporation, and/or continuously and fully secured by securities described in subdivision (a) or (b) of this definition of Permitted Investments which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, or not less than 102 percent of the principal amount of the certificates on deposit.

(d) Commercial paper which at the time of purchase is of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by either Moody's Investors Service or Standard and Poor's Ratings Group, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an "A" or higher rating for the issuer's debentures, other than commercial paper, by either Moody's Investors Service or Standard and Poor's Ratings Group, provided that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10 percent of the outstanding commercial paper of an issuing corporation. Purchases of commercial paper may not exceed 20 percent of the total amount invested pursuant to this definition of Permitted Investments.

(e) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that all of the following conditions are satisfied: (1) the agreement is secured by any one or more of the securities described in subdivision (a) of this definition of Permitted Investments, (2) the underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase agreement, and (3) the underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested.

(f) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution the long-term unsecured obligations of which are rated Aa2 and "AA" or better, respectively, by Moody's Investors Service and Standard

and Poor's Ratings Group at the time of initial investment. The investment agreement shall be subject to a downgrade provision with at least the following requirements: (1) the agreement shall provide that within five business days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, other than because of general withdrawal or suspension by Moody's Investors Service or Standard and Poor's Ratings Group from the practice of rating that debt, or reduced below "AA-" by Standard and Poor's Ratings Group or below "Aa3" by Moody's Investors Service (these events are called "rating downgrades") the financial institution shall give notice to the City and, within the five-day period, and for as long as the rating downgrade is in effect, shall deliver in the name of the City or the Fiscal Agent to the City or the Fiscal Agent Federal Securities allowed as investments under subdivision (a) of this definition of Permitted Investments with aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional allowed federal securities as needed to maintain an aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and (2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A3" by Moody's Investors Service or below "A-" by Standard and Poor's Ratings Group, the Fiscal Agent or the City may, upon not more than five business days' written notice to the financial institution, withdraw all funds invested under the investment agreement, with accrued but unpaid interest thereon to the date, and terminate the agreement.

(g) The Local Agency Investment Fund of the State of California.

(h) Investments in a money market fund rated in the highest rating category (without regard to plus (+) or minus (-) designations) by Moody's Investors Service or Standard and Poor's Ratings Group, including such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Fiscal Agent or an affiliate of the Fiscal Agent receives fees from funds for services rendered, (ii) the Fiscal Agent collects fees for services rendered pursuant to this Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent.

(i) Any other lawful investment for City funds.

"Principal Office" means the corporate trust office of the Fiscal Agent as identified in the Fiscal Agent Agreement; provided, however, for the purpose of maintenance of the Registration Books and surrender of Bonds for payment, transfer or exchange such term means the office at which the Fiscal Agent conducts its corporate trust agency business, or such other or additional offices as may be designated by the Fiscal Agent.

“Prior Bonds” means the City of Redwood City Community Facilities District No. 2010-1 (One Marina) Special Tax Bonds, Series 2011.

“Project” means the facilities eligible to be funded by the District, as specified in the Resolution of Consideration.

“Rate and Method of Apportionment” means the Rate and Method of Apportionment of Special Tax for the District, initially approved by proceedings conducted pursuant to the Resolution of Formation, and as altered by proceedings conducted pursuant to the Resolution of Consideration, and as it may be further altered or amended from time to time in accordance with the provisions of the Act.

“Rating Category” means one of the two highest rating categories then in effect under the rating systems of Moody’s Investors Service or Standard and Poor’s Ratings Group, a division of McGraw-Hill, without regard to plus or minus sign or numerical or other qualifying designation.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“Refunding Bonds” means bonds issued by the City for the District the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds being refunded, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Refunding Fund” means the fund by that name created by and held by the Escrow Bank pursuant to the Escrow Agreement.

“Refunding Law” means Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

“Registration Books” means the records maintained by the Fiscal Agent pursuant to Fiscal Agent Agreement for the registration and transfer of ownership of the Bonds.

“Regulations” means temporary and permanent regulations promulgated under the Code.

“Reserve Fund” means the fund by that name established pursuant to the Fiscal Agent Agreement

“Reserve Requirement” means, as of any date of calculation, an amount equal to the lesser of (i) seventy-five percent (75%) of Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of average Annual Debt Service, or (iii) ten percent (10%) of the initial principal amount of the Bonds issued under the Fiscal Agent Agreement.

“Resolution” means the Resolution adopted by the City Council on May 23, 2016, authorizing the issuance of the 2016 Bonds.

“Resolution of Consideration” means Resolution No. 15102, adopted by the City Council on March 21, 2011.

“Resolution of Formation” means Resolution No. 15052, adopted by the City Council of the City on September 13, 2010.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 15L, New York, New York 10041-0099 Attention: Call Notification Department, Fax (212) 855-3274; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Tax Fund” means the fund by that name established by the Fiscal Agent Agreement

“Special Tax Prepayments” means the proceeds of any prepayments of Special Taxes received by the City, as calculated pursuant to the Rate and Method of Apportionment, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name within the Special Tax Fund established by the Fiscal Agent Agreement.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien, but shall not include interest and penalties, if any, collected with the Special Taxes that are in excess of the rate of interest payable on the Bonds.

“Special Taxes” means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

“2016 Bonds” means the City of Redwood City Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds at any time Outstanding under the Fiscal Agent Agreement.

Pledge of Special Tax Revenues

The Bonds shall be secured by a first pledge of all of the Special Tax Revenues (other than the first Special Tax Revenues collected by the City in any Fiscal Year, in an amount equal

to the portion of such Fiscal Year's Special Tax levy for Administrative Expenses (but not to exceed, in any Fiscal Year, the Minimum Administrative Expense Requirement), which are to be deposited to the Administrative Expense Fund under the Fiscal Agent Agreement) and all moneys deposited in the Bond Fund, the Special Tax Prepayments Account, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. Such Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in the Fiscal Agent Agreement to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the defeasance provisions of the Fiscal Agent Agreement.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Refunding Fund, and the Special Tax Revenues to be deposited to the Administrative Expense Fund as described in the parenthetical in the first sentence of the preceding paragraph, are not pledged to the repayment of the Bonds. The facilities financed by the District are not in any way pledged to pay the debt service on the Bonds. Any proceeds of the sale, condemnation or destruction of any facilities financed by the District are not pledged to pay the debt service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Funds and Accounts

Special Tax Fund. There is established under the Fiscal Agent Agreement a separate fund to be held by the Director of Finance designated the Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds Special Tax Fund, to the credit of which the City shall deposit, as soon as practicable following receipt, all Special Tax Revenues received by the City and any amounts required by the Fiscal Agent Agreement to be deposited to the Special Tax Fund.

Notwithstanding the foregoing,

(i) the first Special Tax Revenues collected by the City in any Fiscal Year, in an amount equal to the portion of such Fiscal Year's Special Tax levy for Administrative Expenses (but not to exceed, in any Fiscal Year, the Minimum Administrative Expense Requirement), shall be deposited by the Director of Finance in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Director of Finance and shall be disposed of by the Director of Finance first, for transfer to the Fiscal Agent for deposit by the Fiscal Agent in the Bond Fund to pay any past due debt service on the Bonds; second for transfer to the Fiscal Agent for deposit by the Fiscal Agent in the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement; and third, to be held in the Special Tax Fund for use as described in the second and third succeeding paragraphs below; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Director of Finance and shall be remitted by the Director of Finance to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account.

Moneys in the Special Tax Fund shall be held by the Director of Finance for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending and disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

From time to time as needed to pay the obligations of the District, but no later than the Business Day before each Interest Payment Date, the Director of Finance shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Fiscal Agent for deposit by the Fiscal Agent in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Special Tax Fund and the Reserve Fund to the Bond Fund as described in the Fiscal Agent Agreement, such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date (including the redemption price of any Bonds to be redeemed on such Interest Payment Date pursuant to the Fiscal Agent Agreement), and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement; provided that no such transfers shall exceed the amount then available to be transferred from the Special Tax Fund.

In addition to the foregoing, if in any Fiscal Year there are sufficient funds in the Special Tax Fund to make the foregoing transfers to the Bond Fund and the Reserve Fund in respect of the Interest Payment Dates occurring in the Bond Year that commences in such Fiscal Year, the Director of Finance may transfer to the Administrative Expense Fund, from time to time, any amount in the Special Tax Fund in excess of the amount needed to make such transfers to the Bond Fund and the Reserve Fund, if monies are needed to pay Administrative Expenses in excess of the amount then on deposit in the Administrative Expense Fund.

Moneys in the Special Tax Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from investment of amounts in the Special Tax Fund shall be retained in the Special Tax Fund to be used for the purposes thereof.

Administrative Expense Fund. There is established under the Fiscal Agent Agreement a separate fund to be held by the Director of Finance, the Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds Administrative Expense Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Director of Finance for the benefit of the City, and shall be disbursed as provided in the Fiscal Agent Agreement. Amounts in the Administrative Expense Fund are not pledged as security for the payment of the Bonds.

Amounts in the Administrative Expense Fund shall be withdrawn by the Director of Finance and paid to the City or its order upon receipt by the Director of Finance of an Officer's Certificate stating the amount to be withdraw, that such amount is to be used to pay an Administrative Expense, and the nature of such Administrative Expense. Amounts transferred

to the Administrative Expense Fund pursuant to Fiscal Agent Agreement shall be used for purposes of such fund prior to using other available amounts therein.

Annually, on the last day of each Fiscal Year, the Director of Finance shall withdraw any amounts then remaining in the Administrative Expense Fund in excess of \$30,000 that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered and transfer such amounts to the Special Tax Fund.

Moneys in the Administrative Expense Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained by the Director of Finance in the Administrative Expense Fund to be used for the purposes of such fund.

Costs of Issuance Fund. There is established under the Fiscal Agent Agreement a separate fund to be held by the Fiscal Agent designated the Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds Costs of Issuance Fund, to the credit of which a deposit shall be made on the Closing Date as required by the Fiscal Agent Agreement. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent and shall be disbursed as provided in the Fiscal Agent Agreement. Amounts in the Costs of Issuance Fund are not pledged as security for the payment of the Bonds.

Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the 2016 Bonds. The Fiscal Agent shall pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such requisition, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial requisition delivered to the Fiscal Agent on the Closing Date. Each such Officer's Certificate shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

The Fiscal Agent shall maintain the Cost of Issuance Fund for a period of 120 days from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Director of Finance for deposit by the Director of Finance in the Administrative Expense Fund. Following such transfer, the Fiscal Agent shall close the Costs of Issuance Fund.

Moneys in the Cost of Issuance Fund shall be invested in accordance with the terms of the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Cost of Issuance Fund to be used for the purposes of such fund.

Bond Fund. There is established under the Fiscal Agent Agreement a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement, and any other amounts required to be deposited

therein by the Act. There is also hereby created in the Bond Fund a separate account held by the Fiscal Agent, consisting of the Special Tax Prepayments Account, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Bond Fund and the Special Tax Prepayments Account shall be held by the Fiscal Agent for the benefit of the owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement, and, pending such disbursement, shall be subject to a lien in favor of the owners of the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund may be used to purchase Bonds in lieu of redemption of Bonds.

On each Interest Payment Date, and following any transfers required under the Fiscal Agent Agreement in connection with such Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Fiscal Agent Agreement, or a redemption of the Bonds required by the Fiscal Agent Agreement, such payments to be made in the priority listed in the second succeeding paragraph. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer from the Special Tax Fund of amounts collected in respect of delinquent Special Taxes shall be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph, the Fiscal Agent shall notify the Director of Finance of the amount of the insufficiency, and the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein an amount to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited by the Fiscal Agent in the Bond Fund.

If after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments described above, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Each such payment shall be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding Bonds. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds under Fiscal Agent Agreement can timely be given by the Fiscal Agent under the Fiscal Agent Agreement, and shall be used (together with any amounts transferred from the Reserve Fund pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from investment of amounts in the Bond Fund and the Special Tax Prepayments Account shall be

retained in the Bond Fund and the Special Tax Prepayments Account, respectively, to be used for the purposes of such fund and account.

Reserve Fund. There is established under the Fiscal Agent Agreement a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 2010-1 (One Marina) 2016 Special Tax Refunding Bonds Reserve Fund, to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement. Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the owners of the Bonds.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or for the purpose of redeeming Bonds from the Bond Fund.

Whenever, on the Business Day before any Interest Payment Date, or on any other date at the request of an Authorized Officer, the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall provide written notice to the City of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with the Fiscal Agent Agreement.

Amounts in the Reserve Fund may be withdrawn, at the written request of the Director of Finance, for purposes of making payment to the federal government to comply with the federal tax rebate provisions of the Fiscal Agent Agreement.

Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay all of the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Bond Fund to be used for the payment and redemption, in accordance with the terms of the Fiscal Agent Agreement, as applicable, of all of the Outstanding Bonds. In the event that the amount then on deposit in the Reserve Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund in excess of the amount needed for such payment and redemption shall be transferred by the Fiscal Agent to the Director of Finance, to be retained by the City, unencumbered by the Fiscal Agent Agreement, to be used by the City for any lawful purpose under the Act. Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund for the purposes described in this paragraph until after (i) the calculation, of any amounts due to the federal government following payment of the Bonds and withdrawal of any such amount for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement, a proportionate amount in the Reserve Fund (determined in accordance with the applicable provisions of the Rate and Method of Apportionment and communicated by the Director of Finance to the Fiscal Agent) shall be

transferred not later than the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to the Fiscal Agent Agreement.

Moneys in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Reserve Fund to be used for purposes of the Reserve Fund.

Certain Covenants of the City

The City will punctually pay or cause to be paid the principal of and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

The Bonds are limited obligations of the City on behalf of the District secured by and payable solely from the amounts and in the manner described in the Fiscal Agent Agreement.

In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created by the Fiscal Agent Agreement for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the deposits to and expenditure of amounts disbursed from the Administrative Expense Fund and the Special Tax Fund, and to the Special Tax Revenues. Such books of record and accounts shall at all times during City business hours and following reasonable prior written notice be subject to the inspection of the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

The City will comply with all applicable provisions of the Act in administering the District; provided that the City shall have no obligation to advance any of its own funds for any purpose whatsoever under the Fiscal Agent Agreement.

The City shall assure that the proceeds of the Prior Bonds and of the 2016 Bonds are not so used as to cause the Prior Bonds or the 2016 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2016 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or about July 1 of each year, the Director of Finance shall communicate with the Auditor or other appropriate official of the County to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. In computing the amount of Special Taxes to be levied, the Director of Finance shall take into account funds in the Bond Fund and the Special Tax Fund, and any amounts then in the Reserve Fund in excess of the Reserve Requirement, available to make the payment of debt service on the Bonds due on the Interest Payment Dates occurring in the next calendar year.

The Director of Finance shall effect the levy of the Special Taxes from time to time during each Fiscal Year in accordance with the Ordinance and the Rate and Method of Apportionment. Specifically, the Director of Finance shall compute the amount of Special Taxes to be so levied each Fiscal Year before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured or unsecured, as applicable, real property tax roll. Upon the completion of the computation of the amounts of the levy, the Director of Finance shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installment as the ad valorem taxes on property levied on the tax roll are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general ad valorem taxes levied on the County secured tax roll.

In the event that the Director of Finance determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners within the District, and to the extent permitted by the Ordinance, the Director of Finance shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the property owners in the District for Special Taxes necessary to meet the financial obligations of the District due on the next Interest Payment Date said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the City shall fix and levy the amount of Special Taxes within the District required for the timely payment of principal of and interest on any outstanding Bonds becoming due and payable, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses, and shall take into account any prepayments of Special Taxes theretofore received by the City. The Special Taxes so levied shall not exceed the maximum amounts as provided in the Rate and Method of Apportionment.

The Director of Finance is authorized to employ consultants to assist in computing the levy of the Special Taxes thereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Director of Finance (including a charge for City staff time) in conducting its duties under the Fiscal Agent Agreement shall be an Administrative Expense under the Fiscal Agent Agreement .

The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement.

The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2016 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2016 Bonds would have caused the 2016 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

The City shall take all actions necessary to assure the exclusion of interest on the 2016 Bonds from the gross income of the owners of the 2016 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2016 Bonds.

The City covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as described below, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as described in the following paragraph. The Director of Finance shall notify legal counsel of any such delinquency of which it is aware, and such legal counsel shall commence, or cause to be commenced, such proceedings.

On or about July 1 of each Fiscal Year, the Director of Finance shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City. Following such comparison, or if at any other time the Director of Finance becomes aware of any delinquency in the payment of any Special Tax due and owing:

(A) if the Director of Finance determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate

amount of \$7,500 or more, the Director of Finance will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner by the following October 1, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City against the delinquent parcel within 90 days of the sending of such notice and will be diligently pursued by the City to completion. Notwithstanding the foregoing, the City need not take any such action so long as the amount then in the Reserve Fund is at least equal to the Reserve Requirement.

(B) If the Director of Finance determines that the aggregate amount of Special Taxes levied in the District for the preceding Fiscal Year and theretofore collected is less than ninety-five percent (95%) of the total amount of Special Taxes levied for such Fiscal Year, the Director of Finance will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to each property owner with delinquent Special Taxes by the following October 1, and (if any such delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of the sending of such notices against all such delinquent parcels.

The Director of Finance is authorized under the Fiscal Agent Agreement to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense under the Fiscal Agent Agreement.

Except as expressly permitted by the Fiscal Agent Agreement, the City shall not issue any additional bonds secured by (A) a pledge of Special Taxes on a parity with or senior to the pledge thereof under the Fiscal Agent Agreement; or (B) any amounts in any funds or accounts established under the Fiscal Agent Agreement.

In determining the yield of the 2016 Bonds to comply with the Fiscal Agent Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2016 Bonds, without regard to whether or not prepayments are received or 2016 Bonds redeemed.

The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered a default on the Bonds or a breach of any other provision of the Fiscal Agent Agreement.

The City covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District on Developed Property (as defined in the Rate and Method of Apportionment) below an amount, for any Bond Year, equal to 110% of the aggregate of the debt service due on the Bonds in such Bond Year, plus a reasonable estimate of Administrative Expenses for each such Bond Year. It is acknowledged that Bondowners are purchasing the Bonds in reliance on the foregoing

covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

Not later than October 30 of each calendar year, beginning with the October 30, 2016, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Director of Finance shall cause the following information to be supplied to the California Debt and Investment Advisory Commission ("CDIAC"): (i) the name of the City; (ii) the full name of the District; (iii) the name, title, and series of the Bond issue; (iv) any credit rating for the Bonds and the name of the rating agency; (v) the Closing Date of the Bond issue and the original principal amount of the Bond issue; (vi) the amount of the Reserve Requirement; (vii) the principal amount of Bonds outstanding; (viii) the balance in the Reserve Fund; (ix) that there is no capitalized interest account for the Bonds; (x) the number of parcels in the District that are delinquent with respect to Special Tax payments, the amount that each parcel is delinquent, the total amount of Special Taxes due on the delinquent parcels, the length of time that each has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified; (xi) that there is no balance in any improvement fund for the District; (xii) the assessed value of all parcels subject to the Special Tax to repay the Bonds as shown on the most recent equalized roll, the date of assessed value reported, and the source of the information; (xiii) the total amount of Special Taxes due, the total amount of unpaid Special Taxes, and whether or not the Special Taxes are paid under the County's Teeter Plan (Chapter 6.6 (commencing with Section 54773) of the California Government Code); (xiv) the reason and the date, if applicable, that the Bonds were retired; and (xv) contact information for the party providing the foregoing information. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn by the Fiscal Agent from the Reserve Fund pursuant to the Fiscal Agent Agreement for transfer to the Fiscal Agent to be used to pay principal and interest on the Bonds, the Director of Finance shall notify CDIAC and the Original Purchaser of such failure or withdrawal within 10 days of such failure or withdrawal, and the Director of Finance shall provide notice under the Continuing Disclosure Agreement of any such event as required thereunder.

The Director of Finance shall file a report with the City no later than January 1, 2017, and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the District, (ii) the amount of Bond proceeds collected and expended with respect to the District, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund, the Bond Fund, the Reserve Fund, the Special Tax Prepayments Account and the Administrative Expense Fund are the accounts into which Special Taxes collected in the District will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in the Fiscal Agent Agreement are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

The reporting requirements of the Fiscal Agent Agreement shall be amended from time to time, without action by the City or the Fiscal Agent (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, and (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the City's obligations under the Continuing Disclosure Agreement. The City shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under the Fiscal Agent Agreement.

None of the City and its officers, agents and employees (including but not limited to the Director of Finance), or the Fiscal Agent, shall be liable for any inadvertent error in reporting the information required by the Fiscal Agent Agreement.

The Director of Finance shall provide copies of any reports prepared pursuant to the above-described provisions of the Fiscal Agent Agreement to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to produce such information and pay any postage or other delivery cost to provide the same, as determined by the Director of Finance. The term "Bondowner" for purposes of the foregoing shall include any beneficial owner of the Bonds.

The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds. The City further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds that will remain Outstanding following such tender.

The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the District and that the Special Taxes levied on the property are payable while the City owns the property.

The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds. The City may withdraw such amounts from the Reserve Fund as necessary to make any required rebate payments, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments from the Reserve Fund, the Director of Finance shall make such payment from any amounts available in the Administrative Expense Fund or from any other lawfully available funds of the District or City.

Deposit and Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as

directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. The Officer's Certificate shall contain a certification to the Fiscal Agent that the investments being directed are Permitted Investments as required hereunder. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (h) of the definition thereof; provided, however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made, the Fiscal Agent shall have received an Officer's Certificate specifying a specific money market fund into which the funds shall be invested and, if no such Officer's Certificate is so received, the Fiscal Agent shall hold such moneys uninvested.

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Director of Finance shall be invested by the Director of Finance in any lawful investments that the City may make or in any Permitted Investment, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent or the Director of Finance may act as principal or agent in the acquisition or disposition of any investment, and all investments may be made through the Fiscal Agent's investment department or that of its affiliates. The Fiscal Agent or its affiliates may act as sponsor, agent manager or depository with regard to any Permitted Investment. Neither the Fiscal Agent nor the Director of Finance shall incur any liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement.

Except as otherwise provided in the next sentence, the City shall direct or make investments hereunder such that all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Code) at Fair Market Value. The City shall direct or make investments under the Fiscal Agent Agreement such that investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall have no duty in connection with the determination of the Fair Market Value of any investment other than to follow: (A) its normal practices in the purchase, sale and determining the value of Permitted Investments; and (B) the investment directions of the City.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Director of Finance hereunder, provided

that the Fiscal Agent or the Director of Finance, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

The Fiscal Agent shall sell, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Director of Finance shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Liability of the City

The City shall not incur any responsibility in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly therein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Fiscal Agent therein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default under the Fiscal Agent Agreement.

In the absence of bad faith, the City, including the Director of Finance, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of the Fiscal Agent Agreement. The City, including the Director of Finance, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

The City shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed.

Whenever in the administration of its duties under the Fiscal Agent Agreement the City shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent or other appropriate agent or consultant, and such certificate shall be full warrant to the City for any action taken or suffered under the provisions of the Fiscal Agent Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Fiscal Agent

U.S. Bank National Association, at its corporate trust office in San Francisco, California is appointed as Fiscal Agent and paying agent for the Bonds by the Fiscal Agent Agreement. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Fiscal Agent Agreement, and no implied covenants or obligations shall be read into the Fiscal Agent Agreement against the Fiscal Agent.

Any company or association into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company or association resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company or association shall be eligible under the following paragraph, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Fiscal Agent shall give the Director of Finance written notice of any such succession under the Fiscal Agent Agreement.

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank, association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Fiscal Agent Agreement, combined capital and surplus of such bank, association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent. Upon such acceptance, the successor Fiscal Agent shall be vested with all rights and powers of its predecessor under the Fiscal Agent Agreement without any further act.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of the Fiscal Agent Agreement within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, or reasonable agency, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Director of Finance for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Director of Finance in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent under the Fiscal Agent Agreement, in trust for the benefit of the Owners of the Bonds. In such event, the Director of Finance may designate a successor Fiscal Agent qualified to act as Fiscal Agent under the Fiscal Agent Agreement.

The recitals of facts, covenants and agreements in the Fiscal Agent Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of the Fiscal Agent Agreement; but in the case of any such certificates or opinions by which any provision of the Fiscal Agent Agreement are specifically required to be furnished by the City to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Fiscal Agent Agreement on their face. Except as described above in this paragraph, Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Fiscal Agent Agreement, upon any resolution, order, notice, request, requisition, Officer's Certificate, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Fiscal Agent Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners pursuant to the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent security or indemnity satisfactory to it against the fees, expenses and liabilities (including reasonable attorney's fees) which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

The Fiscal Agent shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Fiscal Agent Agreement, or as to the correctness of any amounts received, and its liability shall be limited to the proper accounting for such funds as it shall actually receive.

In order to perform its duties and obligations under the Fiscal Agent Agreement, the Fiscal Agent may employ such persons or entities as it deems necessary or advisable.

The Fiscal Agent shall not be considered in breach of or in default in its obligations under the Fiscal Agent Agreement or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of god or of the public enemy or terrorists, acts of a government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the deposit to and expenditure of amounts disbursed from the Bond Fund, the Special Tax Prepayments Account, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall upon reasonable prior notice at all times during business hours be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, requisition, Officer's Certificate, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Fiscal Agent Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Fiscal Agent Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Amendment of the Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not materially adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure the exclusion from gross income, for purposes of federal income taxation, of interest on the 2016 Bonds; and

(E) in connection with the issuance of Parity Bonds under and pursuant to the Fiscal Agent Agreement.

The Fiscal Agent may in its discretion, but shall not be obligated to, enter into any such Supplemental Agreement authorized by the Fiscal Agent Agreement which materially adversely affects the Fiscal Agent's own rights, duties or immunities under the Fiscal Agent Agreement or otherwise with respect to the Bonds or any agreements related thereto. The Fiscal Agent may request and shall be fully protected in relying upon, an opinion of Bond Counsel that any proposed Supplemental Agreement complies with the applicable requirements of the Fiscal Agent Agreement.

Discharge of the Fiscal Agent Agreement

The City shall have the option to pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Bond Fund and Reserve Fund is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent or another fiduciary, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by Bond Counsel, an Independent Financial Consultant or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit

in the Bond Fund and Reserve Fund, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent. Notwithstanding the foregoing, the obligations of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, to pay all amounts owing to the Fiscal Agent for its compensation, and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes, shall continue in any event.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act.

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