PRELIMINARY OFFICIAL STATEMENT DATED APRIL 15, 2015

NEW ISSUE—FULL BOOK ENTRY

RATING:
S&P: "BBB"
(See "RATING" herein)

In the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2015 Bonds is excluded from gross income for federal income tax purposes, except during any period while a 2015 Bond is held by a "substantial user" of the facilities financed by the 2015 Bonds or by a "related person" within the meaning of section 147(a) of the Internal Revenue Code of 1986. It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2015 Bonds is, under existing law, exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$6,910,000*
Port of Redwood City
(San Mateo County, California)
Refunding Revenue Bonds, Series 2015

Dated: Date of Delivery **Due: June 1, as shown on the inside front cover**

The $6,910,000* Port of Redwood City Refunding Revenue Bonds, Series 2015 (the "2015 Bonds"), will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2015 Bonds. Individual purchases of 2015 Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Purchasers of 2015 Bonds will not receive certificates representing their interest in the 2015 Bonds purchased but will receive a credit balance in the records of DTC. Principal of and interest on the 2015 Bonds are payable directly to DTC by U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee"). Principal is payable on the dates set forth below. Interest is payable semiannually on each June 1 and December 1, commencing December 1, 2015. Upon receipt of payments of principal of, premium, if any, and interest on the 2015 Bonds, DTC is obligated in turn to remit such principal, premium, if any, and interest to the DTC Participants (as defined herein) for subsequent disbursement to purchasers of the 2015 Bonds, as described herein.

The 2015 Bonds are being issued by the Board of Port Commissioners (the "Board") of the Port Department of the City of Redwood City (the "Port") to (a) refund, on a current basis, the outstanding Port of Redwood City Revenue Bonds, Series 1999, (b) fund a reserve fund for the 2015 Bonds, and (c) pay the costs of issuance of the 2015 Bonds. See "FINANCING PLAN" herein.

The 2015 Bonds are issued under the Charter of the City of Redwood City, provisions of section 54300 *et seq*. of the California Government Code, and all laws amendatory thereof or supplemental thereto (the "Bond Law"), and pursuant to the provisions of a Master Indenture, dated as of April 1, 1999, as supplemented by a First Supplemental Indenture, dated as of April 1, 1999, a Second Supplemental Indenture, dated as of June 1, 2012, and a Third Supplemental Indenture, dated as of May 1, 2015 (collectively, the "Indenture"), each by and between the Port and the Trustee.

The 2015 Bonds are special obligations of the Port and are secured by a pledge of, and charge and lien upon, and shall be payable exclusively from, the Net Revenues (as defined herein) of the Port and other funds pledged under the Indenture. Net Revenues include certain income and revenue received by the Board from the operation of the Port, less all amounts which are required to be used to pay Maintenance and Operation Costs (as defined herein). The 2015 Bonds are being issued with a pledge of and lien on Net Revenues on a parity with the 2012 Bonds (as defined herein).

The 2015 Bonds are not a debt of the City of Redwood City (the "City"), nor a legal or equitable pledge, charge, lien or encumbrance upon and shall be payable from the Net Revenues on a parity with all other Bonds, including the 2012 Bonds (as hereinafter defined), Contracts, including Parity Repayment Obligations (as defined herein), and all other debt issued or incurred and payable from Net Revenues on a parity with the Bonds, Contracts and Parity Repayment Obligations. Neither the faith and credit nor the taxing power of the City, the State of California (the "State") or any other public agency thereof is pledged to the payment of the 2015 Bonds. The 2015 Bonds do not constitute a debt, liability or obligation of the City, the State or any public agency thereof (other than the Port), and neither the Commissioners of the Board nor any persons executing the 2015 Bonds are liable personally on the 2015 Bonds by reason of their issuance. See "SECURITY FOR THE BONDS" herein.

Application has been made to a municipal bond insurance company for qualification of the 2015 Bonds for municipal bond insurance and for a reserve fund surety bond, the terms of which will be reflected in the final official statement if such insurance is purchased. The Port will consider the purchase of such insurance after analysis of the insurance premiums.

The Port has covenanted under the Indenture to fix, prescribe and collect rates, fees charges and manage the operation of the Port enterprise for each fiscal year which will produce gross revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.2 times the aggregate of the annual debt service with respect to the 2015 Bonds, the 2012 Bonds and payments with respect to any Parity Obligations (as defined herein) hereafter issued or incurred by the Port in such Fiscal Year.

The 2015 Bonds are subject to redemption prior to maturity. See "THE BONDS-—Redemption" herein.

MATURITY SCHEDULE

SEE THE INSIDE FRONT COVER

This cover page contains information for general reference only. It is not a summary of this issue. Potential purchasers of the 2015 Bonds are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2015 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Port by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel, and by Francois X. Sorba, Esq., counsel to the Port. Certain legal matters will be passed upon for the Underwriter by Schiff Hardin LLP, San Francisco, California. It is expected that the 2015 Bonds, in book-entry only form, will be available for delivery through the facilities of DTC on or about May 13, 2015.

RAYMOND JAMES®

Dated: April ___, 2015

*Preliminary, subject to change.

$6,910,000*
Port of Redwood City
(San Mateo County, California)
Refunding Revenue Bonds, Series 2015

MATURITY SCHEDULE

$_________ Serial Bonds

CUSIP† Prefix: _______

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix

$_________ ______% Term Bonds maturing June 1, ____; Price: _____% to Yield _____%—CUSIP†: ______

$_________ ______% Term Bonds maturing June 1, ____; Price: _____% to Yield _____%—CUSIP†: ______

*Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the Port with respect to the 2015 Bonds that has been deemed "final" by the Port as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesperson or other person has been authorized by the Port to provide any information or to make any representations in connection with the offering or sale of the 2015 Bonds other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Port. 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 2015 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matter of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. This Official Statement is submitted in connection with the sale of the 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Port.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or the Port. The information and expression of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date hereof.

THE 2015 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2015 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 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 UNDERWRITER MAY OFFER AND SELL THE 2015 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS AND OTHER CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

The Port maintains a website. Unless specifically indicated otherwise, the information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2015 Bonds.

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CITY OF REDWOOD CITY LOCATION MAP

Port of Redwood City

PORT OF REDWOOD CITY
675 Seaport Boulevard
Redwood City, CA 94063
(650) 306-4150
http://www.redwoodcityport.com/

PORT STAFF

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Rajesh Sewak, *Manager of Finance & Administration*
Donald K. Snaman, *Manager of Operations*
Christopher Fajkos, *Manager of Environmental, Security and Safety Programs*

SPECIAL SERVICES

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William Euphrat Municipal Finance, Inc.
San Francisco, California

BOND COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

TRUSTEE AND ESCROW BANK
U.S. Bank National Association
San Francisco, California

OFFICIAL STATEMENT

$6,910,000*
Port of Redwood City
Refunding Revenue Bonds, Series 2015

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, the inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2015 Bonds (hereinafter defined) to potential investors is made only by means of the entire Official Statement.

Capitalized terms not defined herein shall have the meanings set forth in APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.

General

This Official Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the sale and issuance by the Board of Port Commissioners of the Port Department of the City of Redwood City (the "Board") of $6,910,000* aggregate principal amount of its Port of Redwood City Refunding Revenue Bonds, Series 2015 (the "2015 Bonds"). The 2015 Bonds are authorized and issued pursuant to sections 47 through 50(b) of the Charter of the City of Redwood City (the "Charter"), section 54300 *et seq*., of the California Government Code, the Master Indenture dated as of April 1, 1999 (the "Master Indenture"), by and between the Board, as supplemented by the First Supplemental Indenture dated as of April 1, 1999 (the "First Supplemental Indenture"), the Second Supplemental Indenture, dated as of June 1, 2012 (the "Second Supplemental Indenture"), and the Third Supplemental Indenture, dated as of May 1, 2015 (the "Third Supplemental Indenture" and, with the Master Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), each by and between the Board and U.S. Bank National Association, as trustee (the "Trustee").

The Board and the Port of Redwood City

The Board is the duly governing body of the Port Department (the "Port Department") of the City of Redwood City (the "City"). The Port Department was established in 1936 by an amendment to the Charter. Pursuant to the Charter, the Board has exclusive control, management, supervision and jurisdiction over the Port Department and the Port Area (as hereinafter defined) which includes the Port of Redwood City, a harbor complex comprised of five docking facilities located on approximately 98 acres of property on the eastern side of Redwood City Harbor. Collectively, for purposes of this Official Statement, the Board and all facilities and property, real or personal, wherever located, under the jurisdiction and control of the Board or in which the Board has other rights or from which the Board derives revenues, including, but not limited to, the Port Department, the Port of Redwood City and the Port Area, shall be known as the "Port."

The "Port Area" includes all property fronting on Redwood Creek or its tributary streams, or on San Francisco Bay within the limits of the City's jurisdiction or owned or

* Preliminary, subject to change.

possessed by the City, and such other property as may be placed within the Port Area by the City Council (the "City Council") of the City. The Port, located 18 nautical miles south of San Francisco, is the only deepwater port in the southern portion of San Francisco Bay. The Port primarily handles cement and associated ingredients and by-products, sand and construction aggregates, gypsum, industrial chemicals and petroleum products, scrap metal, and liquid and dry bulk products. See "THE PORT OF REDWOOD CITY" for a description of the Port.

The City operates the Port as a financially self-sufficient enterprise without general fund support, through the Port Department is under the supervision of the Board. The finances of the Port are maintained as a separate revenue enterprise of the City. See APPENDIX A—GENERAL INFORMATION ABOUT THE CITY OF REDWOOD CITY AND SAN MATEO COUNTY for further information on the City. The City maintains enterprise funds, including those of the Port, to account for operations that are financed and operated in a manner similar to private business enterprises. The City 's port enterprise is operated as a "stand-alone" business of the City in which the cost of operating the Port on a continuing basis is financed solely from the fees, charges, rents, tariffs and other revenues generated from the operation of the Port. See APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE PORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013.

The 2015 Bonds

The 2015 Bonds are being issued to (a) refund, on a current basis, the outstanding Port of Redwood City Revenue Bonds, Series 1999, (b) fund a reserve fund for the 2015 Bonds, and (c) pay the costs of issuance of the 2015 Bonds. See "FINANCING PLAN" and ESTIMATED SOURCES AND USES OF FUND."

The 2015 Bonds are special obligations of the Port and are secured by a pledge of, and charge and lien upon, and shall be payable exclusively from, the Net Revenues and other funds pledged under the Indenture. Net Revenues include certain income and revenue received by the Board from the operation of the Port, less all amounts which are required to be used to pay Maintenance and Operation Costs. The 2015 Bonds are being issued with a pledge of and lien on Net Revenues on a parity with the 2012 Bonds (as hereinafter herein).

The 2015 Bonds are not a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance upon and shall be payable from the Net Revenues on a parity with all other Bonds, including the 2012 Bonds (as hereinafter defined), Contracts, including Parity Repayment Obligations (as defined herein), and all other debt issued or incurred and payable from Net Revenues on a parity with the Bonds, Contracts and Parity Repayment Obligations.

Neither the faith and credit nor the taxing power of the City, the State of California (the "State") or any pother public agency thereof is pledged to the payment of the 2015 Bonds. The 2015 Bonds do not constitute a debt, liability or obligation of the City, the State or any public agency thereof (other than the Port), and neither the Commissioners of the Board nor any persons executing the 2015 Bonds are liable personally on the 2015 Bonds by reason of their issuance. See "SECURITY FOR THE BONDS."

Rates, charges and rentals for the use of the Port and its facilities are established by the Port. The Port has covenanted in the Indenture to establish and collect rates, fees, tolls, charges and rentals, and manage the operation of the Port, so as to yield Revenues sufficient to pay debt service on all Bonds, including the 2015 Bonds and the 2012 Bonds, Contracts, and Parity Repayment Obligations, to meet the expenses of operating and maintaining the Port, and to pay certain other items. See "SECURITY FOR THE BONDS—Rate Covenant."

Redemption of the 2015 Bonds

The 2015 Bonds are subject to redemption prior to their stated maturity dates, as provided herein. See "THE 2015 BONDS—Redemption."

Continuing Disclosure

The Port has covenanted, for the benefit of the owners and beneficial owners of the 2015 Bonds, to provide certain financial information and operating data relating to the Port by not later than nine months following the end of each Fiscal Year (currently June 30), and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" and APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Book-Entry Form

The 2015 Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2015 Bonds. Ownership interests in the 2015 Bonds may be purchased in denominations of $5,000 or any integral multiple thereof, in book-entry form only. Upon receipt of payments of principal of and interest on the 2015 Bonds, DTC will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the 2015 Bonds. See "THE BONDS—Book-Entry Only System" and APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2015 Bonds is excluded from gross income for federal income tax purposes, except during any period while a 2015 Bond is held by a "substantial user" of the facilities financed by the 2015 Bonds or by a "related person" within the meaning of section 147(a) of the Internal Revenue Code of 1986. It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2015 Bonds is, under existing law, exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

Offering and Delivery

The 2015 Bonds are offered when, as and if issued and received by the purchaser thereof, subject to approval as to their legality by Bond Counsel. It is anticipated that the 2015 Bonds will be available for delivery through the facilities of DTC on or about May 13, 2015.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the 2015 Bonds are available for inspection at the office of the Port of Redwood City, 675 Seaport Boulevard, Redwood City, CA 94063, (650) 306-4150. The Port may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the 2015 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 summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Port. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date hereof. This Official Statement is submitted in connection with the sale of the 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

REFUNDING PLAN

Purposes of the 2015 Bonds

The 2015 Bonds are being issued to (a) refund the 1999 Bonds, (b) fund a reserve fund for the 2015 Bonds, and (c) pay a portion of the costs of issuance of the 2015 Bonds. The net proceeds of the 1999 Bonds were used to finance certain improvements to the facilities of the Port including the remediation of a certain hazardous waste site at the Port.

A portion of the proceeds from the sale of the 2015 Bonds will be deposited into an escrow fund (the "Escrow Fund") to be created and maintained by U.S. Bank National Association, as escrow bank (the "Escrow Bank"), under an escrow agreement by and between the Port and the Escrow Bank. The moneys deposited in the Escrow Fund will be in an amount sufficient to redeem the 1999 Bonds in full on June 1, 2015, at a redemption price equal to 100% of the principal amount thereof together with accrued interest to such date. The moneys deposited in the Escrow Fund will be held in cash, uninvested, until such redemption date.

The moneys held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of amounts due and payable with respect to the 1999 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service on the 2015 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds are as follows:

Sources	
Principal Amount of 2015 Bonds	
Plus: Net Original Issue Premium	
Plus: Released 1999 Bond Moneys	
TOTAL SOURCES	
Uses	
Deposit to Escrow Fund	
Deposit to 2015 Reserve Fund (1)	
Costs of Issuance Fund (2)	
TOTAL USES	

(1) Equal to the Reserve Fund Requirement for the 2015 Reserve Fund.
(2) Costs of issuance include the Underwriter's discount, municipal advisory fees, legal fees, printing costs, rating agency fees and other miscellaneous expenses.

Annual Debt Service

Set forth below is the annual debt service on the 2015 Bonds and the 2012 Bonds (assuming no optional redemption) and the total of both issues. Debt service on the 2012 Bonds is payable monthly. Pursuant to the Indenture, the Port will make monthly payments to the Trustee. Debt service on the 2015 Bonds is payable semi-annually.

Year Ending June 1	2015 Bonds Principal (1)	2015 Bonds Interest	2012 Bonds	Aggregate Total
2015			$ 742,293.72	
2016			742,293.72	
2017			742,293.72	
2018			742,293.72	
2019			742,293.72	
2020			742,293.72	
2021			742,293.72	
2022			742,293.72	
2023			742,293.72	
2024			742,293.72	
2025			742,293.72	
2026			742,293.72	
2027			742,293.72	
2028			742,293.72	
2029			742,293.72	
2030			742,293.72	
2031			742,293.72	
2032			742,293.72	
TOTALS			$13,361,286.96	

(1) Includes mandatory sinking fund installments.

THE 2015 BONDS

General

The 2015 Bonds will be issued as fully registered bonds in denominations of $5,000 and integral multiples thereof. The 2015 Bonds will be issued in book-entry form only. See APPENDIX F—BOOK-ENTRY-ONLY SYSTEM. The 2015 Bonds will be dated as of their date of delivery, and will bear interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) from such date at the rates per annum set forth on the inside cover of this Official Statement, payable semiannually on each June 1 and December 1 (each an "Interest Payment Date"), commencing December 1, 2015. The 2015 Bonds will mature on June 1 in the years and in the principal amounts set forth on the inside cover of this Official Statement.

The principal of and interest on the 2015 Bonds shall be payable in lawful money of the United States of America. Principal of the 2015 Bonds shall be payable upon presentation and surrender of such 2015 Bonds at the Corporate Trust Office of the Trustee. Interest on the 2015 Bonds shall be paid by check mailed to the persons whose names appear on the registration books of the Trustee as the registered owners of such 2015 Bonds (the "Owners ") as of the close of business on the fifteenth day of the month preceding an Interest Payment Date (each a "Record Date") at such persons' addresses as they appear on such registration books, except that an Owner of $1,000,000 or more in principal amount of 2015 Bonds may be paid interest by wire transfer to an account in the United States upon written request of such Owner received by the Trustee prior to the Record Date next preceding an Interest Payment Date.

Initially all of the 2015 Bonds will be registered in the name of Cede & Co., as nominee for DTC and will be treated as "Book-Entry Bonds." DTC will act as the initial securities depository of the 2015 Bonds. For a discussion of how ownership of the 2015 Bonds is to be transferred and how principal and interest are to be paid while the 2015 Bonds are registered in the name of DTC, see APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.

Redemption

Optional Redemption. The 2015 Bonds maturing by their terms on or before June 1, ____, are not subject to optional redemption prior to maturity. The 2015 Bonds maturing by their terms on or after June 1, ____, are subject to optional redemption by the Port on any date on or after June 1, _____, prior to their respective stated maturity dates, as a whole or in part in such principal amounts and from such maturity dates as selected by the Port, from funds derived by the Port from any lawful source, at a redemption price equal to the principal amount of the 2015 Bonds or the portions thereof called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Redemption. Sinking Fund Installments are established for the mandatory redemption and payment of the 2015 Bonds maturing on June 1, ____ (the "____ Term Bonds"), which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any ____ Term Bonds have been optionally redeemed, then the amounts of such Sinking Fund Installments shall be reduced by the principal amount of all such ____ Term Bonds so optionally redeemed) :

Date (June 1)	Sinking Fund Installment

†Maturity

Sinking Fund Installments are established for the mandatory redemption and payment of the 2015 Bonds maturing on June 1, ____ (the "____ Term Bonds"), which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any ____ Term Bonds have been optionally redeemed, then the amounts of such Sinking Fund Installments shall be reduced by the principal amount of all such ____ Term Bonds so optionally redeemed) :

Date (June 1)	Sinking Fund Installment

†Maturity

Notice of Redemption. Notice of redemption of any 2015 Bonds or any portions thereof shall be mailed by first class mail, postage prepaid, by the Trustee not less than 30 nor more than 60 days prior to the redemption date of such 2015 Bonds (a) to the respective Owners of the 2015 Bonds designated for redemption at their addresses appearing on the bond registration books kept by the Trustee, (b) to the Information Services and (c) to the Securities Depositories. Each notice of redemption shall state the date of such notice, the 2015 Bonds to be redeemed, the date of issue of such 2015 Bonds, the redemption date, the redemption price, whether funds are then on deposit sufficient to pay the redemption price, the place of redemption (including the name and appropriate address), the CUSIP number (if any) of the maturity or maturities, and, if less than all 2015 Bonds of any such maturity are to be redeemed, the distinctive numbers of the 2015 Bonds of such maturity to be redeemed and, in the case of 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on such redemption date there will become due and payable on each of such 2015 Bonds the redemption price thereof or of the specified portion of the principal amount thereof in the case of a 2015 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2015 Bonds be then surrendered at the Corporate Trust Office of the Trustee specified in the redemption notice as the place of redemption; provided, that failure by the Trustee to give notice to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice, or the failure of any Owner to receive any redemption notice mailed to such Owner, or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any 2015 Bonds.

The Indenture permits conditional notice of optional redemption of the Series 2015 Bonds and the rescission of any optional redemption notice if the funds for the noticed optional redemption are not available for that purpose.

Effect of Redemption. From and after the date fixed for redemption of any 2015 Bonds or any portions thereof, if notice of such redemption shall have been duly given and funds available for the payment of such redemption price of the 2015 Bonds or such portions thereof so called for redemption shall have been duly provided, no additional interest shall accrue on such 2015 Bonds or such portions thereof from and after the redemption date specified in such notice.

Transfer and Exchange of 2015 Bonds

Any 2015 Bond may, in accordance with its terms, be transferred upon the books required to be kept by the Trustee, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2015 Bond for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. 2015 Bonds may be exchanged at the Corporate Trust Office of the Trustee, for 2015 Bonds of other authorized denominations having the same aggregate principal amount and maturity. The Trustee need not transfer or exchange any 2015 Bonds later than 15 days prior to the date of selection of 2015 Bonds or any portion thereof which has been selected for redemption or any 2015 Bonds during the period from the Record Date to any Interest Payment Date. The Trustee shall require the Owner requesting such transfer of registration or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. Until such time as the book-entry system is discontinued, 2015 Bonds may only be transferred or exchanged by DTC or any successor securities depository appointed by the Port. See APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.

Book-Entry Only System

The 2015 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the 2015 Bonds so purchased. Individual purchases will be made in book-entry form. One fully registered 2015 Bond certificate will be issued for each series and maturity of the 2015 Bonds having the same interest rate, in the aggregate principal amount of such maturity and will be deposited with DTC. Purchasers will not receive a certificate representing their beneficial ownership interest in 2015 Bonds. So long as Cede & Co. is the registered owner of the 2015 Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the "Beneficial Owners" of the 2015 Bonds. In this Official Statement, the term "Beneficial Owner" shall mean the person for whom a DTC Participant acquires an interest in the 2015 Bonds. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

So long as Cede & Co. is the registered owner of the 2015 Bonds, principal of and interest on the 2015 Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS

General

The 2015 Bonds are special obligations of the Port and are secured by a pledge of, and charge and lien upon, and shall be payable exclusively from, the Net Revenues of the Port and other funds pledged under the Indenture.

The principal of and interest on any 2015 Bonds are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Revenues of the Port and other funds which are pledged under the Indenture to the payment of the 2015 Bonds and interest thereon. The general fund of the City is not liable for the payment of any 2015 Bonds or interest thereon. An Owner of any 2015 Bond shall not be entitled to compel the exercise of the taxing power by the City or the forfeiture of any of its property.

Pledge of Revenues

Under the Indenture, the Port has pledged and assigned to the Trustee and granted to the Trustee a lien on and security interest in all right, title and interest of the Port in and to all of the following and provides that such lien and security interest shall, except as otherwise provided in the Indenture with respect to Contracts and Parity Repayment Obligations, be prior in right to any other pledge, lien or security interest created by the Port in the following:

(a) the Net Revenues,

(b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Indenture,

(c) earnings on pledged amounts and

(d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall, with respect to the security provided, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds or as otherwise provided in the Indenture.

The Indenture provides that any reserve fund created by a Supplemental Indenture and any other security or credit facility provided for specific Bonds or a specific Series of Bonds (a "Parity Reserve Fund") may, as provided by Supplemental Indenture, secure only such specific Bonds or Series of Bonds and, therefore, shall not be included as security for all Bonds under the Indenture.

The Port has established and funded the 2015 Reserve Fund as a Parity Reserve Fund which will be available to pay debt service only on the 2015 Bonds. The reserve fund established for the 2012 Bonds will not be available to pay debt service on the 2015 Bonds. This pledge shall constitute a first lien on the Net Revenues and such other money for the payment of the Bonds, the Contract Payments and the Parity Repayment Obligations. See "—Other Obligations" for further information regarding the 2012 Bonds and their parity lien on the Net Revenues.

The term "Net Revenues" is defined in the Indenture to mean, for any period, Revenues for such period less Maintenance and Operation Costs for such period.

The term "Revenues" is defined in the Indenture to mean all money received or collected from or arising out of the use or operation of any harbor or port improvement, work, structure, appliance, facility, utility, service or watercraft, owned, controlled or operated by the Port in or upon or pertaining to the lands and waters, or interests therein, of the Port; all tolls, charges and rentals collected by the Port; and all compensations or fees required to be paid for franchises or licenses, or otherwise by law or ordinance or order, to the Port for the operation of any public service utility upon lands and waters, or interests therein, of the Port; and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture. The following are specifically excluded from Revenues: (i) any amounts received by the Port from the imposition of ad valorem taxes, (ii) gifts and grants which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds, Contract Payments, or Parity Repayment Obligations, (iii) insurance proceeds to the extent the use of such proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Bonds, Contract Payments, or Parity Repayment Obligations, and (iv) Special Facilities Revenue.

The term "Maintenance and Operation Costs" is defined in the Indenture to mean the reasonable and necessary costs paid or incurred by the Port for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including the operation, promotion and maintenance of all harbor or port improvements, works, utilities, appliances, facilities, services, maritime related recreation facilities and watercraft owned, controlled or operated by the Port for the promotion and accommodation of commerce, navigation and fishery, or used in connection therewith, as well as all administrative costs of the Port that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums (including payments required to be paid into any self-insurance funds),and including all other reasonable and necessary costs of the Port or charges required to be paid by it to comply with the terms therefor of any Supplemental Indenture or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the Trustee and fees and expenses of Independent Certified Public Accountants, but excluding in all cases (i) the principal of and interest on Bonds, Contract Payments, Repayment Obligations, and payment with respect to Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which, under Generally Accepted Accounting Principles, are chargeable to a capital account, (iii) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, and (iv) City Payments.

Rate Covenant

Covenant as to Revenues. The Indenture provides that the Port will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees, tolls and charges, rentals for leases, permits and franchises, and compensation or fees for franchises and licenses, and manage the operation of the Port for each Fiscal Year so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

(a) All current Maintenance and Operation Costs.

(b) The interest on and principal of and Sinking Fund Installments for the Bonds, including the 2015 Bonds and the 2012 Bonds, the payments for the Contracts, and the Repayment Obligations and the payment of the Subordinate Obligations as they become due and payable.

(c) All payments required for compliance with the terms of the Indenture, including restoration of the Reserve Fund to an amount equal to the Reserve Fund Requirement and restoration of a Parity Reserve Fund to an amount equal to the applicable Reserve Fund Requirement.

(d) All payments to meet any other obligations of the Port which are charges, liens or encumbrances upon, or payable from, the Net Revenues.

Covenant as to Net Revenues. In addition to the requirements of the foregoing paragraph, the Port will, at all times while any of the Bonds remain Outstanding, to the maximum extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the Port for each Fiscal Year so as to yield Net Revenues during such Fiscal Year equal to at least 120% of the Annual Debt Service in such Fiscal Year.

The Port may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described above.

Flow of Funds

The Charter requires that all income of the Port remain under the control of the Board until expended. The Revenue Fund is under the control of the Board. Expenditures of Port moneys are approved by the Board with checks issued by the City Treasurer. The Indenture requires that all Revenues of the Port be deposited in the Revenue Fund. Pursuant to the Indenture, all moneys in the Revenue Fund shall be set aside for the payment of the following amounts or transferred to the following funds and accounts in the order of priority listed:

(a) *Maintenance and Operation Costs*. The Port shall utilize amounts in the Revenue Fund to pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operations Costs; the payment of which is not then immediately required) of the Port as they become due and payable.

(b) *Bond Interest Funds and Interest Component*. Revenues shall be transferred by the Port, without priority and on an equal basis, except as to timing of payment, (i) monthly to the Trustee in the amounts, at the times and in the manner provided for in the Indenture to provide for the payment of interest to become due on the Port's Outstanding Bonds; and (ii) to such obligees that have entered into Contracts and Parity Repayment Obligations with the Port, at the times and in the manner provided for in such Contracts and Parity Repayment Obligations to provide for the payment of the interest component of such Contracts and Parity Repayment Obligations. In the event there are insufficient moneys in the Revenue Fund to make all such transfers, then such moneys as are available shall be allocated among the Bonds, the Contracts, and the Parity Repayment Obligations ratably in proportion to the amount of interest becoming due and payable thereon on the next Interest Payment Date.

(c) *Bond Principal Funds, Sinking Funds, and Principal Components*. Revenues shall be transferred by the Port, without priority and on an equal basis, except as to timing of payment, (i) monthly to the Trustee in the amounts, at the times and in the manner provided for in the Indenture to provide for the payment of principal to become due on the Port's Outstanding Bonds and to facilitate the scheduled mandatory sinking fund redemption of such Bonds; and (ii) to such obligees that have entered into Contracts and Parity Repayment Obligations with the Port, at the times and in the manner provided for in such Contracts and Parity Repayment

Obligations to provide for the payment of the principal component of such Contracts and Parity Repayment Obligations. In the event there are insufficient moneys in the Revenue Fund to make all such transfers, then such moneys as are available shall be allocated among the Bonds, the Contracts, and the Parity Repayment Obligations ratably in proportion to the amount of principal becoming due and payable (upon maturity or prior mandatory sinking fund redemption) on the next Principal Payment Date or Sinking Fund Payment Date, as applicable.

(d) *Reserve Fund*. A sufficient amount of Revenues shall be transferred by the Port, without priority and on an equal basis, except as to timing of payment; (i) monthly to the Trustee in the amounts, at the times and in the manner provided for in the Indenture for deposit into the Reserve Fund to be used to pay or replenish the Reserve Fund or reimburse a provider of a reserve fund credit facility pursuant to the Indenture, (ii) to the Trustee in the amounts, at the times and in the manner provided for in the Indenture for deposit into the Parity Reserve Funds, if any, to be used to pay or replenish the Parity Reserve Funds or reimburse a provider of a reserve fund credit facility pursuant to the Indenture, and (iii) to such obligees that have entered into Contracts and Parity Repayment Obligations with the Port, in the amounts, at the times and in the manner provided for in such Contracts or Parity Repayment Obligations to replenish any debt service reserve fund required to be established by such Contracts or Parity Repayment Obligations. In the event there are insufficient Revenues to make all such transfers, then such Revenues as are available shall be allocated among the Reserve Fund, the Parity Reserve Funds, and the debt service reserve funds created pursuant to the Contracts and Parity Repayment Obligations ratably in proportion to the outstanding principal amount of the Bonds, Contracts, or Parity Repayment Obligations secured thereby. See "—Reserve Fund" for further information on the Reserve Fund.

(e) *Subordinate Obligation Payment Fund*. The Port shall deposit in the Subordinate Obligation Payment Fund such amounts, at such times as are sufficient to pay the debt service on any indebtedness, including Subordinate Obligations, issued pursuant to the terms of a subordinate trust indenture.

(f) *Subordinate Obligation Reserve Fund*. The Port shall deposit in the Subordinate Obligation Reserve Fund such amounts, at such times as are sufficient to pay any reserve requirement for debt service for any indebtedness, including Subordinate Obligations, issued pursuant to the terms of a subordinate trust indenture.

(g) *City Payments*. The Port shall, from moneys in the Revenue Fund not necessary to make the deposits set forth above, transfer to the City all City Payments as they become due and payable.

Any amounts remaining in the Revenue Fund after the deposits detailed above may be used by the Port for any lawful purposes; provided, however, that no money shall be released from the Revenue Fund in any Fiscal Year unless as of the date of such withdrawal (i) all payments for such Fiscal Year with respect to the Bonds, the Contracts, the Parity Repayment Obligations, and the Subordinate Obligations shall have been made, or amounts sufficient to make such payments shall be on deposit with the Trustee in the appropriate fund, and (ii) the Reserve Fund, any Parity Reserve Fund, any debt service reserve fund created pursuant to Contracts or Parity Repayment Obligations; and the Subordinated Obligation Reserve Fund shall be funded to the level required by the Indenture or any other document or agreement applicable thereto. The pledge of Net Revenues to secure the payment of principal of, premium, if any, and interest on the Bonds, including the 2015 Bonds and the 2012 Bonds, and any Contract Payments, or Repayment Obligations is irrevocable until all such obligations are no longer deemed outstanding. For a description of the flow of funds and a description of the funds and accounts established and maintained under the Indenture, see APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions.

The Port has a reserve policy. See "THE PORT OF REDWOOD CITY—Financial Data—Reserve Policy."

Reserve Fund

The Port has established and funded the Series 2015 Reserve Fund (the "2015 Reserve Fund") as a Parity Reserve Fund which will be available to pay debt service only on the 2015 Bonds. The reserve fund established for the 2012 Bonds will not be available to pay debt service on the 2015 Bonds.

On or before June 1 and December 1 of each year, the Port shall transfer, without priority and on an equal basis, (i) to the Trustee, for deposit into the Reserve Fund, the amount necessary to increase the amount on deposit in Reserve Fund to the Reserve Fund Requirement, (ii) to the Trustee, for deposit into the Parity Reserve Funds, including the 2015 Reserve Fund, the amounts necessary to increase the amount on deposit in each Parity Reserve Fund to the amount specified in each applicable Supplemental Indenture, and (iii) to the obligees with respect to Contracts and Parity Repayment Obligations, the amounts necessary to replenish any debt service reserve fund created pursuant to such Contracts and Parity Repayment Obligations; provided, however, that if there has been a draw upon any policy of insurance, surety bond, letter of credit or other comparable credit facility used to provide all or a portion of the Reserve Fund Requirement, or the funding requirement for any Parity Reserve Fund or for any debt service reserve fund created pursuant to Contracts or Parity Repayment Obligations, then the transfers described above may be paid to the provider of such instrument to the extent necessary to reimburse the provider of such instrument for payments made under such draw plus its expenses in connection therewith. In the event there are insufficient Revenues to make all such transfers, then such Revenues as are available shall be allocated among the Reserve Fund, the Parity Reserve Funds, and the debt service reserve funds related to Contracts and Parity Repayment Obligations ratably in proportion to the outstanding principal amount of the Bonds, Contracts, or Parity Repayment Obligations secured thereby.

If on any June 1 or December 1 the amount on deposit in the 2015 Reserve Fund is in excess of the Reserve Fund Requirement as of such date, then the Trustee shall so notify the Port and the Trustee shall, upon the Written Request of the Port, transfer the amount of such excess to such Project Funds as shall be selected by the Port or ratably among the Interest Funds related to the 2015 Bonds.

Notwithstanding any provision to the contrary, all or any portion of the Reserve Fund Requirement for the 2015 Reserve Fund may (following written notification to Moody's if Moody's is then rating the Bonds and to S&P if S&P is then rating the 2015 Bonds) be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with money on deposit in the 2015 Reserve Fund, provide an aggregate amount equal to the Reserve Fund Requirement, so long as (i) the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility is rated, at the time of the delivery of such instrument, in one of the two highest rating categories by Moody's or S&P, without regard to modifiers within a category, (ii) the Trustee has received an opinion of counsel of recognized standing in the field of law relating to municipal bonds substantially to the effect that such substitution is authorized or permitted under the Indenture and will not adversely affect the exclusion from gross income of interest on the 2015 Bonds for federal income tax purposes, (iii) the Trustee has received written confirmation from Moody's (if Moody's is then rating the 2015 Bonds) and S&P (if S&P is then rating the 2015 Bonds) that such substitution will not cause a lowering or withdrawal of any of their ratings on the 2015 Bonds, and (iv) the Trustee has received an opinion of counsel to the effect that the credit facility to be substituted is a valid, binding and legally enforceable obligation. In the event that any portion of the Reserve Fund Requirement is satisfied by the provision of such a policy of insurance, surety bond, letter of credit or other comparable credit facility, or a combination thereof, the amount of money then in the 2015 Reserve Fund equal to the portion of the Reserve Fund Requirement then being satisfied by such credit facility shall (upon receipt of a Written Request of the Port) be withdrawn by the Trustee from the 2015 Reserve Fund and transferred to the Port. For purposes of illustration, "A," "A-," and "A+" are in the "A" rating category.

Application has been made to a municipal bond insurance company for qualification of the 2015 Bonds for a reserve fund surety bond, the terms of which will be reflected in the final official statement if such insurance is purchased. The Port will consider the purchase of such insurance after analysis of the insurance premium.

Additional Obligations

Under the Indenture, the Port has covenanted that it will not incur any indebtedness having any priority in payment from Net Revenues over the Bonds, the Contracts and the Parity Repayment Obligations.

Under the Indenture, the Port may issue additional Series of the Bonds payable from and secured by a lien and charge upon Net Revenues equal to and on a parity with the Bonds, including the 2015 Bonds and the 2012 Bonds, the Contracts, and the Parity Repayment Obligations, but only if:

> (a) the Port shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in all Supplemental Indentures, Contracts and agreements creating Parity Repayment Obligations required to be observed or performed by it, and a Certificate of the Port to that effect shall have been filed with the Trustee (this condition shall not apply where the purpose of the Series of Bonds proposed to be issued is to cure any such non-compliance) ;
>
> (b) the issuance of such Series of the Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Series of the Bonds shall have been provided for by a Supplemental Indenture duly entered into by the Port and the Trustee, which Supplemental Indenture shall specify the terms and conditions of such Series of Bonds; and
>
> (c) the Net Revenues for the most recent audited Fiscal Year or, alternatively, any 12 consecutive months within the last 18 months preceding the date of issuance of such Series of the Bonds, as shown by a Certificate of the Port on file with the Trustee, plus an allowance for increased Net Revenues arising from any increase in the rates, fees and charges approved and which became effective prior to the date of the execution of such Supplemental Indenture, but which was not in effect during all or any part of such Fiscal Year or 12-month period, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, fees and charges had been in effect during the whole of such Fiscal Year or 12-month period, as shown by a Certificate of the Port on file with the Trustee, shall have produced a sum equal to at least 125% of the Maximum Annual Debt Service as calculated immediately after the issuance of such Series of the Bonds; provided, that in the event that all or a portion of such Series of the Bonds is to be issued for the purpose of refunding and retiring any then Outstanding Bonds, Contracts, or Parity Repayment Obligations, interest and principal payments on the Bonds, Contracts, or Parity Repayment Obligations to be so refunded and retired from the proceeds of such Series of the Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; provided

further, that the Port may at any time issue a Series of the Bonds without compliance with the foregoing conditions if the Annual Debt Service for each Fiscal Year during which such Series of the Bonds is Outstanding will not be increased by reason of the issuance of such Series of the Bonds.

The Indenture also allows the Port to enter into Contracts and Parity Repayment Obligations secured by a pledge of Net Revenues on a parity with the Bonds, including the 2015 Bonds and the 2012 Bonds, subject to satisfaction of the conditions described above for the issuance of additional Bonds. The Indenture does not restrict the Port from issuing or incurring indebtedness having a lien upon Net Revenues which is subordinate to that of the Bonds, including the 2015 Bonds and the 2012 Bonds. see APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.

Other Obligations

On June 26, 2012, the Port issued its $10,000,000 Port of Redwood City Revenue Bonds, Series 2012 (the "2012 Bonds") pursuant to the Second Supplemental Indenture which were sold on a private placement basis to an institutional investor. The 2012 Bonds bear interest at the rate of 4.20% per annum, mature on June 1, 2032, are paid monthly and are currently outstanding in the principal amount of $9,068,739.24. The 2015 Bonds will be issued on a parity with the 2012 Bonds.

There are currently no other outstanding Bonds, Contracts, Parity Repayment Obligations or Subordinate Obligations.

No Senior Lien Indebtedness

The Port has not previously created any charge or lien on or any security interest in the Net Revenues, except for the 1999 Bonds to be refunded and the 2012 Bonds, and the Port has covenanted that, until all the Bonds, Contracts and Parity Repayment Obligations authorized and issued under the provisions of the Indenture and the interest thereon shall have been paid or are deemed to have been paid, it will not, except as otherwise provided in the Indenture, grant any additional prior or parity pledge of or any security interest in the Net Revenues or any of the other security which is pledged pursuant to the Indenture, or create or permit to be created any charge or lien thereon or any security interest therein ranking prior to or on a parity with the charge or lien of the Bonds from time to time Outstanding under the Indenture.

Authorized Investments

Moneys and funds held by the Port shall be invested in a manner consistent with the City 's investment policy, subject to restrictions imposed upon the Port by the Charter. Moneys and funds held by the Trustee under the Indenture, including moneys in the respective debt service funds (and the accounts therein) and in the Reserve Funds, may be invested as directed by the Board in Authorized Investments, subject to the restrictions set forth in the Indenture and subject to restrictions imposed upon the Port by the Charter. See "FINANCIAL DATA-Investment Policy."

Events of Default and Remedies; No Acceleration

Events of Default under the Indenture and related remedies are described in the summary of certain provisions of the Indenture attached as APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, in particular under the caption "—Events of Default and Remedies of Owners." The occurrence of an Event of Default does not grant any right to accelerate payment of the Bonds to either the Trustee, the Owners of the Bonds, the

Owners of any other Series of the Bonds, or any other party. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the Port under the Indenture. However, since (a) Net Revenues are Revenues net of all amounts needed to pay Maintenance and Operation Costs of the Port, and (b) the Port is not subject to involuntary bankruptcy proceedings, the Port may be able to continue indefinitely collecting Revenues and applying them to the operation of the Port even if an Event of Default has occurred and no payments are being made on the Bonds.

MUNICIPAL BOND INSURANCE

Application has been made to a municipal bond insurance company for qualification of the 2015 Bonds for municipal bond insurance and for a reserve fund surety bond, the terms of which will be reflected in the final official statement if such insurance is purchased. The Port will consider the purchase of such insurance after analysis of the insurance premiums.

THE PORT OF REDWOOD CITY

General

The Port was established under the City's Charter as a department of the City and is managed by the Board of Port Commissioners (the "Board"), whose five members are appointed by the City Council.

The Port is located 18 nautical miles south of San Francisco and is the only deep-water port in south San Francisco Bay. Strategically located between San Francisco and the Silicon Valley/San Jose region, the Port provides excellent inland transportation access via U.S. Highway 101 and Union Pacific Railroad.

The Port's business is composed of three major segments: (1) Maritime activities related to the import and export of waterborne cargoes, (2) commercial activities related to the leasing of land and buildings not directly associated with maritime activity, and (3) recreational boating activities related to the operation of a public marina, boat launch facility and dry boat storage facility.

History of the Port

On September 10, 1937, the municipally owned Port of Redwood City was opened, and on November 1, 1937, assets of the Port were turned over by the City to the Port Commissioners and their Manager. The Redwood Creek area had served as a port on San Francisco Bay since the 1800s. Prior to 1937, two major factors led to the creation of a municipal port. The first was the federal planning to deepen the channel and basin on Redwood Creek in order to provide for significant channel improvements to accommodate movement of deeper draft vessels; the second factor was public support and promotion for a municipal port by the City Council and by the local electorate. This was accomplished upon electorate approval of a charter amendment at the election of June 11, 1936, providing for port operation and authorization for up to $266,000 of general obligation bonds to establish a port. Such bonds were subsequently issued and thereafter fully retired by 1957.

A charter amendment approved in 1962 permitted the Port to issue revenue bonds under the provisions of the 1941 Revenue Bond Act. Pursuant to the Charter, the issuance of revenue bonds by the Port is determinable by the Board with the approval of the City Council and no approval of the electorate is required. The Port's issuance of revenue bonds does not create debt or obligation of the City, the State, the County of San Mateo or any public agency thereof, other than the Port. Additionally, such revenue bonds are not secured by the faith and credit or the taxing power of the City, the County, the State or any public agency thereof.

The Port has financed certain major capital improvements since 1937 from operating revenues, grants and bond proceeds. These major capital improvements included, but were not limited to, the construction of wharves totaling over 2,900 feet in length and the deepening and widening of the Redwood Creek Channel, now maintained at a depth of 30 feet. Periodically, the channel is dredged to maintain that depth.

In the 1940's, Port tonnage changed from principally logs and lumber to cement and petroleum products. In the 1980's, the closing and relocation of the petroleum terminals to pipeline centers caused the Port to redirect its business and develop new uses for its facilities. Under Board direction and new Port management, wharves and land facilities have been upgraded and an aggressive program of business diversification has brought new tenants and increased tonnage. Scrap metal, sand and construction aggregates are now the major dry bulk commodities shipped through the Port. See "THE PORT OF REDWOOD CITY—Port Facilities." As of June 30, 2014, the total investment in property, structures, facilities and equipment at the Port was in excess of $49.4 million, including the value of work in progress, but before allowance for depreciation.

Power and Authority of the Board

The Port is an independent department of the City with exclusive control and management of the Port Area vested in the Board. Within the Port Area, the Port properties owned by the City lie along the northwest side of Seaport Boulevard south of Westpoint Slough to and including, as of 1978, the City Marina along Redwood Creek, now the Port of Redwood City Yacht Harbor. Property under the Port ownership constitutes about 108 acres. The Port Area is substantially larger containing privately owned property as well, including property fronting on Redwood Creek, its tributaries, or San Francisco Bay within the limits of the City's jurisdiction.

The Board, in order to exercise its authority and control over its jurisdiction, may enter into contracts and leases, sue and be sued, exercise the power of eminent domain, fix and provide for collection of all rates, dockage, rentals, tolls, pilotage and charges for use or occupation of the public facilities, and for services rendered, adopt and enforce ordinances and regulations and prescribe fines and forfeitures for violations, regulate the public utilities and control the development, construction and maintenance of private construction, and issue revenue bonds. The City Council may not grant a franchise within the Port Area without prior Board approval.

All income from Port operations and all funds appropriated to the Port are Revenues of the Port, and are in control of the Port and subject to the Indenture and Charter for priority of utilization. Notwithstanding the foregoing, the Charter requires that the Port annually pay to the City any surplus funds that, in the judgment of the Board, are not needed for Port purposes.

Management and Administration

The Board is composed of five members ("Commissioners") appointed by the City Council to four-year terms. Members serve without compensation and must be qualified electors of the City. Every year the Board selects a President, Vice President and Secretary from among its members. The current Commissioners are as follows:

PORT OF REDWOOD CITY
Commissioners

Port Commissioner	Title	Term Expires
Ralph A. Garcia	President/Chairman	2016
Richard "Dick" Claire	Vice President/Vice Chairman	2016
Simms Duncan	Secretary	2018
Richard "Dick" Dodge	Commissioner	2018
Lorianna Kastrop	Commissioner	2016

Source: Port of Redwood City.

Ralph A. Garcia, Chairman. Mr. Garcia was first appointed to the Board in 2005, and reappointed in 2007 and 2012. He previously served 10½ years on the Redwood City Planning Commission, including a two-year term as commission chairman. In addition to his duties as Chairman of the Board, Mr. Garcia is also a local business owner and serves on the Board of Directors of El Centro de Libertad (the Freedom Center), a program in Redwood City that offers outpatient alcohol and drug treatment and related services to residents of San Mateo County. Mr. Garcia has lived in Redwood City for more than 52 years.

Richard "Dick" Claire, Vice Chairman. Mr. Claire was first appointed to the Commission in 2007 and reappointed in June 2012 for a four-year term. Mr. Claire has in the past served 21 years on the Redwood City Council, including four as mayor, and seven years on the Redwood City Planning Commission. Mr. Claire's other community activities have included formerly being a board member of the local Little League, Sequoia YMCA, and Big Sisters; as well as former chair of the Housing and Human Concerns Committee and chair of the San Mateo Council of Mayors. Mr. Claire currently is an instructor in the Business, Education and Professional Programs at Skyline College in San Bruno.

Simms Duncan, Secretary. Mr. Duncan was appointed to the Port Commission in August, 2014. Mr. Duncan is currently Vice President of Project Finance with Hanwha Solar in San Francisco. Mr. Duncan has an M.S. in business administration from the Stanford Graduate School of Business and a B.S. in Aerospace Engineering from the U.S. Naval Academy. Mr. Duncan is an active volunteer in the Redwood City community.

Richard "Dick" Dodge, Commissioner. Mr. Dodge was first appointed to the Board in 1980 and has been reappointed seven times since. Mr. Dodge is one of the longest current consecutive serving port commissioners in the United States. Mr. Dodge has been involved in numerous maritime organizations, including past president and current first vice president of the Association of Pacific Ports. Mr. Dodge has been called upon to make numerous presentations before the American Association of Port Authorities (AAPA). Mr. Dodge is a local business owner.

Lorianna Kastrop, Commissioner. Ms. Kastrop was first appointed to the Board in June of 2008 and reappointed to another four-year term in June 2012. Ms. Kastrop is vice president of The Kastrop Group architectural firm, and has a background in financial analysis Ms. Kastrop has served on numerous local non-profit boards serving youth, including the YMCA, Rotary, and PTA. She co-founded the 350-member Redwood City Mothers Club and was president of the California Council of Parent Participation Nursery Schools. She was elected to the Redwood City School Board and served from 1997 to 2001.

Executive Director and Senior Management

The Charter provides that the Board appoint and employ a port manager, who serves under the title of Executive Director, and who acts as the chief executive of the Port and who exercises the management of all affairs of the Port. The Executive Director has all the powers and the duties as prescribed from time to time by the Board.

The Executive Director, the Manager of Operations, the Manager of Finance and Administration, the Manager of Environmental, Security and Safety Programs, and the Port's management staff serve at the pleasure of the Board. The executive management of the Port includes the following individuals:

Michael J. Giari, Executive Director. Mr. Giari first joined the Port in 1988 as Manager of Trade Development and was appointed Executive Director in 1995. Prior to that Mr. Giari worked for the Port Authority of New York & New Jersey and the American Association of Port Authorities (AAPA) in Washington, D.C. Mr. Giari's port-related career began with the U.S. Maritime Administration in San Francisco.

Mr. Giari is past president of the Bay Planning Coalition and the California Association of Port Authorities (CAPA). Mr. Giari is past chairman of the Redwood City/San Mateo County Chamber of Commerce and currently serves on the Board of Directors. Mr. Giari holds a Bachelor's Degree in Economics from St. Mary's College, California and a Master's Degree in Marine Affairs and Maritime Policy from the University of Rhode Island.

Rajesh Sewak, Manager of Finance and Administration. Mr. Sewak began his position as Manager of Finance and Administration in May 2014. Prior to that Mr. Sewak worked as Revenue Services Manager and Senior Accountant for nine years with the City of Redwood City's Finance Department.

Mr. Sewak has over 19 years in industry, during which he held various positions with Qantas Airways Limited, Western Multiplex Corp, Care on-Call, Inc., and Loncar Enterprises Inc. Mr. Sewak earned his MBA in Finance at Golden Gate University and his BS in Accounting and Finance from San Francisco State University.

Donald K. Snaman, Manager of Operations. Mr. Snaman first began his employ at the Port as Project Manager in 1996 and accepted his position as Manager of Operations in 2001. Prior to that Mr. Snaman's industry experience included Seismograph Party Manager, Wellseis Engineer, Operations Geophysicist, Environmental Specialist, and Facility Manager. Mr. Snaman earned his B.S. in Geology at Tulane University.

Christopher Fajkos, Manager of Environmental, Security and Safety Programs. Mr. Fajkos began his position as Manager of Environmental, Security and Safety Programs in 2013. Prior to that, Mr. Fajkos was in the U.S. Coast Guard for six years and served his final four USCG years as a lead intelligence analyst at the Maritime Intelligence Fusion Center, the Coast Guard's primary intelligence center for the Pacific Ocean.

Mr. Fajkos earned a Bachelor of Arts in Environmental Studies (the Urban Environment) from San Francisco State University. He is currently working towards his Masters in Business Administration at St. Mary's College of California.

Port Facilities

General. The Port has five docking facilities located on approximately 108 acres of property on the eastern side of Redwood Creek Channel (the "Channel"). Oceangoing vessels enter and exit the Port via the Channel. The Channel is a federal navigation project maintained at a depth of minus 30 feet (mean lower low water) ("MLLW"). The Channel is 300 feet wide, with two turning basins, and can handle 10,000 to 30,000 ton class vessels fully loaded. The Channel can handle up to 65,000 ton vessels partially loaded. All five of the wharves are lighted for 24-hour-a-day operations. Certain areas of the wharves have electric, telephone and fresh water services. The Port and its tenants have a railroad switch engine and numerous tractors, forklifts, and conveyor belts that are utilized for the loading, unloading and movement of cargoes at the Port. The Port primarily handles exported scrap metal and imported construction materials such as bulk cement, sand and construction aggregates.

The Port has immediate railroad access to overland common points and points south. Railroad tracks are adjacent to all five wharves. The six-lane U.S. 101 (Bayshore Freeway) is located one-half mile from the Port with connections to Santa Clara Valley and to the East Bay via the San Mateo Bridge to the north and the Dumbarton Bridge to the south. Waterborne cargo can be easily transferred to/from the Union Pacific Railroad's spurline for overland transport. Major truck routes are readily available on the extensive system of freeways connecting with the nearby U.S. 101.

Wharves No. 1 and 2. Wharves No. 1 and 2 have a combined overall length of 1,275 feet and are constructed of reinforced concrete Wharves No. 1 and 2 have a berthing depth alongside of minus 34 feet mean lower low water (MLLW). Wharves No. 1 and 2 are mainly utilized for importing bulk cement and construction sand and aggregates. Wharves No. 1 and 2 have a ship-unloading conveyor capable of unloading 2,500-3,000 tons per hour and a bulk cement unloader capable of discharging 750-1,000 tons per hour.

The multi-year project to replace and modernize Wharves No. 1 and 2 and the adjacent terminal area was completed in the fall of 2014 on budget with a total project cost of $16,691,000. In fiscal year 2013, the 60-plus year old wooden wharves and adjacent warehouse were demolished and aging infrastructure was removed. Construction of the new wharves began with the driving of 115 concrete pilings to support the pre-stressed concrete decking. The new Wharves No. 1 and 2 were engineered to meet modern seismic standards and last for a minimum of 50 years. The project also included a new 950 linear foot seawall to protect the upland area from flooding due to storm surges and sea-level rise. It was designed to allow for modular height increases should future sea-level rise exceed current projections. Upland area improvements included a new energy efficient building for use by stevedores and longshoremen, as well as new electric utilities, lighting, water lines, drainage system, road and parking lot.

Wharves No. 3 and 4. Wharves No. 3 and 4 have a combined overall length of 1,145 and are constructed of reinforced concrete pile and deck. Wharves No. 3 and 4 have a berthing depth alongside of minus 34 feet (MLLW). Wharves No. 3 and 4 are mainly utilized for scrap metal and dry bulk cargo shipments. Wharves No. 3 and 4 have a ship-loading conveyor capable of loading 300 tons per hour and an off-loading conveyor capable of 750 tons per hour.

Wharf No. 5. Wharf No. 5 has an overall length of 500 feet and is constructed of reinforced concrete. Wharf No. 5 has a berthing depth alongside of minus 34 feet (MLLW) and is primarily utilized for miscellaneous cargoes.

Commercial Real Estate. The Port is the landlord for a 90,000 square foot office complex known as Portside I and Portside II ("Portside"). Portside I is approximately 4.5 acres and consists of office and restaurant space in several one- and two-story buildings. Portside II is approximately 1.3 acres with a two-story office building. For both Portside I and II, the Port owns the land, and the buildings are owned and maintained by the master tenants. Portside has a large shared parking lot that provides parking for the office buildings, the marinas, the Sequoia Yacht Club and a conference center. The 10,000 square foot Seaport conference center is leased to Diversified Computer Consultants. The conference center provides conference and training rooms to corporations seeking temporary conference, training and meeting space. A 7,600 square foot building adjacent to the Port Marina is leased to the Sequoia Yacht Club, and a small office building is leased to Spinnaker Sailing.

Port Dredging. Maintenance dredging of the channel is the responsibility of the U.S. Army Corps of Engineers (the "Corps"). Congress appropriates the funds to the Corps to complete this work. The Port is the local sponsor for the channel project and has worked closely with its Congressional delegation and the Corps to have regular maintenance dredging every three years. Periodically, near the end of the three-year maintenance dredging cycle, the buildup of silt in the channel will cause limitations on the draft of certain vessels using the channel and their loaded capacity will be decreased. The Corps received funding of approximately $24,000,000 in fiscal years 2014 and 2015 to restore the channel to its authorized depth of minus 30 feet MLLW. As of December 2014, the Corps dredged the majority of the channel to minus 28 feet MLLW which is the current controlling depth of the channel. The Corps is planning on remobilizing in the summer of 2015 to complete the project to minus 30 feet MLLW. As a local sponsor, the Port would share with the Corps the planning, engineering and construction costs of any deepening of the Channel to more than 30 feet. See "Capital Improvement Program." The Port is responsible for maintenance dredging of the berths for ships adjacent to its wharves. The Port is currently in the engineering and permitting phase of berth maintenance dredging for Wharves 1, 2, 3, and 4. It is anticipated the berths would be dredged to minus 34 feet by December 2015 at a cost of approximately $1,500,000. See "—Capital Improvement Program."

During fiscal year 2008 the Port entered into a channel deepening feasibility study cost sharing agreement with the U.S. Army Corps of Engineers. The study will assess the economic and environmental impacts of deepening and improving the existing channel from its current authorized depth of -30 feet MLLW to -37 feet MLLW. A deeper channel will allow vessels to increase cargo volume. The estimated $4.6 million study cost will be shared equally by the Port and the Corps. As of December 31, 2014, the Port had contributed $1,876,842.

Liquid Bulk Terminal. The Liquid Bulk Terminal is a nine-acre site that formerly consisted of nine steel tanks for storage of petroleum products that were removed in 2005.

Property Agreements

Maritime property agreements within the Port area constitute the largest source of Port revenues. Maritime revenues include land rental and cargo volume use charges, wharfage, facilities usage and dockage.

Office and industrial property agreements within the Port area constitute the Port's most stable source of revenue. The Port's property agreements are with over 27 private companies. Most of these agreements are leases for fixed terms with options to extend and a few are month-to-month leases. Under these agreements and pursuant to the City Charter the Port leases property and facilities to tenants for terms of up to 49 years.

The table below lists the Port's major agreements and certain terms of each agreement representing approximately 90% of the total annual income of the Port. All other lessees represent a total of approximately 10% of total annual income of the Port.

Table 1
PORT OF REDWOOD CITY
Major Agreements-2014

Lessee	Property Description	Term With Options	Total Estimated Annual Income (1)	% of Total Estimated Annual Income
		Maritime		
Cemex	999 Seaport Blvd.	Month to month (2)	$ 2,461,350	41%
Sims Metal America	699 Seaport Blvd	1st Option - (Sep'15)	1,008,200 (3)	17%
Univar USA	525 Seaport Blvd	1st Option - (Jun'19)	263,520 (3)	4%
Pabco Gypsum	150 Herkner Road	Month to month (2)	239,340	4%
Lehigh Southwest	150 Hinman Road	Month to month (2)	111,047	2%
Internat'l Materials	599 Seaport Blvd	1st Option - (Sep'16)	364,760	6%
Cemex (RMC)	Submerged Land	1st Option - (Jul'15)	394,260	6%
		Office and Industrial (Non-Maritime)		
iCracked	599 Seaport Blvd	Month to Month	$168,000	3%
Clean Harbors	130 Herkner Rd	Initial Term-Mar'16	191,880	3%
Diversified DCC	459 Seaport Blvd	New Lease (Jun'19)	144,000	2%
Seaport Refinery	675 Seaport Blvd	Lease Exp – Dec'17	100,200	2%
Redwood Garden	475 Seaport Blvd	Month to Month	93,600	2%
Central Concrete	110 Herkner Rd	Lease Exp - Aug'22	80,400	1%
Portside I	400 Seaport Blvd	Lease Exp – Jun'33	73,000	1%
Portside II	460-509 Seaport Ct	Lease Exp – Jun'33	92,000	2%
HASA	101 & 111 Hinman Rd	Lease Exp – Mar'15	51,900	1%
Boxer Industries	1700 Seaport Blvd	Lease Exp – Feb'17	42,000	1%
US Geological Svc	Wharf #5	Lease Exp – Sep'21	43,650	1%
		Others		
Larry Mayne	Chesapeake Dr	Month to Month	$47,280	1%

Source: Port of Redwood City.
(1) The total estimated annual income includes guaranteed income and non-guaranteed income subject to change due to market conditions and discretionary business decisions.
(2) The Port is negotiating with these lessees for a new long term lease.
(3) Revenue estimates include both rail and vessel revenues.

Major maritime tenants at the Port include:

CEMEX. CEMEX is a global building materials company that has purchased two companies that provided similar services at the Port for more than 50 years. It is one of the leading cement manufacturers in the world, the world's leading supplier of ready-mix concrete and one of the world's largest suppliers of building material aggregates. CEMEX operates on approximately 17 acres of Port property under two land leases. CEMEX also leases a wharf on submerged land where the Port and CEMEX jointly developed a modern bulk cement ship unloader. CEMEX imported 1.5 million tons of construction aggregates in 2014, which over the last five years has been the fastest growing commodity by tonnage handled at the Port. The Port and CEMEX expect to enter into another long-term lease in the summer of 2015 which will enable expanded use of the newly reconstructed Wharves No. 1 and 2 by CEMEX. This will enable CEMEX to more efficiently serve the growing construction market in Silicon Valley and the Bay Area.

Sims Metal Management. Sims Metal Management ("Sims") is the world's largest metals and electronics recycler. Sims has been a key Port tenant since 1975 (formerly Levin Metals Corp.) and is Northern California's leading recycler of ferrous and other metals. From its operations on 13.2 acres of Port property, Sims recycles more than 300,000 vehicles per year and exports the shredded scrap metal primarily to Asia. Wharfage and facility use charges on the metal shipped from the Port are based on fees in the Port's Tariff No. 8. Since its initial 1975 lease and subsequent renewals, Sims has spent more than $4 million on facility improvements.

Univar USA (formerly Basic Chemical Solutions). Univar USA ("Univar") operates a state-of-the-art chemical facility on an approximately four acre site at the Port that provides industrial chemicals throughout the Silicon Valley. Univar USA is the leading chemical distributor in the United States and in 2011, generated net sales of $9.7 billion. Univar's lease was assigned when it acquired Basic Chemical Solution in 2011. In addition to land rent on the Univar facility, Univar pays the Port cargo fees for shipping of certain chemicals and railcar fees for use of the Port-owned rail spur track.

International Materials, Inc. International Materials, Inc. ("IMI") imports nearly 100,000 tons of bauxite from Australia to the Port for use in local cement kilns. Bauxite is an essential component in the production of cement. IMI ships products to more than 45 nations. These products include natural and synthetic gypsum, bauxite, iron ore and iron fines, cement, clinker, coal, pet-coke, bio-fuels, slag and salt. IMI leases a 4.2 acre site from the Port to store the materials after unloading from ships. The materials are delivered by truck to IMI's customers, primarily the Lehigh Southwest cement plant in Cupertino, California (approximately 19 miles south of the Port). IMI entered into a lease agreement with the Port on October 1, 2010, after intermittently using various locations at the Port since 2003. IMI pays wharfage and other facility usage fees to the Port based on cargo volume in addition to land rent.

Clean Harbors Environmental Services, Inc. Clean Harbors Environmental Services, Inc. ("Clean Harbors") transships millions of gallons a year of recycled industrial fuel at the Port. Clean Harbors is the leading provider in environmental, energy and industrial services throughout North America. At the Port, Clean Harbors delivers recycled industrial fuel that is transferred into rail tank cars and shipped to customers across the United States. Its facility has two parallel rail tracks that are totally contained to prevent any contamination from spills. The lease with the Port includes a minimum annual guarantee on the number of rail cars charged for use of the Port's spur track.

Port Tariffs and Operating and Use Agreements

The Board sets tariff charges for wharfage, dockage, land use, storage, line handling and services applicable to all ships and cargo at municipal berths and wharves or otherwise using Port owned property. The current tariffs are published in the Terminal Tariff #8 which is filed with the Federal Maritime Commission. Marina berth rentals are specified in Tariff #7. Under the terms of the various property agreements, the terminal operators, as permittees or lessees, are responsible for paying all applicable rates and charges as specified in the tariffs and property agreements.

The Port and all other California public ports control and determine their own individual tariff structures. However, the ports cooperate in setting tariff rates through membership in the California Association of Port Authorities ("CAPA"). One of CAPA's goals is to establish and maintain reasonable and, as far as practicable, uniform terminal rates, charges, classifications, rules and regulations for the handling and movement of domestic and foreign waterborne cargo. These tariff provisions cover assignment of marine terminal facilities, as well as rates and provisions for vessel dockage, wharfage, wharf storage, wharf demurrage and other miscellaneous terminal charges necessary for the orderly movement of cargo. The goal is to permit California ports to obtain an adequate return on investment in order to facilitate the necessary maintenance, expansion and improvement of marine facilities. CAPA enjoys an exemption from federal antitrust laws which permits this cooperative rate setting.

In California, marine terminal service and facilities are priced through leases, and preferential management and user agreements with water carriers and/or terminal operators. These agreements generally provide for economic discounts from established tariffs in exchange for term commitments and/or minimum payment guarantees. A substantial majority of the Port's maritime revenues are generated by such agreements. As payments under those agreements are usually based on current tariff rates, the Port can generally increase its revenues under those agreements either by increasing its tariff rates or through increases in cargo volume. However, there are practical, procedural and competitive limitations on the extent to which the Port can increase its tariffs or increase its cargo volume.

Annually, for the past three years, the Port has instituted a general rate increase with several specific exceptions. The general rate increases were:

Table 2
PORT OF REDWOOD CITY
Rate Increases
Fiscal Years 2013-2015

Fiscal Year	Increase
2012-13	3%
2013-14	2%
2014-15	2%

Marine Commerce

Cargo Summary. The Port's inbound cargos are concentrated in bulk construction materials; export cargo currently includes ferrous scrap metal destined for recycling in Asia. The following is a breakdown of cargo handled by the Port during the past three fiscal years in tonnage.

Table 3
PORT OF REDWOOD CITY
Cargo Summary by Tonnage
Fiscal Years 2012-2014

	FY 2012		FY 2013		FY 2014	
Cargo	Short Tons (1)	%	Short Tons (1)	%	Short Tons (1)	%
Sand	509,982	35	603,345	37	886,361	45
Aggregates	454,376	31	584,785	36	634,330	32
Scrap metal	343,597	24	336,157	20	311,872	16
Gypsum	77,455	5	51,615	3	58,940	3
Other	58,992	4	70,056	4	57,060	3
Cement/Clinker	9,764	1	0	0	18,686	1
Total	1,454,166	100%	1,645,958	100%	1,967,249	100%

Source: Port of Redwood City.
(1) A short ton is 2,000 pounds.

Vessel Summary. Cargo vessels utilizing Port facilities consist of ships, ocean-going barges and intra-bay barges. Passenger vessels include ferries, small cruise ships (less than 130 passengers) and dining/excursion vessels. The following table shows the number of vessels utilizing Port facilities for the past three fiscal years.

Table 4
PORT OF REDWOOD CITY
Vessels Utilizing Port Facilities
Fiscal Years 2012-2014

Type of Vessel	FY 2012	FY 2013	FY 2014
Cargo Vessels	48	51	64
Cargo Barges	26	19	25
Passenger Vessels	4	0	8
Total	78	70	97

Source: Port of Redwood City.

Stevedoring and Cargo Handling

Stevedoring and cargo handling at the Port is provided primarily by Port tenants. Port tenants, handling their own cargo, use their own labor from various unions or contract with stevedoring companies employing ILWU labor. All stevedore companies operating on the West Coast are allowed to perform stevedoring services at the Port by obtaining an annual permit to operate. The Port provides contractual ILWU labor on an as-needed basis for line handling services for ships with charges made according to the Port tariff. There is a history of good working relationships between the ILWU, the Port, and Port tenants. Recent labor issues over terms of a new five-year contract disrupted vessel scheduling at the Port but resulted in minor financial impact

Recreational Use

Port Marina. The Port Marina (Yacht Harbor) is a 183-berth marina located in a basin of approximately ten acres. The harbor was constructed by dredging a basin adjacent to Redwood Creek in 1959. The Port Marina is relatively sheltered from winds and waves and provides access to San Francisco Bay via Redwood Creek. The Port Marina currently has six floating cement docks, each connected to the shore by ramps and secured gatehouse structures.

Spinnaker Sailing ("Spinnaker") currently operates the Port Marina under an Agreement with the Port. Spinnaker assigns available berths to tenants, provides information to tenants and prospective tenants, provides on-site supervision and generally acts as the harbor master. Spinnaker has served as the Port Marina operator since 1995. The Port bills the tenants directly for the services provided and pays Spinnaker a fee as provided by the Agreement.

The Port Marina also provides restrooms, showers, laundry, a yacht club, guest docks, a sewage pump out facility, water, gas, electricity and telephone. The Port Marina can accommodate vessels of up to 75 feet in length. Current occupancy for the Port Marina is approximately 90%.

In 1994, the Port expended over $1,000,000 on capital improvements to the Port Marina which included dredging, replacing piles, construction of floating docks and other miscellaneous improvements. The dredging provided water depth of 10 feet (MLLW).

During the last four fiscal years, marina revenues from recreational boating generally have, on average, accounted for approximately 8% of the Port's operating revenues. These agreements generally provide for berth rentals on a month-to-month basis.

Recreational Facilities. In addition to the Port Marina, Port property is set aside for the community to enjoy for recreational use. The Port provides a boat launch ramp and parking area for cars with boat trailers. Almost one mile of waterfront access is provided and used frequently by joggers and walkers. The Port supports the local Sea Scouts program and provides space for their boats. The Port often serves as the site for July 4th fireworks, PortFest, sailing and rowing regattas, South Bay Opening Day boat parade, and visiting tall ships for educational programs

Waterfront public access improvements are currently under construction between the Port's Marina and Public Fishing Pier. A new 10 foot wide promenade and new waterfront viewing areas will improve both general and handicap accessibility, and combined with new landscaping will enhance the attractiveness of the area. Construction of this project is expected to be completed in March 2015 for total cost of approximately $614,000.

Additional improvements to the waterfront public access area are included in the Capital Expenditure Plan for Fiscal Year 2017. The Public Fishing Pier is a wooden piling and wooden deck structure which extends from the improved public access area into the Port turning basin. It is planned for extensive renovation and handicap access improvements at an estimated cost of $1,000,000. See "—Capital Improvement Program."

Financial Data

Introduction. The Audited Financial Statements of the Port (the "Financial Statements") for the Fiscal Year ended June 30, 2014 are attached as APPENDIX B—FINANCIAL STATEMENTS OF THE PORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2013. Such Financial Statements should be read in conjunction with the information below and in their entirety.

Accounting. The Port's operations are accounted for as a Port Fund by the City. Port Funds are used by municipalities to account for operations which are financed and operated similarly to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods and services to the public on a continued basis be recovered primarily through user charges.

The Port's revenue and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the period incurred. The Port follows those Financial Accounting Board statements approved before November 30, 1981 which do not conflict with Governmental Accounting Statements Board statements.

Budget Process. The Board is required to annually, on or before the third Monday of May, to prepare a budget setting forth the estimated receipts of the Port, and from other sources, for the ensuing year, and the sums of money necessarily required for the administration of the Port, for maintenance, operation, construction and development of the Port and its facilities and debt service (including reserve replenishment) for the ensuing year. The budget when so prepared shall be certified by the President and Secretary of the Board, and a certified copy thereof shall, on or before said date, be filed with the City Clerk, with the City Manager, and with the City Director of Finance. In addition to preparing an annual operating budget, the Port staff prepares a five-year capital improvement plan which forecasts future capital improvements for Port equipment, facilities and infrastructure that are not part of the current operating budget. See "—Capital Improvement Program."

Reserve Policy. The Port's policy is to maintain reserve balances for its annual operations and capital development plan. The policy directs the Port to maintain the minimum reserve levels necessary to maintain credit worthiness and to adequately provide for:

- Mitigating the impact of economic downturns
- Preparing for unforeseeable emergencies
- Providing for expansion and future growth
- Reducing or eliminating the need to borrow

The Port's unrestricted reserve balance as of June 30, 2014, was $8,598,632.

The reserve funds are invested in accordance with the Investment Policy adopted by the Port Commission and comply with investment restrictions for public agency investments as stipulated by the California Government Code. See "—Investment Policy." Transfers from the Port's reserve funds are made only at the direction of the Port Commission.

Historical Statement of Net Position. The table below sets forth the Port's statement of net position for the fiscal years 2009-10 through 2013-14, which is compiled from the audited Financial Statements of the Port. Audited Financial Statements of the Port for the fiscal years ended June 30, 2014 and 2013 are attached as APPENDIX B—FINANCIAL STATEMENTS OF THE PORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2013.

The Port business is capital intensive; significant investment in assets is required in order to acquire the land, and construct and maintain the necessary infrastructure and facilities. The decrease in current assets and increase in net capital assets between June 30, 2014 and June 30, 2013 is primarily due to the expenditure of project fund proceeds from the issuance of Series 2012 Revenue Bonds for the Wharves No. 1 and 2 replacement project. As of June 30, 2014, construction of the wharves was well underway and the project was completed in the fall of 2014.

Table 5
PORT OF REDWOOD CITY
Statement of Net Position
Fiscal Years 2010-2014

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
ASSETS					
Current Assets					
Cash and investments	$17,510,391	$17,116,185	$19,017,686	$19,104,524	$16,796,818
Restricted cash and investments	905,271	900,527	10,800,359	3,930,710	1,715,496
Accounts receivable	523,676	751,814	796,385	884,761	756,516
Grants receivable	559,319	2,212,229	941,834	415,592	—
Prepaid items	238,719	238,306	254,978	242,477	332,894
Total current assets	$19,737,376	$21,219,061	$31,811,242	$24,578,064	$19,601,724
Noncurrent Assets					
Unamortized costs of issuance	$ 158,035	$ 153,411	$ 249,019	—	—
Investment in SBSA	400,000	400,000	400,000	$ 400,000	$ 400,000
Non-depreciable assets	3,578,636	5,275,977	5,063,715	15,446,848	21,945,798
Depreciable assets, net	11,295,924	12,158,324	14,310,329	12,364,475	11,279,250
Total noncurrent assets	$15,432,595	$17,987,712	$20,023,063	$28,211,323	$33,625,048
Total assets	$35,169,971	$39,206,773	$51,834,305	$52,789,387	$53,226,772
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	$ 458,174	$ 976,834	$ 972,761	$ 2,183,489	$ 1,572,972
Accrued payroll and benefits payable	175,062	160,088	209,615	239,030	94,731
Unearned revenue	223,799	211,453	332,164	198,413	175,117
Refundable deposits	171,922	140,209	125,636	124,265	160,802
Interest payable	61,015	58,737	62,153	87,745	66,304
Subvention Payable	67,378	344,031	126,039	100,760	159,468
Long-term debt – due within one year	279,987	295,773	634,125	668,708	710,341
Total current liabilities	$ 1,437,337	$ 2,187,125	$ 2,462,493	$ 3,602,410	$ 2,939,735
Long-Term Liabilities					
Net OPEB liability	57,638	84,616	115,042	141,250	172,132
Long-term debt – due in more than one year	8,846,499	8,550,726	17,916,601	17,275,782	16,565,443
Total long-term liabilities	$ 8,904,137	$ 8,635,342	$18,031,643	$17,417,032	$16,737,575
Total liabilities	$10,341,474	$10,822,467	$20,494,136	$21,019,442	$19,677,310
NET POSITION					
Net investment in capital assets	$14,303,513	$16,893,419	$18,864,682	$19,882,823	$23,475,092
Restricted for debt service	725,963	725,963	725,998	1,468,256	1,475,738
Unrestricted	9,799,021	10,764,924	11,749,489	10,418,866	8,598,632
Total net position	$24,828,497	$28,384,306	$31,340,169	$31,769,945	$33,549,462

Source: Port of Redwood City 2010-2014 Audited Financial Statements.

Historical Operating Results. A summary of the Port's historical results of operations as reported in the Port's Financial Statements for the fiscal year 2009-10 through fiscal year 2013-14 are shown in the table set forth below. See APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE PORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013.

Table 6
PORT OF REDWOOD CITY
Statement of Activities and Changes in Net Position
Fiscal Years 2010-2014

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
OPERATING REVENUES					
Marine terminal					
Rentals-maritime	$ 1,701,122	$ 1,674,175	$ 1,731,741	$ 1,778,273	$ 1,794,285
Wharfage	1,108,525	1,166,539	1,330,729	1,449,374	1,647,954
Dockage	365,762	357,284	416,422	404,726	617,337
Facilities usage	478,417	582,087	526,504	538,953	530,139
Line handling	225,478	279,463	402,257	415,863	529,330
Services and miscellaneous	13,062	13,207	16,452	6,591	5,022
Total marine terminal	$ 3,892,366	$ 4,072,755	$ 4,424,105	$ 4,593,780	$ 5,124,067
Rentals – commercial	1,157,861	1,117,115	1,125,503	1,066,500	1,067,693
Recreational boating	465,871	458,632	457,515	507,630	535,412
Other operating revenue	79,301	85,340	95,197	94,750	97,302
Total operating revenues	$ 5,595,399	$ 5,733,842	$ 6,102,320	$ 6,262,660	$ 6,824,474
OPERATING EXPENSES					
Marine terminal	$ 897,851	$ 905,942	$ 1,478,160	$ 1,380,225	$ 1,300,254
Recreational boating	501,768	525,324	510,085	510,023	515,568
Commercial	249,396	227,766	188,306	248,355	239,585
Infrastructure and general maintenance	485,519	534,845	590,709	761,072	740,188
Administration and general expenses	1,120,128	1,164,217	1,121,996	1,067,449	1,075,818
Total operating expenses	$ 3,254,662	$ 3,358,094	$ 3,889,256	$ 3,967,124	$ 3,871,413
OPERATING INCOME	$ 2,340,737	$ 2,375,748	$ 2,213,064	$ 2,295,536	$ 2,953,061
NONOPERATING REVENUE/(EXPENSE)					
Interest income	$ 108,043	$ 76,880	$ 60,119	$ 51,239	$ 46,316
Interest expense	(505,588)	(492,092)	(484,002)	(675,576)	(847,127)
Grant income	452,520	1,929,311	1,535,389	(26,591)	30,382
Other income/(expense), net	25,836	9,993	(2,568)	(590,053)	6,353
Total nonoperating revenue	$ 80,811	$ 1,524,092	$ 1,108,938	$ (1,240,981)	$ (764,076)
Net income before subvention to the City	$ 2,421,548	$ 3,899,840	$ 3,322,002	$ 1,054,555	$ 2,188,985
Subvention to the City	(335,724)	(344,031)	(366,139)	(375,760)	(409,468)
NET POSITION					
Beginning of year	22,742,673	24,828,497	28,384,306	31,091,150	31,769,945
End of year	$24,828,497	$28,384,306	$31,340,169	$31,769,945	$33,549,462

Source: Port of Redwood City 2010-2014 Audited Financial Statements.

Subventions to the City. The Port makes subvention payments to the City pursuant to the Charter and various memoranda of understanding. The Charter does not set out a formula for calculating the subvention, but it does require the Port to annually pay over to the City profits from the operation of the Port and surplus funds which in the Port's judgment are not needed for Port purposes. The Port has a general understanding with the City that all excess Port "profits" should be paid over to the City's general fund, but that at a minimum the City should receive 6% of the gross annual revenues of the Port. This amount is viewed by the Port as a reasonable expectation of "excess profits" generated by the Port annually. The calculation of "excess profits" is to be determined essentially though review of Port financial statements, and by making adjustments to its Reserve Policy and for future capital expenditures. In the fiscal year ending June 30, 2014, the Port subvented $409,468 in "excess profits" to the City.

Investment Policy. Funds held by the Port are invested in a manner consistent with the investment policy adopted by the City. The City policy provides that all investments shall be made within the policy framework of liquidity and safety with judgment and care which a person of prudent and intelligence would, under circumstances then prevailing, exercise in the management of his/her affairs. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions.

The primary investment objectives of the City policy in order of priorities are: safety, credit risk, market risk, liquidity and return of investment. The intention is to hold investments until maturity unless a profit can be realized by liquidating the investment prior to maturity.

Credit risk shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that failure of any one issue does not unduly harm the capital base and cash flow. The investment portfolio shall be structured so that securities mature to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity. The portfolio shall be sufficiently liquid in order to meet anticipated operating and capital needs. Within the safety and liquidity constraints, the investment portfolio shall be designed to attain the market rate of return.

All investments must be made in accordance with the investment policy and section 53600 *et seq. of the* California Government Code. The Port may, as part of a bond issuance, direct or authorize staff to invest bond reserve funds in investment instruments authorized by the California Government Code that are not contained within the City's investment policy.

The investment portfolio may include the following instruments:

- Certificate of Deposit purchased from banks or savings and loan institutions
- Bankers Acceptances
- Treasury Bills Notes and Bonds
- Government Agency Securities (e.g. Federal National Mortgage Association, Government National Mortgage Association, Federal Farm Credits and Federal Home Loan Bank Board)
- Commercial Paper
- State of California Local Agency Investment Fund (LAIF)
- Passbook Savings Accounts
- County of San Mateo Investment Pool
- Money Market Funds

All investment contracts are required to be routed through the City Attorney's office prior to signing by the Treasurer.

At December 31, 2014 the Port had approximately $17,765,060 on deposit at financial institutions for investment and $1,000 cash on hand. The investments are summarized below:

Table 7
PORT OF REDWOOD CITY
Investment Portfolio
As of December 31, 2014

Investment	Value	Percent of Portfolio
Cash and Cash Deposits (Fully collateralized)	$ 1,606,147	9.0%
Local Agency Investment Fund	14,364,546	80.9
Cash and CDs with Fiscal Agent	1,545,367	8.7
Negotiable CDs	250,000	1.4
Total	$17,766,060	100.0%

Grant Funds

The Port has an Emergency Response and Business Recovery Plan (ERP). The ERP is regularly reviewed and updated. Training, drills and exercises are regularly conducted by Port employees in coordination with local and regional emergency response agencies to prepare for the rapid response and recovery by the Port to earthquakes and other possible man made or natural emergencies.

From time to time, the Port receives grant funds from Federal and State agencies. These grant funds are primarily used for capital improvements and vehicles/equipment. In the past 5 - 10 years the grants received by the Port have been part of port maritime security programs and recreational boating facilities.

The Port currently has $425,840.47 in grant funding. The Department of Homeland Security's Port Security Grant Program (PSGP) makes up the overwhelming majority of these funds with three awards totaling $391,055.47. Funds from these awards are being used to construct an Interagency Operations Center for emergency management, to add closed circuit security cameras to the Port's GIS/Tactical Survey program and to conduct emergency response training.

The remaining grant funds (34,785.00) are from the California Department of Boating and Waterway's Vessel Turn-In Program (VTIP). This program reimburses the Port for costs pertaining to the removal and disposal of surrendered vessels.

Historical Revenues, Expenses and Debt Service Coverage

The following table presents Port revenues and expenses for each of the five fiscal years ended June, 30, 2010, through 2014, including debt service coverage.

Table 8
PORT OF REDWOOD CITY
Historical Revenues and Expenses
Fiscal Years 2010-2014

	Fiscal Year Ended,				
	2010	2011	2012	2013	2014
GROSS REVENUES					
Operating Income (Accrual basis)	$5,595,000	$5,733,842	$6,102,320	$6,262,660	$6,824,474
Non-operating Income (1)	133,879	86,873	57,551	52,868	52,699
TOTAL GROSS REVENUES	$5,728,879	$5,820,715	$6,159,871	$6,315,528	$6,877,173
OPERATING EXPENSES	$2,648,046	$2,561,439	$2,746,082	$2,703,564	$2,786,189
NET REVENUES AVAILABLE FOR DEBT SERVICE	$3,080,833	$3,259,276	$3,413,789	$3,611,964	$4,090,984
DEBT SERVICE					
1999 Bonds	$ 725,963	$ 725,963	$ 725,963	$ 725,963	$ 725,963
DBW Loan	53,648	53,648	53,648	53,648	53,648
2012 Bonds	—	—	742,294	742,294	742,294
TOTAL DEBT SERVICE	$ 779,611	$ 779,611	$1,521,905	$1,521,905	$1,521,905
DEBT SERVICE COVERAGE	3.95x	4.18x	2.24x	2.37x	2.68x

Source: Port of Redwood City.
(1) Nonoperating income includes interest income and unrealized gain on investments.

Projection of Revenues, Expenses and Debt Service Coverage

Estimated projected operating results and debt service coverage for the Port for the current and next four Fiscal Years are set forth below. Certain assumptions, including an annual increase in operating income of 1% and an annual increase of operating expenses of 1%, have been made by the Port in the development of the projections. Many of these assumptions are reflected in the projections. While the Port believes its assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The Port's projections may be affected (favorably or unfavorably) by unforeseen future events. Therefore, the results projected below cannot be assured.

Table 9
PORT OF REDWOOD CITY
Projection of Revenues, Expenses and Debt Service Coverage
Fiscal Years 2015-2019

	Fiscal Years Ending,				
	2015	2016	2017	2018	2019
GROSS REVENUES					
Operating Income (1)	$6,750,080	$6,800,000	$6,868,000	$6,937,000	$7,006,000
Non-operating Income (2)	47,500	48,000	42,000	42,000	42,000
TOTAL GROSS REVENUES	$6,797,580	$6,848,000	$6,910,000	$6,979,000	$7,048,000
OPERATING EXPENSES (1)	$2,726,130	$2,623,000	$2,688,000	$2,738,000	$2,785,000
NET REVENUES AVAILABLE FOR DEBT SERVICE	$4,071,450	$4,225,000	$4,242,000	$4,241,000	$4,263,000
DEBT SERVICE					
1999 Bonds (3)	$ 725,963	—	—	—	—
DBW Loan (4)	53,648	—	—	—	—
2012 Bonds	742,294	$ 742,294	$ 742,294	$ 742,294	$ 742,294
2015 Bonds (5)	26,608	664,300	663,950	664,750	664,950
TOTAL DEBT SERVICE (5)	$1,548,513	$1,406,594	$1,406,244	$1,407,044	$1,407,244
DEBT SERVICE COVERAGE	2.63x	3.00x	3.02x	3.01x	3.03x

Source: Port of Redwood City.
(1) Assumes a 1% annual increase.
(2) Nonoperating income includes interest income and unrealized gain on investments.
(3) The 1999 Bonds are being refunded from the proceeds of the Bonds of this issue. See "REFUNDING PLAN."
(4) Paid in full on March 31, 2015.
(5) Preliminary, subject to change.

Pension Plan

The Port currently employs nine people. All Port employees serve at the discretion of the Board. None of the Port's employees are members of a union. Port employees participate in the City's Miscellaneous Plan.

Pension Plans. The Port contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City of Redwood City and Port of Redwood City ordinances. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Active plan members classified as Tier 1 miscellaneous employees are required by State statute to contribute 8.00% of annual covered payroll; Tier 3 miscellaneous employees are required to contribute 6.25%. During fiscal year 2014 the Port paid 4 and 0%, respectively, of the required contribution on behalf of Port employees and for their account; the employees contributed 4% and 6.25% respectively. During fiscal year 2013, the Port paid 4% and 0.75%, respectively, of the required contribution on behalf of Port employees and for their account; the employees contributed 4% and 6.25% respectively.

During fiscal year 2014, the Port was required to contribute \$147,822 at an actuarially determined rate of 20.856% of annual covered payroll for miscellaneous employees (the "annual pension cost") and \$200 for survivors' benefits. During fiscal year 2013, the Port was required to contribute \$125,070 at an actuarially determined rate of 19.462% of annual covered payroll for miscellaneous employees (the "annual pension cost") and \$200 for survivors' benefits. The total amount of pension costs incurred by the Port for the fiscal years ended June 30, 2014 and 2013, were \$203,341 and \$176,341 respectively. For Fiscal Year 2014 costs, \$173,509 was funded by the Port and \$29,832 was funded by Port employees.

For the fiscal year ended June 30, 2014 and 2013, the Port's annual pension cost of \$147,822 and \$125,070 respectively, for PERS was equal to the Port's required and actual contributions. The required fiscal year 2014 contribution was determined as part of the June 30, 2010, actuarial valuation using the Entry Age Normal Cost Method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.55% to 14.45%, and (c) 3.00% inflation factor. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2011, was 19 years for prior and current service unfunded liability for miscellaneous employees, with an average remaining period of 18 years as of the valuation date.

Table 10
PORT OF REDWOOD CITY
Three Year Trend Information for PERS

Fiscal Year Ended	Pension Cost (APC)	APC Contributed	Net Pension Obligation
6/30/12	\$115,749	100%	—
6/30/13	125,070	100	—
6/30/14	147,822	100	—

Source: Port of Redwood City 2014 Audited Financial Statements.

The table below shows projected employer contribution rates (before cost sharing) for the next five fiscal years assuming PERS earns 18% for Fiscal Year 2013-14 and 7.50% every fiscal year thereafter and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits or funding will occur between now and the beginning of fiscal year 2016-17.

	New Rate	Projected Future Employer Contribution Rates				
	2015-16	2016-17	2017-18	2018-19	2019-2020	2020-21
Contribution Rates:	24.134%	26.2%	27.8%	29.3%	30.9%	31.0%

Port employees may defer a portion of their compensation under a Port sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the Port's property and are not subject to the Port's control, they have been excluded from these financial statements.

During fiscal year 2014-15, governmental agencies are required to implement a new accounting standard, Governmental Accounting Standards Board Statement 68 (GASB 68). GASB 68 requires all governmental agencies to record the unfunded pension liability on their balance sheet (*i.e.* Statement of Net Position). Previously, the unfunded pension liability was required to be reported only in the notes to the financial statements.

GASB 68 will also change the pension expense calculation from actual contributions made to a pension plan, to an expense based on actuarial calculations. The GASB 68 derived change in pension expense does not have an impact on operations or debt service coverage and will therefore be excluded from the debt service coverage ratio calculation.

Other Post-Employment Benefits (OPEB). The other post-employment benefits (other than pension) offered by the Port are limited to reimbursement of medical premiums only. Eligibility extends to those employees hired before January 1, 2011, who, prior to retirement, have (a) worked ten or more consecutive years at the Port on a full time basis, and (b) are enrolled in the Port's medical plan, and (c) are age 55 or older, and (d) have not been voluntarily or involuntarily terminated from employment at the Port. Spouses and/or dependents are ineligible.

The reimbursement of medical premiums is limited to the lesser of (a) the medical insurance premium paid by the eligible retiree, or (b) the Port's cost to provide medical coverage for an active employee of the same age as the retiree or (c) the insurance premium for a Medicare supplement plan at the retiree's earliest Medicare eligibility age, whether or not the retiree enrolls in Medicare.

The accounting rules governing other post-employment benefits (OPEB) do not require mandatory funding of the actuarial accrued liability or annual required contribution. During the fiscal year ended June 30, 2011, the Port adopted a comprehensive funding policy for post-employment benefits other than pension. The policy addresses the selection of a Section 115 Trust, prefunding strategy, valuation frequency, valuation methodology, disbursements and administrative matters. The Section 115 Trust selected was the CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"). The Port intends to join the California Employers' Retirement Benefit Trust and make annual contributions at least equal to the Annual Required Contribution under GASB 45.

For the fiscal year ended June 30, 2014, the Port's annual OPEB cost was $32,421; of this amount $1,539 was expensed and funded by reimbursements to current retirees and the remaining $30,882 net OPEB obligation was expensed and recorded as a liability. Combined with the $141,250 net OPEB obligation as of June 30, 2013, the total net OPEB obligation as of June 30, 2014 was $172,132.

The annual required contribution was determined as part of the July 1, 2013, actuarial valuation using the Entry Age Actuarial Cost Method and assumptions consistent with

CalPERS OPEB Assumptions Model. The actuarial assumptions included (a) salary increases of 3.25% per year (b) a discount rate of 7.61%, (c) 100% of eligible employees assumed to elect coverage upon retirement and to remain covered for life, (d) retirement, withdrawal and mortality rates based on CalPERS assumptions model for the classification "public agency miscellaneous 2.7% at 55", and (e) medical premium inflation rates ranging from 9% to 6% over time. The actuarial present value of future benefits was calculated for each individual using the economic assumptions and specific member data, then aggregated. The amortization component of the unfunded actuarial accrued liability was based on a 30-year amortization period.

Table 11
PORT OF REDWOOD CITY
Annual OPEB Cost and Net OPEB Obligation

Normal Cost	$ 7,905
Amortization of unfunded actuarial liability	23,150
Annual required contribution	31,055
Interest on beginning net OPEB obligation	10,470
Annual required contribution adjustment	(9,104)
Annual OPEB expense	32,421
Actual current year employer payment	(1,539)
Increase in OPEB obligation	30,882
Net OPEB obligation at June 30, 2013	141,250
Net OPEB obligation at June 30, 2014	172,132

Source: Port of Redwood City 2014 Audited Financial Statements.

Table 12
PORT OF REDWOOD CITY
OPEB Unfunded Actuarial Accrued Liabilities

Actuarial accrued liabilities	$ 349,824
Actuarial value of plan assets	—
Unfunded actuarial accrued liabilities (UAAL)	349,824
Funded Ratio	0%
Covered Payroll	636,746

Source: Port of Redwood City 2014 Audited Financial Statements.

Environmental Compliance

The Port is required to comply with the provisions of a number of federal and state laws designed to protect or enhance the environment. The two basic laws are the Federal National Environmental Policy Act ("NEPA") and the State of California Environmental Quality Act ("CEQA"). Other federal environmental laws applicable to the Port include the Resources Conservation and Recovery Act, which governs the treatment and disposal of hazardous waste; the Toxic Substances Control Act, which governs the handling and disposition of PCBs and other toxic substances; the Marine Protection, Research and Sanctuary Act, which governs the ocean dumping of dredged materials; the Rivers and Harbors Act, which governs navigable waterways; and the Clean Water Act, which governs discharge to surface waters. Enforcement agencies include the U.S. Environmental Protection Agency and the U.S. Army Corps of Engineers.

The Port is also required to conform to provisions of a number of other state environmental laws, including the Hazardous Waste Control Act, which governs hazardous waste treatment and disposal and the Porter-Cologne Act, which governs surface and ground water quality. State enforcement agencies include the California EPA, the Department of Toxic Substances Control, the State Water Resources Control Board and the local Regional Water Quality Control Board.

In conforming to these laws and their implementing regulations, the Port has instituted a number of compliance programs and procedures. Some of these are ongoing, including the sampling and analysis of harbor sediments to comply with maintenance dredging permit requirements; water quality monitoring of storm water outfalls; and oversight of Port and tenant housekeeping practices. Other compliance activities are carried out on an intermittent basis as necessary. These include disposal of contaminated soil excavated from construction sites; the testing and removal of leaking underground fuel storage tanks and associated soil and groundwater cleanup; and site cleanup related to spills, releases and illegal disposal on Port property. The port is developing a comprehensive stormwater management program overseen by the State Water Resources Control Board.

The Port administers a number of environmental compliance programs. These include the preparation by an outside consultant of an environmental facility audit and report of recommendations, and assessment and remediation programs for cleanup of contaminated soil and groundwater. The Port has adopted a number of contingency plans, some of which are mandated by law, regarding potential spills of fuel, oil and other hazardous substances for the Port's marine terminal facilities.

The Port's agreements with its tenants require the tenants to comply with all federal/state and local environmental laws and regulations. These agreements also require the tenants to pay the cost of cleanup and remediation for fuels, oils and any hazardous substances on the leased premises after taking possession of the property.

The Port is currently in the process of remediating the Liquid Bulk Terminal due to certain ground contamination caused by one of its customers. The California State Department of Toxic Substances Control ("DTSC") and the Port entered into a consent order which outlined the steps to be taken by the Port in order to remediate the Liquid Bulk Terminal. Although DTSC has acknowledged that the Port's environmental remediation of that nine-acre Liquid Bulk Terminal is complete it plans to monitor the remaining eight wells before it will permit removal of those wells. DTSC determined that eight semi-annual analytical testing should suffice. Six more consecutive test results are necessary before DTSC can permit removal of the 8 remaining wells.

Insurance

The Port maintains the following insurance coverages:

Table 13
PORT OF REDWOOD CITY
Insurance Coverage

Coverage	Insurer	Policy Limit
Primary Liability	Liberty Mutual Insurance Co.	$1 million each occurrence; $3 million aggregate
Primary Umbrella Liability	Lexington Insurance Co.	$5 million Primary
Excess Liability	Liberty Mutual Insurance Co	$5 million
	Starr Indemnity & Liability Co.	$24.750 million
	Navigator Insurance Co.	$20.250 million
	Lloyds of London	$50 million to $150 million
Public Officials Liability	Hiscox Insurance Co.	$5 million aggregate shared for POL/EPL
Property	Lexington Insurance Co.	$15 million loss limit
Business Automotive	Liberty Mutual Insurance Co.	$1 million Combined Single Unit
Crime	Hartford Insurance Co.	$500,000 employee theft

Source: Port of Redwood City.

Certain Port tenants are required to carry public liability and environmental pollution liability insurance coverage on the leased premises and to name the City, the Board and the officers and employees of the Port as additional insured parties.

Capital Improvement Program

Major capital improvement projects that are included in the Port's five and ten year capital improvement program are evaluated for replacement, upgrade, and/or repairs based on need and economic return. The Port is the lead agency for developing plans, specifications, environmental review, and permitting for each project. Separate action by the Board is required for CEQA review/approval of documentation, award of bid, and approval of construction contracts.

The following table shows the Port's planned capital improvement program for Fiscal Years 2016 through 2020:

Table 14
PORT OF REDWOOD CITY
Capital Improvement Program
Fiscal Years 206 through 2020

	2016	2017	2018	2019	2020
Channel Deepening	—	—	—	—	$5,000,000
Marina Dock Replacement	—	—	$2,000,000	—	—
Rail Spur Improvement	$ 200,000	—	—	—	—
Sewer Lift Stat. Replacement	—	—	90,000	—	—
Sidewalk Replacement	—	$ 40,000	—	—	—
Storm Water Mgmt System	50,000	—	—	—	100,000
E Dock Restrooms	—	—	—	—	90,000
Computers/Office Equipment	—	30,000		$ 30,000	—
Vehicle/Equipment	—	—	30,000	—	—
Repaving/Slurry Seal	60,000	—	—	100,000	—
Dust Mitigation	50,000	—	—	100,000	—
IOC Room/Equipment	350,000	—	—		—
Channel Deepening Study	350,000	—	—		—
Public Access	—	—	—	100,000	—
Public Fishing Pier	—	1,000,000	—	—	—
Wharf Fender System	1,600,000	—	—	—	—
Marina Dredging	—	—	700,000	—	—
Berth Maint. Dredging	1,500,000	—	—	2,200,000	—
Total	$4,160,000	$1,070,000	$2,820,000	$2,530,000	$5,190,000

Source: Port of Redwood City.

At this time, the Port anticipates funding the capital improvement program from its reserves. No additional bonding is currently anticipated.

Port Competition

General. Revenues are derived from three principal sources: Cargo and lease revenue from maritime tenants, industrial and office rental revenue, and revenue from the Port Marina. Each line of business faces competition from different sources.

Maritime Revenue. There are three competing ports located between 25 and 85 miles from the Port. The Port competes with the Port of Richmond, the Port of San Francisco and the Port of Stockton for maritime revenue. The Port of Richmond can and does handle similar cargo as the Port, and has infrastructure that allows it to compete effectively in the dry bulk and liquid bulk niche markets. However, the Port of Richmond's geographic location in the East Bay presents it with a strategic disadvantage to the Port for customers who require products like gypsum, sand, aggregate, and construction raw material delivered to the San Francisco Peninsula and the Silicon Valley area.

The Port also competes with the Port of San Francisco for bulk materials. As the Port of San Francisco faces increasing difficulty competing with the Port of Oakland for container and general cargo, it is moving into alternative business lines including bulk cargo and the cruise industry. The Port is likely to compete with the Port of San Francisco for cement, cement clinker, and aggregate. The Port also competes with the Port of Stockton for cement. However, trucking costs from a distance as far away as Stockton make the Port and the Port of San Francisco a more viable economic option for Bay Area customers.

Industrial and Office Rental Revenue. The Port competes in the Peninsula real estate market with other real property landlords for commercial and industrial tenants. The Port has benefited from a very strong rental market in the Redwood City area in the recent past. Currently, the Redwood City area vacancy rates are very low with office occupancy at 93.5% and industrial occupancy at 96.0%. A downturn in the economy, coupled with increasing available real estate could soften the market for industrial and commercial property at the Port in future years.

Marina Revenue. Within the City, there are currently three other marinas that the Port Marina competes with for berthers, Westpoint Harbor, Redwood Landing and Bair Island Marina (collectively, including the Port Marina, the "City Marinas").

The City is the southernmost city on the Peninsula that provides marina space. Consequently, the City Marinas are the most geographically convenient berthing locations for boat owners who live in Palo Alto, Los Altos, and the other bay side communities of the southern Peninsula region. For boat owners living north of the City, there are other options. To the north, the City Marinas compete with Brisbane Marina, Coyote Point Marina, Oyster Point Marina, and Pillar Point Harbor.

Occupancy at the Port Marina is currently at 90%. The consistent depth of water, 10-acre marina basin, protected waters and amenities provided make the Port Marina a preferred choice for many boat owners.

Port Communications

The Port communicates the importance of serving Silicon Valley's economy and other news and information with Port tenants, customers, maritime industry representatives, government officials and the interested public. The primary forms of communication are by electronic means through email marketing and communications in the form of a newsletter or press releases with pictures, social media tools and traditional email announcements. The Port maintains a website (www.redwoodcityport.com) which includes the electronic newsletter and press releases. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2015 Bonds.

CERTAIN RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the 2015 Bonds. This section is provided for convenience and is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the 2015 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the 2015 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the 2015 Bonds or adversely affect the ability of the Port to make timely payments of principal of or interest on the 2015 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Limitation on Remedies

The Indenture provides only limited remedies to Bondholders in the event of a default by the Port. The enforceability of the rights and remedies of the owners of the 2015 Bonds and the Trustee under the Indenture in the event of a default by the Port may be subject to the following: limitations on legal remedies available against cities in California; the federal bankruptcy code and other bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; and the delay and uncertainty inherent in legal proceedings. The enforceability opinion of Co-Bond Counsel will be made subject to such limitations on remedies. See APPENDIX E—FORM OF BOND COUNSEL OPINION. Also, see "—Concentration of Revenue Generation."

General Economic Risk and Real Estate Risk

Most revenues of the Port are derived from long term leases. Absent tenant turnover, the Port has limited ability to increase rents under such long term leases to offset any reduction of other revenues or increase in expenses of the Port. Thus, the ability of the Port to respond to unanticipated shortfalls in Net Revenues is limited.

The Port's revenues are derived primarily from property leases to commercial and industrial enterprises. The Port's tenants are subject to competitive conditions and other business and economic factors that may affect their ability to pay rent to the Port, including local and regional economic conditions. Any tenant of the Port may elect not to renew its lease upon expiration of the lease term. The ability of such businesses to continue in operation, and to pay rent to the Port, may be compromised in the event of an economic downturn, failure of such businesses or their tenants to perform, mismanagement, lawsuits, increased operating expenses, and similar business risks, or in the event of a natural or other disaster and similar occurrences, and may be adversely affected by their ability to collect under their insurance policies in the event of any occurrence of a casualty. In the event of a business downturn, a Port tenant may fail to make lease payments when due, may decline to renew an expiring lease, may become insolvent or may declare bankruptcy or may fail to maintain the premises. Any such non-performance or default by a tenant under the lease will have an adverse impact on the Port's revenues. Nonperformance by a significant tenant could have a serious long-term impact on the Port's financial condition. Even if, under the terms of the lease, the Port is able to terminate the lease and evict the tenant, the Port may have difficulty in securing another tenant. The terms of any new lease may not be as favorable as the prior lease.

The Port's ability to make principal and interest payments on the 2015 Bonds is dependent upon the generation of revenue, which is derived from the collection of rents, rates, tariffs and charges. A number of factors could adversely affect the Port's ability to generate Revenues and pay its operating costs through its lease, rates and tariffs structure including, but not limited to, increased capital improvement needs and the costs thereof, increased Operation and Maintenance Expenses, competition in the real estate market and maritime industry for the property and services offered by the Port, changes in the cost and terms of debt financing, increased federal, state and city/county restrictions or requirements, and general economic conditions. These factors are not within the Port's control, to a large degree. The ability of the Port to generate or maintain revenues through its real estate development activities is affected by the same factors. Any adverse change in any of the foregoing factors could make the ongoing development of the Port's properties more difficult or impossible, even if only for a period of time.

The Port competes with certain other port facilities in the immediate area and the region and is subject to competitive factors and market conditions in a number of sectors. See "THE PORT OF REDWOOD CITY—Port Competition."

Insufficient Channel Dredging

The channel that accesses the Port was authorized by the U.S. Congress at a depth of 30 feet. It is the responsibility of the US Army Corps of Engineers (the "Corps") to maintain the channel at the authorized depth. The Corps annually receives funding for maintaining navigation projects. If funds are not available or not sufficient to perform maintenance dredging over an extended period of three years or more, or if the Corps fails to complete the dredging even if funded, build up of silt in the channel could eventually restrict navigation to such a degree that it would not be economically efficient for ships to call at the Port with the result that Net Revenues would be negatively affected.

Seismic Risks

The Port lies within a region of California that contains many active and potentially active faults and is considered an area of high seismic activity. The U.S. Geological Survey (USGS) along with the California Geological Survey and the Southern California Earthquake Center formed the 2007 Working Group on California Earthquake Probabilities which has evaluated the probability of one or more earthquakes of magnitude 6.7 or higher on the Richter scale occurring in the state of California over the next 30 years. The result of the evaluation indicated a 63% likelihood that such an earthquake event will occur in the Bay Area. The San Andreas, Hayward and Calaveras Faults pose the greatest threat of significant damage in the Bay Area according to the USGS Working Group. There are no active faults that cross the Port, and the nearest active fault is approximately 4 miles away.

Historic earthquakes have caused strong ground shaking and damage in the San Francisco Bay Area, the most recent being the magnitude 6.9 Loma Prieta earthquake in October 1989. The epicenter was approximately 50 miles south of the Port and caused strong ground shaking for about 20 seconds. Although there were varying degrees of structural damage throughout the Bay Area the Port experienced only minor damages.

Hazard maps produced by the Association of Bay Area Governments (ABAG) depict liquefaction and differential settlement hazards for the entire Bay Area in the event of a significant seismic event. According to these maps, the Port is in an area expected to have a very high potential to experience earthquake-induced liquefaction and settlement impacts underlain by artificial fill would be susceptible to earthquake-induced settlement. In addition, the presence of historic sloughs, old buried foundations, and former marsh areas that may have been exposed for extended periods at the project site, indicate variable conditions that could add to the potential for differential settlement

Current Seismic design code and construction practices have been utilized in the design and construction of the more recent buildings and facilities constructed at the Port. The new Wharves No. 1 and 2 were designed to withstand a magnitude 9.0 earthquake with minor damage expected to access ramps and on shore improvements.

The Port could sustain extensive damage to its facilities in a major seismic event which could include slope failures along the shoreline, pavement displacement, distortions of pavement grades, breaks in utility, drainage and sewage lines, displacement or collapse of buildings, failure of bulkhead walls, rupture of storage tanks, gas and fuel lines. Damage to Port facilities could adversely affect Revenues. The Port currently does not maintain insurance coverage against earthquake damage.

Tsunamis are waves caused by an underwater earthquake, landslide, or volcanic eruption, while seiches are waves in an enclosed or semi-enclosed body of water such as a lake, reservoir, or harbor. Flooding from tsunamis would generally affect Pacific coastal areas to a greater degree than low-lying areas along San Francisco Bay. Tsunami waves that might reach the Golden Gate entry in the Bay would naturally attenuate, making areas that are further away less susceptible to damaging waves. In addition, the Port is not located immediately adjacent to the Bay and would be further sheltered by the Redwood Creek Channel. The Port is not located by an enclosed or semi-enclosed body of water considered susceptible to seiches.

Sea Level Rise

Scientific research to date indicates that observed climate change and increased temperatures around the globe will likely result in the predicted acceleration of sea level rise. Depending on which end of the range of projected temperature increase come about, the California Climate Action Team found that the water levels in San Francisco Bay could rise an additional five inches to three feet by the end of this century.

Port facilities could be affected by sea level rise of 16 inches, a possible level projected to occur by 2050, by occasional flooding of some of the Port's facilities. Recent construction projects at the Port are designed to mitigate the impacts of projected sea level rise. Wharves 1 & 2 and the adjacent sea wall were built to accommodate a possible sea level rise of 18 inches projected to occur by 2050-2060.

Acts of Terrorism

Certain Port facilities are subject to regulation under the Maritime Transportation Security Act of 2002 which requires the Port to implement security measures designed to protect US ports and waterways from terrorist acts. The Port is responsible to maintain a Facilities Security Plan for commercial maritime operations involving foreign sea-going cargo vessels and to maintain "readiness" to continually deter, detect, and respond to any acts of terrorism. These plans and procedures are reevaluated and modified by the Port and federal agencies through drills, exercises, training and monitoring of the Port area.

Periodically the Port undergoes facility security assessments which are required in order to remain compliant with federal Department of Homeland Security regulations.

The results of the most recent assessment showed that there is a medium threat level to critical Port assets and the consequences of a terrorist action against various Port facilities would be nominal.

Risks Related to Environmental Liability; Hazardous Substances and Increased Environmental Regulation

The Port is subject to a wide variety of local, State, and federal transportation and environmental laws. Such laws include mandates with respect to the Port's properties and operations conducted thereon, including regulations governing uses of Port property, air emissions, stormwater compliance and discharges to San Francisco Bay, and handling of hazardous materials. The regulations governing the use of Port property and activities conducted on it are likely to evolve and become more restrictive over time.

The Port is currently subject to environmental compliance orders issued by regulatory agencies with purview over Port property or voluntary oversight by such agencies associated with known or suspected contamination of Port property or groundwater. These agencies include the San Francisco Bay Regional Water Quality Control Board and the California Department of Toxic Substances Control. These orders and voluntary oversight typically arise from the activities of former Port tenants who are the primary responsible parties for such contamination. Future environmental investigations of Port property could result in identifying contamination that could result in additional orders and/or voluntary oversight. In some of these cases, the Port may have difficulty identifying parties responsible for the subject contamination. The costs to the Port to implement the compliance measures required by such orders and mandates are included as Operation and Maintenance Expenses of the Port. Such regulations are subject to amendment from time to time, and any such amendments could require the Port to undertake additional, compliance measures. The costs of such compliance measures and amendments could materially increase the Port's operating costs and thereby adversely affect Net Revenues.

Constitutional and Statutory Restrictions on Fees and Charges; Change in Law

The Port is subject to State, federal and City laws that restrict its operations. Such laws may be amended at any time. Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law that could limit the ability of the Port to impose and increase revenue sources and to spend such revenues, and that, under certain circumstances, could permit existing revenue sources of the Port to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the Port's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. A summary of the currently effective limitations is set forth below.

Articles XIII C and XIII D of the California Constitution. Proposition 218, approved by the voters of the State in 1996, added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. The applicability of Proposition 218 to enterprise departments of cities, such as the Port, is unclear, but the Port believes that Proposition 218 is inapplicable to the fees and charges imposed by it. The voter approval requirements of Article XIII C reduce the flexibility of local governments to deal with fiscal problems by raising revenue through new, extended or increased assessments, fees and charges. No assurance can be given that the Port will be able to raise assessments, fees and charges in the future to meet increased expenditure requirements, if it is later determined that the Port's fees and charges are subject to Proposition 218.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to the collection of revenues to repay bonds. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges by the Port.

Article XIII D contains several provisions intended to restrict the ability of local agencies to levy and maintain "assessments" and "fees" (as defined in Article XIII D) for "property related services." Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." A "property related service" is defined as "a public service having a direct relationship to property ownership." The Port is of the opinion that charges for its services are not property related fees or charges and therefore are not subject to the limits of Article XIII D. The Port cannot predict the future impact of Proposition 218 on the finances of the Port, and no assurance can be given that, due to subsequent interpretations of Proposition 218 by the courts, Proposition 218 will not have a material adverse impact on the Port's revenues.

Proposition 26. Proposition 26 was approved by voters of the State in November 2010 and revises the State Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments. The applicability of Proposition 26 to the Port is unclear, but the Port believes that Proposition 26 is inapplicable to the fees and charges imposed by it.

Future Changes in Laws. No assurance can be given that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State, resulting in a reduction of Net Revenues and, consequently, having an adverse effect on the security for the 2015 Bonds. No assurance can be given that the City electorate will not at some future time adopt an initiative or Charter amendment having an impact on the Port's operations and, consequently, having an adverse effect on the security for the 2015 Bonds.

Concentration of Revenue Generation

Approximately 52% of Port revenues are received from two tenants. The financial failure or bankruptcy of a Port tenant could adversely affect the ability of such tenant to honor its obligation under its lease, may affect the Port's ability to enforce the terms of the lease against such tenant and could allow such tenant to reject its lease. Further, the Port's right to receive payment of rent accrued prior to bankruptcy may be limited to the rights of an unsecured creditor of the bankrupt entity.

Uncertainties of Projections and Assumptions; Forward Looking Statements

Compliance with certain of the covenants contained in the Indenture is based upon assumptions and projections including, but not limited to, those described under "THE PORT OF REDWOOD CITY—Projection of Revenues, Expenses and Debt Service Coverage." Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the Port assumes no responsibility for the accuracy of such projections.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." All forward-looking statements are predictions and are subject to known and unknown risks and uncertainties. No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this official statement. Given their uncertainty, investors are cautioned not to place undue reliance on such statements.

Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers

As discussed under “TAX MATTERS,” interest on the 2015 Bonds could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the issuance of the 2015 Bonds as a result of future acts or omissions of the Port in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the 2015 Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2015 Bonds or, if a secondary market exists, that the 2015 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of 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.

LEGAL OPINIONS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render opinions with respect to the validity of the 2015 Bonds in substantially the forms set forth in APPENDIX E—FORM OF BOND COUNSEL OPINION. Copies of such approving opinion will be available at the time of delivery of the 2015 Bonds.

TAX MATTERS

General

In the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, subject, however, to certain qualifications set forth below, under existing law, the interest on the 2015 Bonds is excluded from gross income for federal income tax purposes, except during any period while a 2015 Bond is held by a “substantial user” of the facilities financed by the 2015 Bonds or by a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Tax Code”). It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations.

The opinion of Bond Counsel is subject to the condition that the Board comply with certain requirements of the Tax Code that must be satisfied subsequent to the issuance of the 2015 Bonds. The Board has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2015 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2015 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2015 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2015 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2015 Bonds under federal individual and corporate alternative minimum taxes.

In the further opinion of Bond Counsel, interest on the 2015 Bonds is exempt from California personal income taxes.

Bond Counsel expresses no opinion regarding any federal tax consequences arising with respect to the 2015 Bonds other than as expressly described above. Owners of the 2015 Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2015 Bonds may have federal or state tax consequences other than as described above for certain taxpayers, including without limitation, foreign corporations subject to the branch profits tax, financial institutions, property and casualty insurance companies, S corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations. Prospective investors, particularly those who may be subject to special rules, should consult their own tax advisors regarding the tax consequences of owning the 2015 Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2015 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2015 Bonds. Prospective purchasers of the 2015 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Form of Opinion

The form of Bond Counsel’s anticipated opinion is included as APPENDIX E—FORM OF FINAL OPINION OF BOND COUNSEL. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

APPROVAL OF LEGAL PROCEEDINGS

The legality and enforceability of the 2015 Bonds is subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Bond Counsel. Certain disclosure matters will be passed upon for the Port by Quint & Thimmig LLP, Larkspur, California, acting as Disclosure Counsel. Certain legal matters will be passed upon for the Port by its counsel, Francois X. Sorba, Esq., San Mateo, California. Certain legal matters will be passed upon for the Underwriter by Schiff Hardin LLP, San Francisco, California.

LITIGATION

There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending with respect to which the Port has been served with process or threatened against or affecting the Port, which would adversely impact the Port's ability to complete the transaction described in or contemplated by the Indenture or this Official Statement, to restrain or enjoin its collection of the Net Revenues or any payments under the Indenture, or in any way contesting or affecting the validity of the 2015 Bonds, the Indenture, the transactions described in this Official Statement, or wherein an unfavorable decision, ruling or determination would adversely affect the validity or enforceability of the Indenture or the 2015 Bonds.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the rating of "BBB" to the 2015 Bonds. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P at 55 Water Street, New York, NY 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the 2015 Bonds.

MUNICIPAL ADVISOR

The Port has entered into an agreement with William Euphrat Municipal Finance, Inc. (the "Municipal Advisor"), whereunder the Municipal Advisor is providing municipal advisory services to the Port with respect to preparation and sale of the 2015 Bonds. The Municipal advisor has read and participated in the drafting of certain portions of this Official Statement. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the Port with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement. The compensation of the Municipal Advisor is contingent upon the sale of the 2015 Bonds.

CONTINUING DISCLOSURE

The Port has covenanted for the benefit of 2015 Bond Owners and beneficial owners of the 2015 Bonds to provide certain financial information and operating data relating to the Port by not later than nine months following the end of the Port's fiscal year (currently ending June 30) (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 2015, which is due no later than March 31, 2016, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of significant events will be filed by the Port with the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b) (5) (the "Rule").

The Port has not failed to comply in all material respects with any undertaking under the Rule in the past five years.

UNDERWRITING

The 2015 Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2015 Bonds at a price of $_____ (which price is equal to the aggregate principal amount of the 2015 Bonds of $__________, plus a net original issue premium of $_________, less an Underwriter's discount of $________).

The bond purchase agreement pursuant to which the Underwriter has agreed to purchase the 2015 Bonds provides that the Underwriter will purchase all of the 2015 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such bond purchase agreement, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the 2015 Bonds to the public at the offering prices or yields set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at prices or yields lower than the offering prices or yields stated on the inside cover page hereof. The offering prices or yields may be changed from time to time by the Underwriter.

OTHER INFORMATION

All summaries and explanations of the Act, the Indenture and the other documents referred to herein are qualified in their entirety by reference to the Act and such documents, and references herein to the 2015 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture.

Any statements in this Official Statement involving matters of opinion are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Port and the purchasers or owners of the 2015 Bonds.

Copies of the Indenture are available for inspection at the Principal Corporate Trust Office of the Trustee.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the 2015 Bonds.

The summaries of certain provisions of the 2015 Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The audited financial statements of the City, including a summary of significant accounting policies, for the fiscal years ended June 30, 2014 and 2013, are contained in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE PORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013.

The execution and delivery of this Official Statement has been duly authorized by the Port.

PORT OF REDWOOD CITY

By ______________________________
Authorized Officer

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF REDWOOD CITY AND SAN MATEO COUNTY

The information in this section of the Official Statement is presented as general background data. The Bonds are payable solely from the revenues of the Port and other sources as described in the Official Statement. The taxing power of the City the County, the State of California, or any political subdivision thereof is not pledged to the payment of the Bonds.

General

The City of Redwood City (the "City") is located in the San Francisco Bay Area 25 miles south of San Francisco. It is the oldest bayside city in San Mateo County (the "County"), incorporated in 1867, and has been the County Seat since 1856. 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.

Municipal Government

The City Council consists of seven members, elected by the voters of the City to staggered terms of four years each. The City Council is the only body elected directly by the residents of Redwood City. As the legislative branch of the government, it makes final decisions on all major city matters. The Council adopts ordinances and resolutions necessary for efficient governmental operations, approves the budget, and acts as a board of appeals. It appoints the City Manager, City Attorney, and City Clerk and also most members of the City's boards, committees and commissions.

The current members of the City Council are as follows:

Name and Office	Current Term Expires
Jeffrey Gee, *Mayor*	November 2017
Rosanne Foust, *Vice Mayor*	November 2015
Ian Bain, *Councilmember*	November 2015
Alicia C. Aguirre, *Councilmember*	November 2015
Diane Howard, *Councilmember*	November 2017
Barbara Pierce, *Councilmember*	November 2015
John D. Seybert, *Councilmember*	November 2017

The City Manager is appointed by the City Council.

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 the 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 suburban 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. Services and trade, the County's two largest industry divisions, are expected to provide close to two-thirds of anticipated growth in the next two years.

Population

The following table lists population estimates for the City, County and the State for the last five calendar years, as of January 1.

REDWOOD CITY, SAN MATEO COUNTY and CALIFORNIA
Population Estimates
Calendar Years 2009 through 2013 as of January 1

	2010	2011	2012	2013	2014 (1)
City of Redwood City	76,815	77,299	78,049	79,159	80,768
San Mateo County	718,451	722,372	727,793	736,647	745,193
State of California	37,253,956	37,427,946	37,668,804	37,984,138	38,340,074

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2010-2014.
(1) Latest available data.

Employment and Industry

SAN MATEO COUNTY
Civilian Labor Force, Employment and Unemployment;
Employment by Industry (Annual Averages)

	2009	2010	2011	2012	2013(4)
Civilian Labor Force(1)	374,300	377,800	385,300	397,500	403,600
Employment	342,900	344,900	355,000	371,000	381,800
Unemployment	31,400	32,900	30,300	26,500	21,800
Unemployment Rate	8.4%	8.7%	7.9%	6.7%	5.4%
Wage and Salary Employment:(2)					
Total, All Industries(3)	323,000	317,000	325,500	339,100	354,100
Total Farm	1,700	1,700	1,600	1,600	1,600
Total Nonfarm	321,300	315,300	323,900	337,500	352,500
Goods Producing	40,500	39,200	39,700	39,600	42,400
Mining, Logging and Construction	13,800	12,900	14,200	15,200	16,700
Manufacturing	26,700	26,300	25,500	24,400	25,700
Service Providing	280,900	276,100	284,200	297,900	310,100
Trade, Transportation & Utilities	69,900	68,400	68,500	70,200	72,400
Information	18,100	17,500	17,900	20,900	23,600
Financial Activities	19,100	18,600	19,400	20,000	20,200
Professional & Business Services	60,900	60,000	64,000	69,500	71,000
Educational & Health Services	36,700	35,300	36,400	37,400	39,700
Leisure & Hospitality	33,500	33,800	35,400	36,800	39,500
Other Services	11,500	11,200	12,200	12,900	13,300
Government	31,300	31,300	30,600	30,300	30,400

Source: State of California Employment Development Department, March 2013 Benchmark and Bureau of Labor Statistics U.S. Department of Labor.
(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
(4) Latest available full year data.

The following table shows the major employers in the County as of February 2014, listed in alphabetical order.

SAN MATEO COUNTY
Major Employers (Listed alphabetically)
February 2014

Employer Name	Location	Industry
Ab Sciex LLC	Redwood City	Scientific Apparatus & Instruments-Mfrs
Caltrain	San Carlos	Transit Lines
Electronic Arts Inc	Redwood City	Game Designers (Mfrs)
Facebook Inc	Menlo Park	Internet Service
Forced Dump Debris Box Svc	Burlingame	Garbage Collection
Franklin Templeton Investments	San Mateo	Investments
Gate Gourmet	San Francisco	Caterers
Gilead Sciences Inc	Foster City	Biological Products (Mfrs)
Guckenheimer Inc	Redwood City	Marketing Programs & Services
Hyatt Regency-San Francisco	Burlingame	Hotels & Motels
Kaiser Permanente Medical Ctr	South San Francisco	Hospitals
Kaiser Permanente Medical Ctr	Redwood City	Hospitals
Oracle Corp	Redwood City	Computer Software-Manufacturers
Peninsula Medial Ctr	Burlingame	Hospitals
San Francisco Intl Airport	San Francisco	Airline Companies
San Mateo County Behavior	San Mateo	Government Offices-County
San Mateo County Human Svc	Belmont	County Government-Social/Human Resources
San Mateo Medical Ctr	San Mateo	Hospitals
Seton Medical Ctr	Daly City	Hospitals
Sri International Inc	Menlo Park	Research Service
Stanford Linear Accelerator	Menlo Park	Research Service
US Interior Dept	Menlo Park	Federal Government-Conservation Depts
Visa Inc	Foster City	Credit Card & Other Credit Plans
Visa International Svc Assn	Foster City	Credit Card-Merchant Services
Visa USA Inc	Foster City	Credit Card & Other Credit Plans

Source: California Employment Development Department, Major Employers in San Mateo County.

The following table shows the principal employers in the City as of June 30, 2014.

PRINCIPAL EMPLOYERS
City of Redwood City

Employer	Number of Employees	Rank	% of Total City Employment
Oracle Corporation	6,750	1	15.70%
Electronic Arts	2,367	2	5.50
Kaiser Permanente Medical Group	911	3	2.12
Kaiser Foundation Hospitals	773	4	1.80
Stanford Hospital & Clinics	750	5	1.74
Silver Springs Networks	602	6	1.40
Equinix	532	7	1.24
Genomic Health	479	8	1.11
Pacific Data Images (Dreamworks)	449	9	1.04
Abbott Vascular	347	10	0.81

Source: City of Redwood City, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2014.

Construction Activity

Provided below are the building permits and valuations for the City and the County for calendar years 2009 through 2013.

CITY OF REDWOOD CITY
Total Building Permit Valuations
(Valuations in Thousands)

	2009	2010	2011	2012	2013 (1)
Permit Valuation					
New Single-family	$ 9,249.1	$ 10,002.2	$ 9,184.6	$ 35,516.6	$ 3,399.2
New Multi-family	14,135.0	3,359.4	13,095.0	103,125.5	57,869.1
Res. Alterations/Additions	17,739.0	19,047.3	22,504.6	10,362.7	28,261.3
Total Residential	41,123.2	32,408.9	44,784.2	149,004.9	89,529.8
New Commercial	-	-	135.0	2,650.5	5,531.0
New Industrial	5,000.0	-	-	382.0	619.2
New Other	2,081.0	1,015.1	-	16,037.5	111,295.1
Com. Alterations/Additions	26,760.1	30,631.3	49,043.7	437.7	47,256.6
Total Nonresidential	$33,841.1	$31,646.3	$49,178.7	$19,507.8	$164,701.9
New Dwelling Units					
Single Family	40	46	41	60	8
Multiple Family	105	16	70	297	395
TOTAL	145	62	111	357	403

Source: Construction Industry Research Board, Building Permit Summary.
(1) Latest available data.

SAN MATEO COUNTY
Total Building Permit Valuations
(Valuations in Thousands)

	2009	2010	2011	2012	2013 (1)
Permit Valuation					
New Single-family	$ 147,515.5	$ 189,296.6	$ 194,950.1	$ 245,163.9	292,893.3
New Multi-family	74,329.6	21,309.0	107,040.0	171,390.4	151,019.5
Res. Alterations/Additions	204,482.0	262,592.1	289,619.5	201,543.0	299,830.5
Total Residential	426,327.0	473,197.6	591,609.6	618,097.4	743,743.4
New Commercial	17,942.0	62,510.5	28,247.6	30,592.1	71,918.6
New Industrial	5,000.0	-	3,359.4	2,021.5	15,724.2
New Other	70,410.1	66,274.8	26,029.4	167,438.8	887,298.0
Com. Alterations/Additions	235,373.3	283,752.5	244,089.0	44,002.0	263,460.7
Total Nonresidential	$328,725.5	$412,537.8	$301,725.4	$244,054.5	$1,238,401.5
New Dwelling Units					
Single Family	236	216	213	264	350
Multiple Family	393	111	545	671	840
TOTAL	629	327	758	935	1,190

Source: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.
(1) Latest available data.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of nonfarm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County of San Mateo, the State and the United States for the period 2010 through 2014.

CITY OF REDWOOD CITY; COUNTY OF SAN MATEO
Effective Buying Income
As of January 1, 2010 through 2014 (1)

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	City of Redwood City	$ 2,335,918	$62,617
	San Mateo County	23,489,013	66,508
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Redwood City	$ 2,351,140	$61,892
	San Mateo County	23,717,577	66,434
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Redwood City	$ 2,693,877	$62,528
	San Mateo County	26,570,647	68,429
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	City of Redwood City	$ 2,802,145	$ 65,351
	San Mateo County	26,846,688	70,427
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Redwood City	$ 2,893,517	$ 66,809
	San Mateo County	28,257,707	72,165
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: Neilson, Inc.
(1) Latest available data.

Commercial Activity

In 2010, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2010 is not comparable to that of prior years. A summary of historical taxable sales within the City during the past five years in which data is available is shown in the following table. Figures for 2013 are not yet available.

CITY OF REDWOOD CITY
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	1,193	$ 961,033	1,987	$1,387,335
2010	1,230	1,053,741	2,023	1,451,454
2011	1,236	1,170,101	2,023	1,551,074
2012	1,287	1,278,605	2,084	1,696,509
2013 (1)	1,315	1,363,758	2,098	1,828,715

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Latest available data.

In 2010 the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2010 is not comparable to that of prior years. A summary of historical taxable sales within the County during the past five years in which data is available is shown in the following table. Figures for 2013 are not yet available.

COUNTY OF SAN MATEO
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits on July 1	Taxable Transactions	Number of Permits on July 1	Taxable Transactions
2009	11,143	$7,455,767	18,840	$11,327,022
2010	11,340	7,846,274	18,979	11,966,338
2011	11,470	8,536,043	18,995	13,020,643
2012	11,748	9,277,144	19,189	13,906,978
2013 (1)	12,438	9,935,641	19,808	14,611,618

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Latest available data.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE PORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

Port of Redwood City

Redwood City, California

Basic Financial Statements and Independent Auditors' Report

For the years ended June 30, 2014 and 2013

BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Port of Redwood City
Basic Financial Statements
For the years ended June 30, 2014 and 2013

Table of Contents

BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
of the Port of Redwood City
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Port of Redwood City, California (Port), a department of the City of Redwood City, California (City), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Address: 180 Grand Avenue, Suite 1500 Oakland, CA 94612 • Phone: 510.768.8251 • Fax: 510.768.8249

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port of Redwood City, California, as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Badawi & Associates

Badawi & Associates
Certified Public Accountants
Oakland, California
November 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The Port of Redwood City has issued its financial statements for the fiscal year ended June 30, 2014 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This report, Management's Discussion and Analysis, is an overview of the Port's financial activities for the fiscal year and is an integral part of the accompanying Basic Financial Statements.

ACCOUNTING METHOD

The Port's operations are accounted for as an Enterprise Fund. Enterprise funds are used by municipalities to account for operations which are financed and managed similar to private business enterprises, where the costs and expenses (including depreciation) of providing services to the public on a continuing basis are recovered primarily through user charges. The Port does not receive tax revenues. The Port's revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. All assets and liabilities associated with the activity of the enterprise are included on the Statement of Net Position. The Port is stated as a department in the City of Redwood City's financial statements.

THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS

The Port has only one fund, therefore the Basic Financial Statements do not reflect the activities of multiple funds. The Basic Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position (Income Statement) and Statement of Cash Flows. Together with this report, the Basic Financial Statements provide information about the significant events, assumptions and decisions which resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the Port, including its capital assets and debts.

The Statement of Activities and Changes in Net Position (Income Statement) provides information regarding the revenues generated by each segment of the Port's business, and the expenses incurred in generating those revenues. The ultimate focus of the income statement is the measurement of profitability as reflected by the amount of net income generated for the fiscal year.

The Statement of Cash Flows provides information regarding the sources and uses of the cash which flowed into and out of the Port as a result of its operations and financing decisions.

FINANCIAL ACTIVITIES & FISCAL YEAR 2014 HIGHLIGHTS

The Statement of Net Position

The port business is capital intensive; significant investment in assets is required in order to acquire the land, and construct and maintain the necessary infrastructure and facilities. The acquisition of assets can be funded by cash reserves, debt, or donated capital including grants. In general, debt can be incurred in the form of notes payable and/or bonds payable. A condensed version of the Statement of Net Position is presented in Table A below, which reflects the capital intensity of the Port's business and the changes which occurred between Fiscal Years 2014, 2013, and 2012.

Table A

	FY14	FY13	FY14 vs. FY13 Change	FY12	FY13 vs. FY12 Change
Assets					
Current Assets	$ 19,601,724	$ 24,578,064	$ (4,976,340)	$ 31,811,242	$ (7,233,178)
Capital Assets, Net	33,225,048	27,811,323	5,413,725	19,374,044	$ 8,437,279
All Other Assets	400,000	400,000	0	649,019	$ (249,019)
Total Assets	$ 53,226,772	$ 52,789,387	$ 437,385	$ 51,834,305	$ 955,082
Liabilities					
Current Liabilities	$ 2,939,735	$ 3,602,410	$ (662,675)	$ 2,462,493	$ 1,139,917
Long Term Liabilities	16,737,575	17,417,032	(679,457)	18,031,643	$ (614,611)
Total Liabilities	$ 19,677,310	$ 21,019,442	$ (1,342,132)	$ 20,494,136	$ 525,306
Net Assets					
Invested in Capital Assets, Net of Related Debt	$ 23,475,092	$ 19,882,823	$ 3,592,269	$ 18,864,682	$ 1,018,141
Restricted	1,475,738	1,468,256	7,482	725,998	$ 742,258
Unrestricted	8,598,632	10,418,866	(1,820,234)	11,749,489	$ (1,330,623)
Total Net Assets	$ 33,549,462	$ 31,769,945	$ 1,779,517	$ 31,340,169	$ 429,776

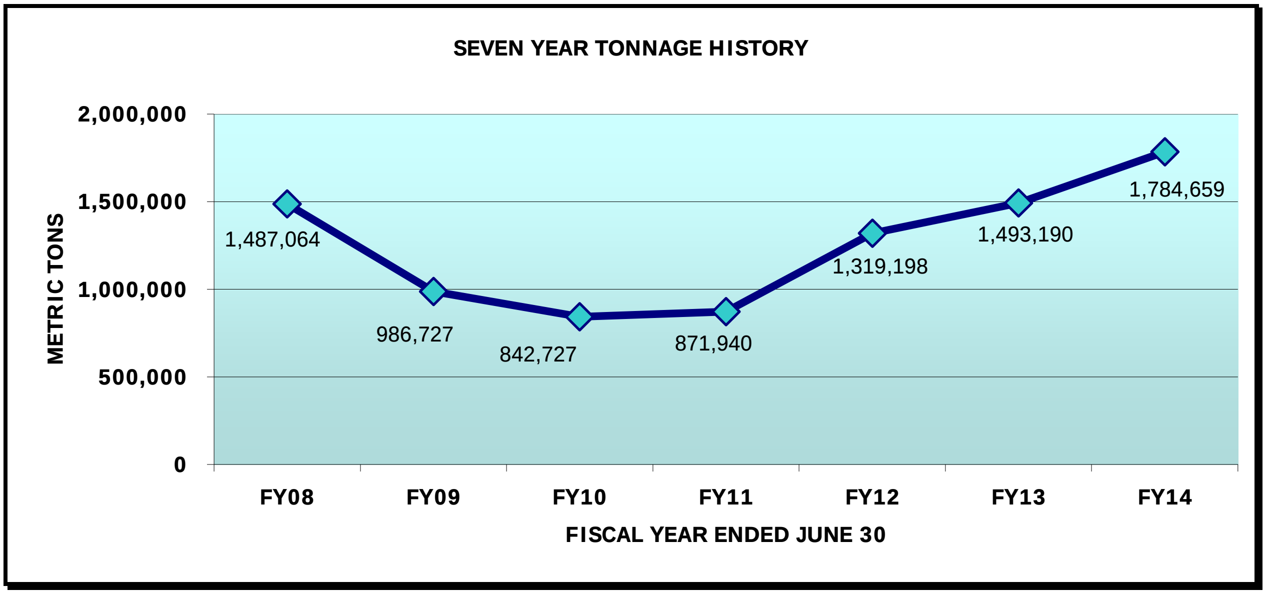
The decrease in current assets and increase in net capital assets between June 30, 2014 and June 30, 2013 is primarily due to the expenditure of project fund proceeds from the issuance of Series 2012 Revenue Bonds for the Wharves 1 & 2 replacement project. At June 30, 2014, construction of the wharves was well underway and the project is expected to be completed on-time and on-budget in late 2014.

The $1,779,517 increase in FY14 Total Net Position is comprised of $2,188,985 in net income for the year, less $409,468 for subvention to the City of Redwood City.

The Statement of Revenues, Expenses & Changes in Net Position (Income Statement)

The Port's business is comprised of three major segments:

- Maritime – activities related to the import and export of waterborne cargos.
- Recreational Boating – activities related to the operation of a public marina, boat launch facility and dry boat storage facility.
- Commercial – activities related to the leasing of land and buildings not directly associated with Maritime activities.



In Fiscal Year 2014 the Port's tonnage was 1,784,659 metric tons, up 19.5% from 1,493,190 metric tons in FY13, and surpassing the volume achieved in FY08 prior to the recession.

The recession resulted in weaker demand for construction materials, especially cement and gypsum, in Northern California and the San Francisco Bay Area. The construction industry is cyclical, with periods of growth followed by periods of contraction, however, this normal cycle was severely disrupted by the prolonged weak economy which resulted in declining cargo volumes for a protracted period of time.

The tonnage increases in Fiscal Year 2013 and 2014 are a positive sign of recovery, however, cement imports which accounted for substantial tonnage volume prior to the recession have not yet resumed. When demand for cement surpasses locally sourced domestic supplies, cement imports are anticipated to resume and increase total tonnage.

FINANCIAL ACTIVITIES & FISCAL YEAR 2014 HIGHLIGHTS, CONTINUED

The Statement of Revenues, Expenses & Changes in Net Position (continued)

The Port's Income Statement segregates the revenues and expenses of each of its three major business segments, as well as expenses related to the operation and maintenance of the Port's infrastructure and its administration. Table B, below, is a condensed version of the Income Statement; it summarizes the Port's revenue and expense, splits out other non-operating revenue/(expense) into its component parts, and compares results for Fiscal Years 2014, 2013 and 2012.

Table B

	FY14	FY13	FY14 vs. FY13 Change	FY12	FY13 vs. FY12 Change
Revenue					
Operating Revenue	$ 6,824,474	$ 6,262,660	$ 561,814	$ 6,102,320	$ 160,340
Interest Income	46,316	51,239	(4,923)	60,119	(8,880)
Other Non-Operating Income	52,656	46	52,610	1,536,264	(1,536,218)
Total Revenue	$ 6,923,446	$ 6,313,945	$ 609,501	$ 7,698,703	$ (1,384,758)
Expense					
Operations	$ 2,795,595	$ 2,899,675	$ (104,080)	$ 2,767,260	$ 132,415
Administration	1,075,818	1,067,449	8,369	1,121,996	(54,547)
Operating Expense	$ 3,871,413	$ 3,967,124	$ (95,711)	$ 3,889,256	$ 77,868
Interest Expense	847,127	684,334	162,793	484,002	200,332
Other Non-Operating Expense	15,921	616,690	(600,769)	3,443	613,247
Total Expense	$ 4,734,461	$ 5,268,148	$ (533,687)	$ 4,376,701	$ 891,447
Excess (Deficiency) before Contributions, Special & Extraordinary Items & Transfers	$ 2,188,985	$ 1,045,797	$ 1,143,188	$ 3,322,002	$ (2,276,205)
Transfers (Subvention)	(409,468)	(375,760)	(33,708)	(366,139)	(9,621)
Net Income	$ 1,779,517	$ 670,037	$ 1,109,480	$ 2,955,863	$ (2,285,826)

Spurred by the 19% increase in cargo tonnage and moderate increase in tariff rates, the Port's operating revenue for Fiscal Year 2014 increased by 9.0% (or $561,814) compared to Fiscal Year 2013. The increase was mainly from the Marine Terminal component of the operating revenue, which was $530,286. We had 89 vessels call in to our Port that transported 1,784,659 metric tons of cargo versus only 70 vessels and 1,493,140 in the previous year.

The Charter of the City of Redwood City requires that the Port annually give to the City any surplus funds which, in the judgment of the Board of Port Commissioners, is not needed for Port purposes. This is called subvention; for Fiscal Year 2014 the Port will subvent $409,468 to the City.

Net Income, after subvention payment of $409,468 to City of Redwood City, was up by 166% to $1,779,517 compared to Fiscal Year 2013.

Capital Assets

At June 30, 2014 the Port had $49,433,748 in capital assets and $16,208,700 accumulated depreciation, resulting in net capital assets of $32,225,048. A summary of the activity and balances in capital assets is presented in Table C below.

Table C

	June 30, 2013	Additions & Transfers	Deletions & Transfers	June 30, 2014
Land and Land Improvements	$ 2,574,066	$ -	$ -	$ 2,574,066
Infrastructure	4,045,440	-	-	4,045,440
Recreational Boating Facilities	6,180,972	-	-	6,180,972
Terminal & Facilities	15,002,673	-	-	15,002,673
Furniture, Fixtures & Equipment	334,636	-	-	334,636
Channel and Maritime Harbor	1,870,227	-	-	1,870,227
Construction in Progress	12,926,784	6,498,950	-	19,425,734
Total Capital Assets	$ 42,934,798	$ 6,498,950	$ -	$ 49,433,748
Accumulated Depreciation	(15,123,475)	(1,085,225)	-	(16,208,700)
Capital Assets, Net	$ 27,811,323	$ 5,413,725	$ -	$ 33,225,048

At June 30, 2014, $17,073,123 of the $19,425,734 balance in Construction in Progress pertains to the Wharves 1 & 2 replacement project, $1,203,686 to the Channel Deepening Feasibility Study and the remaining $1,148,925 to the other projects underway including F Dock dredging, rail spur improvements and public access improvements.

FINANCIAL ACTIVITIES & FISCAL YEAR 2014 HIGHLIGHTS, CONTINUED

Debt Administration

At June 30, 2014, the Port had the following debt obligations:

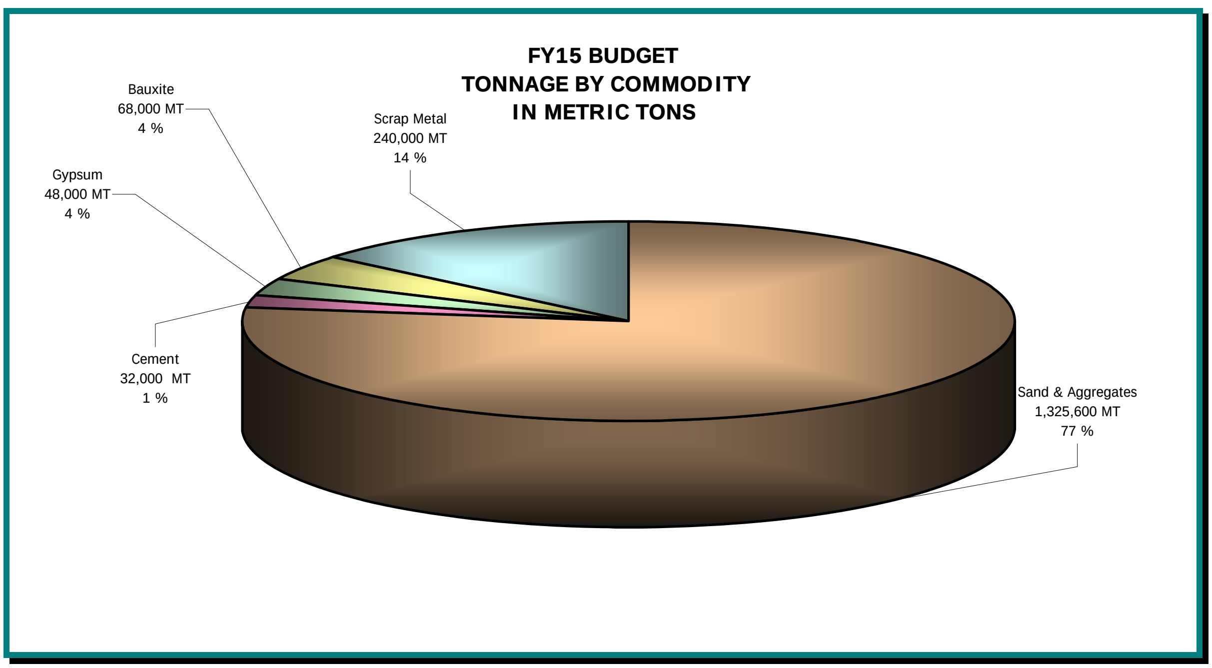
2012 Port Revenue Bonds – The bonds were issued on June 26, 2012, in the principal amount of $10,000,000 to partially fund the replacement of Wharves 1 & 2. The remaining principal balance at June 30, 2014 is $9,364,194. The interest rate is fixed at 4.20% throughout the 20 year term; principal and interest payments are due monthly through June 1, 2032.

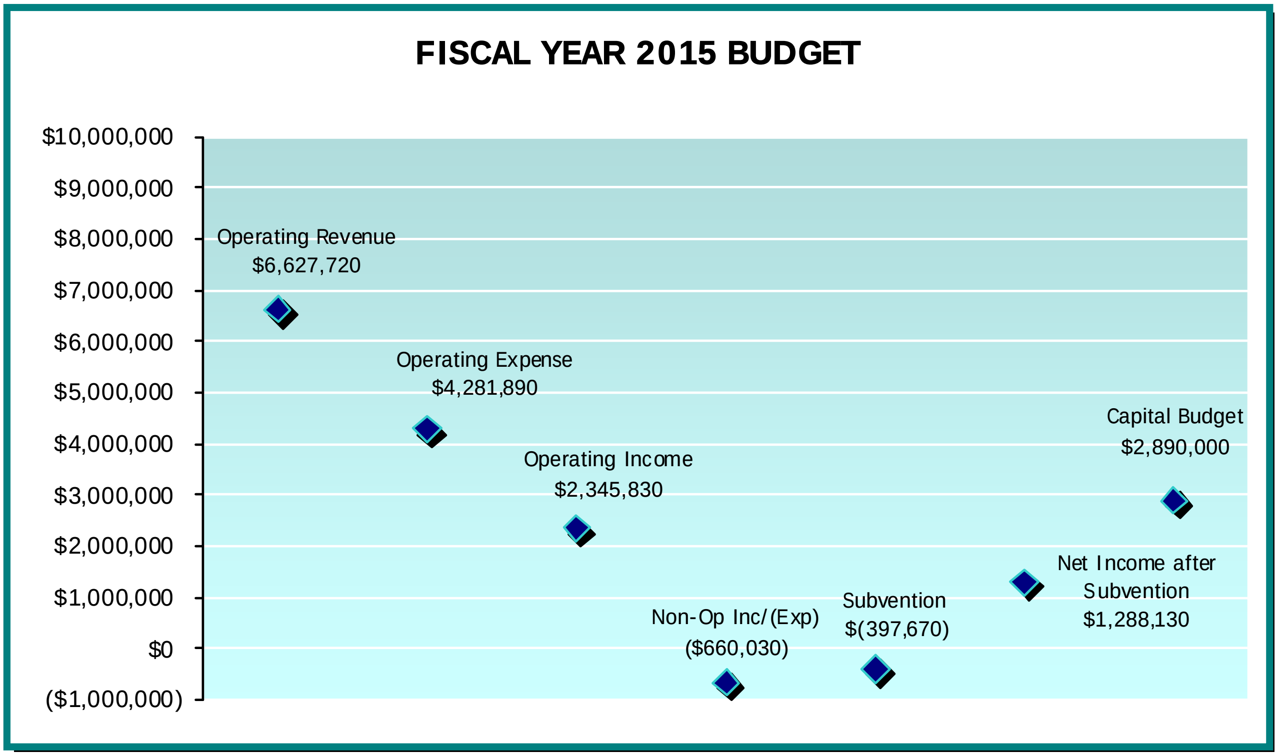
1999 Port Revenue Bonds – The bonds were issued in April, 1999, in the original principal amount of $10,945,000 to finance the environmental remediation of the Liquid Bulk Terminal. The remaining principal balance at June 30, 2014 is $7,755,000. Principal and interest payments are due annually and semi-annually, respectively, through June 30, 2030. The outstanding bonds bear coupon rates of 5.12% to 5.40%.

California Department of Boating & Waterways Loan – The loan was issued in the original principal amount of $881,005 at an interest rate of 4.50% to finance the construction of new floating docks and gangways and installation of water and electrical utilities at the Marina. In October, 2005, the Department adjusted the loan amount to $880,000 and recalculated the amortization schedule with no change in the final maturity date. The remaining principal balance at June 30, 2014 is $424,490. Principal and interest payments are due annually through August, 2023.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Port's inbound cargos are concentrated in bulk construction materials; export cargo currently includes ferrous scrap metal destined for recycling in Asia. The Port's Fiscal Year 2015 budget for import and export tonnage was based on the expectations of its key customers with regard to their particular markets. At 1,713,600 metric tons, the FY15 tonnage budget is 31% higher than the FY14 budget, reflecting continued increase in demand for construction materials in the Port's region.





Fiscal Year 2015 budgeted non-operating income/(expense) of ($660,030) is comprised of $45,500 interest income and $110,600 other income, less ($816,130) interest expense.

The $2.9 million of capital expenditures planned for Fiscal Year 2015 is mainly for the channel deepening and improvement study, which is cost shared between the Port and U.S. Army Corps of Engineers; waterfront promenade public access improvements; marina guest dock (F dock) dredging, ship berth maintenance dredging; and ship fender system repairs/replacement at wharves 3, 4 & 5.

The environmental remediation of the nine acre Liquid Bulk Terminal (LBT) site was acknowledged as complete by the California Department of Toxic Substances Control (DTSC) in May, 2009. DTSC determined that semi-annual analytical testing of 8 groundwater monitoring wells, until such time as the results of 6 consecutive tests reflect results within acceptable ranges. The testing performed in June 2014 had acceptable results for all 8 wells. Five more consecutive test results are necessary before DTSC can permit removal of the 8 remaining wells.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES, CONTINUED

The multi-year project to replace and modernize Wharves 1 & 2 and the adjacent terminal area which began in FY08 is now in its final phases. In FY13, the 60-plus year old wooden wharves and adjacent warehouse were demolished and aging infrastructure was removed. Construction of the new wharves began with the driving of 115 concrete pilings to support the pre-stressed concrete decking. The new wharves were engineered to meet modern seismic standards and last for a minimum of 50 years. The project also includes a new 950 linear foot seawall to protect the upland area from flooding due to storm surges and sea-level rise. It was designed to allow for modular height increases should future sea-level rise exceed current projections. Upland area improvements include a new energy efficient building for use by stevedores and longshoremen, as well as new electric utilities, lighting, water lines, drainage system, road and parking lot. The project is on target for completion in the fall of 2014, and is on budget with an estimated total project cost of approximately $18 million. When completed, the state-of-the-art Wharves 1 & 2 terminal complex will increase the Port's cargo capacity and efficiency, and contribute to economic growth for both the Port and the region.

In conjunction with the Wharves 1 & 2 project, waterfront public access improvements will be made between the Port's Marina and Public Fishing Pier. A new 10 foot wide promenade and new waterfront viewing areas will improve both general and handicap accessibility, and combined with new landscaping will enhance the attractiveness of the area. Also planned is dredging at the marina guest dock to accommodate larger boats. Construction on both of these projects is expected to begin in FY15 after final design, engineering and permitting are completed.

During Fiscal Year 2008 the Port entered into a channel deepening feasibility study cost sharing agreement with the U.S. Army Corps of Engineers. The study will assess the economic and environmental impacts of deepening and improving the existing channel from its current authorized depth of -30 feet MLLW to -35 feet MLLW. A deeper channel will allow vessels to increase cargo volume, thereby increasing efficiency, productivity and job creation. The estimated $4.6 million study cost will be shared equally by the Port and the Corps. As of June 30, 2014, the Port had contributed $1,203,686.

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

The Basic Component Unit Financial Statements combined with this report, Management's Discussion and Analysis, are intended to provide citizens, investors and creditors insight into the Port's operation and finances. Questions regarding this report should be directed to:

Port of Redwood City

Manager of Finance & Administration

675 Seaport Boulevard, Redwood City, California 94063

Telephone: (650)306-4150 Facsimile: (650)369-7636 Email: portofrc@redwoodcityport.com

Port of Redwood City
Comparative Statements of Net Position
For the years ended June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and investments (Note 2)	$ 16,796,818	$ 19,104,524
Restricted cash and investments (Note 2)	1,715,496	3,930,710
Total cash and investments and restricted cash and investments	18,512,314	23,035,234
Receivables:		
Accounts, net	756,516	884,761
Grants (Note 3)	-	415,592
Prepaid items	332,894	242,477
Total current assets	19,601,724	24,578,064
Noncurrent assets:		
Investment in SBSA (Note 5)	400,000	400,000
Capital assets (Note 4):		
Non-depreciable assets	21,945,798	15,446,848
Depreciable assets, net	11,279,250	12,364,475
Total capital assets, net	33,225,048	27,811,323
Total noncurrent assets	33,625,048	28,211,323
Total assets	53,226,772	52,789,387
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (Note 7)	1,572,972	2,183,489
Accrued payroll and benefits payable	94,731	239,030
Unearned revenue	175,117	198,413
Refundable deposits	160,802	124,265
Interest payable	66,304	87,745
Subvention payable (Note 8)	159,468	100,760
Long-term debt - due within one year (Note 6)	710,341	668,708
Total current liabilities	2,939,735	3,602,410
Long-term liabilities:		
Net OPEB liability (Note 9)	172,132	141,250
Long-term debt - due in more than one year (Note 6)	16,565,443	17,275,782
Total noncurrent liabilities	16,737,575	17,417,032
Total liabilities	19,677,310	21,019,442
NET POSITION		
Net Investment in Capital Assets	23,475,092	19,882,823
Restricted for Debt service	1,475,738	1,468,256
Unrestricted	8,598,632	10,418,866
Total net position	$ 33,549,462	$ 31,769,945

See accompanying Notes to Basic Financial Statements.

Port of Redwood City

Comparative Statements of Activities and Changes in Net Position

For the years ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES:		
Marine terminal:		
Rentals-maritime	$ 1,794,285	$ 1,778,273
Wharfage	1,647,954	1,449,374
Dockage	617,337	404,726
Facilities usage	530,139	538,953
Line handling	529,330	415,863
Services and miscellaneous	5,022	6,591
Total marine terminal	5,124,067	4,593,780
Rentals - commercial	1,067,693	1,066,500
Recreational boating	535,412	507,630
Other operating revenue	97,302	94,750
Total operating revenues	6,824,474	6,262,660
OPERATING EXPENSES:		
Marine terminal	1,300,254	1,380,225
Recreational boating	515,568	510,023
Commercial	239,585	248,355
Infrastructure and general maintenance	740,188	761,072
Administration and general expenses	1,075,818	1,067,449
Total operating expenses	3,871,413	3,967,124
OPERATING INCOME	2,953,061	2,295,536
NONOPERATING REVENUE (EXPENSES):		
Interest income	46,316	51,239
Interest expense	(847,127)	(675,576)
Grant income	30,382	(26,591)
Other income (expense), net	6,353	(590,053)
Total nonoperating revenue	(764,076)	(1,240,981)
Net income before subvention to the City of Redwood City	2,188,985	1,054,555
Subvention to City of Redwood City (Note 8)	(409,468)	(375,760)
NET POSITION:		
Beginning of year, as restated	31,769,945	31,091,150
End of year	$ 33,549,462	$ 31,769,945

See accompanying Notes to Basic Financial Statements.

Port of Redwood City
Comparative Statements of Cash Flows
For the years ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and other funds	$ 6,862,302	$ 6,039,162
Cash payments to suppliers for goods and services	(2,412,789)	(1,412,505)
Cash payments to employees for services	(1,084,093)	(1,134,377)
Net cash provided by operating activities	3,365,420	3,492,280
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash payments of subvention to the City of Redwood City	(350,760)	(401,039)
Other nonoperating revenues	452,327	499,697
Net cash provided by noncapital financing activities	101,567	98,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on debt	(714,982)	(616,254)
Interest paid on debt	(823,485)	(832,756)
Acquisition and construction of capital assets	(6,497,756)	(8,960,520)
Net cash provided (used) by capital and related financing activities	(8,036,223)	(10,409,530)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities		
Purchase of investment securities		
Gain (loss) on sale of securities		
Interest received on investments	46,316	35,781
Net cash provided by investing activities	46,316	35,781
Net change in cash and cash equivalents	(4,522,920)	(6,782,811)
CASH AND CASH EQUIVALENTS:		
Beginning of year	23,035,234	29,818,045
End of year	$ 18,512,314	$ 23,035,234
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ 2,953,061	$ 2,295,536
Adjustments to reconcile operating income		
(loss) to net cash provided by operating activities:		
Depreciation and amortization	1,085,224	1,263,560
(Increase) decrease in assets :		
Accounts receivable	128,245	(88,376)
Prepaid expenses	(90,417)	12,501
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(610,517)	88,558
Accrued payroll and benefits	(113,417)	55,623
Unearned revenue	(23,296)	(133,751)
Refundable deposits	36,537	(1,371)
Net cash provided by operating activities	$ 3,365,420	$ 3,492,280

See accompanying Notes to Basic Financial Statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Port of Redwood City (Port) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port's accounting policies are described below.

A. Reporting Entity

The Port was established under the City of Redwood City's (City) Charter as a department of the City and is managed by the Board of Port Commissioners, whose five members are appointed by the City Council. The Port's financial statements are included in the basic financial statements of the City.

The Port is one of California's most diversified small ports. In addition to handling bulk and recycled materials, other uses include warehouse and office leasing, recreational boating facilities and a 190-slip marina.

B. Basis of Accounting and Measurement Focus

The Port is an enterprise fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The basic financial statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position and a Statement of Cash Flows.

These financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. The accompanying Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. All of the Port's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The net position total reflected on both the Statement of Activities and Changes in Net Position and the Statement of Net Position represents equity.

C. Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the Port considered all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase may be stated at amortized cost; all other investments should be stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The Port elected to state all investments at fair value.

The Port participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk. In addition, these Structured Notes and Asset-Backed Securities are subject to change in interest rate risk.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Port policy has set the capitalization threshold for reporting capital assets at $500. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and structures	30-50 years
Transportation equipment	3-10 years
Machinery and equipment	10-40 years
Furniture and fixtures	10-25 years
Computer equipment and software	3-5 years

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Net Position

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation, reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount includes all net positions that do not meet the definition of “net investment in capital assets” or “restricted net position.”

G. Compensated Absences

Compensated absences including accumulated unpaid vacation, sick pay and other employee benefits are accounted for as expenses in the year earned.

Vacation leave is earned by employees at the rate of ten days per year up to five years of service, fifteen days up to fourteen years of service, and twenty days thereafter. The maximum accrual permitted for any employee is two years earned vacation leave.

Sick leave is earned at a rate of eight hours per month. Unused sick leave may be accumulated up to a maximum of 120 working days (960) hours. Annually, employees may convert up to 96 hours of sick leave into compensation at 25% of their rate of pay. Employees leaving the service of the Port receive compensation in the amount of 25% of all unused accumulated sick leave.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Budget and Budgetary Accounting

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Prior to June 30 the proposed budget is submitted to the Port Commission for approval and the budget ordinance is introduced. Public hearings are conducted to obtain public comments. At a subsequent regularly scheduled commission meeting, the budget is legally enacted through passage of an ordinance, normally before July 1st. After adoption, the budget is submitted to the City Council, City Clerk, City Manager and City Finance Director of the City of Redwood City. The Commission is authorized to transfer budgeted amounts between line items within any department and can revise amounts which will alter total expenditures by the Port.

I. Reclassifications

Certain prior amounts may have been reclassified to conform with current year financial statement presentation.

J. New Pronouncements

In 2014, the Port adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities – This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Port restated beginning net position as part of implementation of this standard.

GASB Statement No. 66, Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62 – The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. There was no effect on net position as part of implementation of this standard.

GASB Statement No. 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25 – The objective of this statement is to improve financial reporting by state and local governmental pension plans. There was no effect on net position as part of implementation of this standard.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees – The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. There was no effect on net position as part of implementation of this standard.

2. CASH AND INVESTMENTS

A. Cash Deposits

As of June 30, 2014, the carrying amount of the Port's cash deposits was $1,443,964; bank balances before reconciling items were $1,573,320, of which $250,000 was fully insured and $1,324,320 was collateralized with securities held by the pledging financial institutions in the Port's name as discussed below. The Port has waived collateral requirements for cash deposits which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC).

The California Government Code requires California banks and savings and loan associations to secure the Port's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for deposits is considered to be held in the Port's name. The market value of pledged securities must equal at least 110% of the Port's deposits. California law also allows financial institutions to secure Port deposits by pledging first trust deed mortgage notes having a value of 150% of the Port's deposits.

As of June 30, 2014 and 2013, the Port had $1,715,496 and $3,930,710, respectively, in total restricted cash and investments. The amount held by fiscal agents pledged for the payment of certain bonds as of June 30, 2014 and 2013 was $1,476,853 and $1,468,334, respectively; the amount held in escrow and by fiscal agents pledged for future asset acquisitions was $175,117 and $2,400,443, respectively. The California Government Code requires these funds to be invested in accordance with any applicable Port ordinance, resolution or bond indenture, unless there are specific State statutes governing their investment. These funds have been invested only as permitted by the Investment Policy.

B. Investments

The Port follows the City's investment policy. Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

	Maximum Maturity	Maximum % of Portfolio	Maximum Investment In Any One Issuer
U.S. Government Treasuries/Agency Securities	3 years	n/a	n/a
Corporate Bonds or Notes	3 years	30%	$5 million
Certificates of Deposit (bank issued)	1 year	7.50%	$3 million
California Local Agency Investment Fund (LAIF)	n/a	n/a	n/a
County of San Mateo Investment Pool	n/a	n/a	$40 million
Money Market Funds	1 year	10%	n/a
Bankers Acceptances	180 days	n/a	$3 million
Commercial Paper	15 days	n/a	$1 million
Passbook Savings Accounts	n/a	n/a	n/a

2. CASH AND INVESTMENTS, Continued

C. Risk Disclosures

GASB Statement No. 40 requires that risks related to deposits and investments be disclosed.

Credit Risk – the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service.

Investment Type	Credit Rating	% of Investments
California Local Agency Investment Fund	Not Rated	100%

Custodial Credit Risk – the risk of loss of an investment due to failure, impairment or malfeasance of the third party in whose name the investment is held and/or who has physical possession of the investment instrument. In order to limit loss exposure due to Custodial Credit Risk, the investment policy requires all securities be received and delivered using the standard delivery versus payment (DVP) procedure, and all securities (excluding certificates of deposit) be held by a third party bank or trust department under the terms of a custody or trustee agreement. None of the Port's investments were subject to custodial credit risk.

D. Summary of Cash and Investments

Deposits and investments held by the Port at June 30, 2014 and 2013 are summarized below:

	Fair Value	
Cash and Investments:	2014	2013
Demand Deposits:		
Deposits	$ 1,443,964	$ 1,793,807
Petty cash	1,000	500
Investments:		
Local Agency Investment Fund	15,351,854	17,310,217
Total unrestrictedal cash and investments	16,796,818	19,104,524
Restricted Cash and Investments:		
Held in escrow	175,117	175,030
Held by fiscal agent	1,540,379	3,755,680
Total restricted cash and investments	1,715,496	3,930,710
Total unrestricted and restricted cash and investments	**$ 18,512,314**	**$ 23,035,234**

2. CASH AND INVESTMENTS, Continued

E. External Investment Pool

The Port invests in LAIF, a State of California external investment pool. LAIF determines the fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and based on amortized cost or best estimate for those securities where market value is not readily available.

The Port valued its investments in LAIF as of June 30, 2014, by multiplying its account balance with LAIF times a fair value factor computed by LAIF. As of June 30, 2014, the Port had $15,351,854 in LAIF with fair value factor of 1.00029875. As of June 30, 2013, the Port had $17,310,217 in LAIF with fair value factor of 1.000273207. The fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. Accordingly, as of June 30, 2014 and 2013, the Port's investments in LAIF stated at fair value equaled $15,342,504 and $17,310,217 respectively.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* investments were stated at fair value using the aggregate method. The unrealized gain due to fair value adjustments was $4,585 and $4,728, for the years ended June 30, 2014 and 2013, respectively.

The Port's investments with LAIF at June 30, 2014, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or that have embedded forwards or options.

- Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2014 and 2013, the Port had $$15,351,854 and $17,310,217 respectively (stated at fair value) invested in LAIF, which had invested 1.86% and 1.96% of the pool investment fund in Structured Notes and Asset-Backed Securities.

3. GRANTS RECEIVABLE

The Port has been awarded State and Federal grants; in each case, the Port has chosen to request release of the grant funds after incurring the qualified costs (in arrears). As of June 30, 2014 and 2013, a total of $0 and $415,592, respectively, were due from a government agency.

4. CAPITAL ASSETS

The following is a summary of the Port's capital assets as of June 30, 2014 and 2013:

		2012			2013		
	Balance June 30, 2012	Additions & Transfers	Deletions	Balance June 30, 2013	Additions & Transfers	Deletions	Balance June 30, 2014
Non-depreciable assets:							
Land	$ 2,520,064	$ -	$ -	$ 2,520,064	$ -	$ -	$ 2,520,064
Construction in progress	2,543,651	10,390,735	(7,602)	12,926,784	6,498,950		19,425,734
Total non-depreciable assets	$ 5,063,715	$ 10,390,735	$ (7,602)	$ 15,446,848	$ 6,498,950	$ -	$ 21,945,798
Depreciable assets:							
Land improvements	$ 54,002	$ -	$ -	$ 54,002	$ -	$ -	$ 54,002
Infrastructure	4,202,188	26,712	(183,460)	4,045,440			4,045,440
Recreational boating facilities	6,180,972	-	-	6,180,972			6,180,972
Terminal and facilities	16,040,015	-	(1,037,342)	15,002,673			15,002,673
Furniture, fixtures and equipmen	330,060	4,576	-	334,636			334,636
Channel and maritime harbor	1,878,146	-	(7,919)	1,870,227			1,870,227
Total depreciable assets	28,685,383	31,288	(1,228,721)	27,487,950	-	-	27,487,950
Accumulated Depreciation:							
Land improvements	(43,143)	(799)	-	(43,942)	(799)	-	(44,741)
Infrastructure	(2,727,863)	(114,157)	26,354	(2,815,666)	(112,389)	-	(2,928,055)
Recreational boating facilities	(3,143,713)	(162,168)	-	(3,305,881)	(161,405)	-	(3,467,286)
Terminal and facilities	(7,280,088)	(539,819)	480,933	(7,338,974)	(507,352)	-	(7,846,326)
Furniture, fixtures and equipmen	(306,207)	(13,800)	-	(320,007)	(9,583)	-	(329,590)
Channel and maritime harbor	(874,040)	(432,817)	7,852	(1,299,005)	(293,697)	-	(1,592,702)
Total accumulated depreciation	(14,375,054)	(1,263,560)	515,139	(15,123,475)	(1,085,225)	-	(16,208,700)
Total depreciable assets, net	14,310,329	(1,232,272)	(713,582)	12,364,475	(1,085,225)	-	11,279,250
Capital assets, net	$ 19,374,044	$ 9,158,463	$ (721,184)	$ 27,811,323	$ 5,413,725	$ -	$ 33,225,048

Depreciation expense for the fiscal years ended June 30, 2014 and 2013 was as follows:

	June 30	
	2014	2013
Marine terminal	$564,995	$615,031
Infrastructure and general maintenance	303,402	423,913
Recreational boating	161,405	162,168
Commercial	43,598	46,401
Administration	11,825	16,047
Total	$ 1,085,225	$ 1,263,560

4. CAPITAL ASSETS, Continued

Interest expense related to the Series 2012 Revenue Bonds issued for the Wharves 1 & 2 replacement project has been partially capitalized; the amounts for the fiscal years ended June 30, 2014 and June 30, 2013 were $0 and $192,059, respectively. Capitalized interest expense is included in construction in progress.

5. INVESTMENT IN SOUTH BAYSIDE SYSTEM AUTHORITY

The South Bayside System Authority (SBSA) was established to build and operate a sewage treatment facility. SBSA is controlled by a four member board, which appoints management and employees of SBSA and is responsible for SBSA's budget, operations and finances.

The Port's share of SBSA's capital assets consists of capacity rights to discharge 400,000 gallons per day of wastewater to SBSA's treatment facility. The Port is carrying the capacity rights at the original acquisition cost of $1.00 per gallon for a total amount of $400,000.

Financial statements may be obtained from SBSA at 1400 Radio Road, Redwood City, California 94065.

6. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2014 and 2013 are as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year	Due in More Than One Year
1999 Revenue Bonds	$ 8,350,000	$ -	$ (290,000)	$ 8,060,000	$ -	$ (305,000)	$ 7,755,000	$ 320,000	$ 7,435,000
Unamortized Bond Discount	$ (288,456)		$ 10,018	(278,438)		10,536	(267,902)		(267,902)
2012 Revenue Bonds	10,000,000	-	(294,620)	9,705,380	-	(341,186)	9,364,194	355,795	9,008,399
California Department of Boating and Waterways Loan	489,182	-	(31,634)	457,548	-	(33,058)	424,490	34,546	389,944
Total long-term debt	$ 18,550,726	$ -	$ (606,236)	$ 17,944,490	$ -	$ (668,708)	$ 17,275,782	$ 710,341	$ 16,565,441

Port of Redwood City Revenue Bonds Series 1999

On April 1, 1999, the Port issued Port of Redwood City Revenue Bonds Series 1999 to finance clean-up costs of hazardous waste remaining at the Port's Liquid Bulk Terminal. The original principal amount of the bonds was $10,945,000, less an original issue discount of $378,102. The original issue discount is being amortized over the life of the bonds; at June 30, 2014, the remaining unamortized balance is $267,902. The bonds outstanding bear an interest rate ranging from 5.12% to 5.40% and are payable semi-annually on each December 1 and June 1. Principal payments are payable annually on each June 1. The bonds are secured by and payable from the revenues generated by the Port's operations.

6. LONG-TERM DEBT, Continued

At June 30, 2014, future debt service requirements for the 1999 revenue bonds were as follows:

1999 Revenue Bonds

For the Year Ending June 30,	Principal	Interest	Total
2015	$ 320,000	$ 402,353	$ 722,353
2016	340,000	385,073	725,073
2017	355,000	366,712	721,712
2018	375,000	347,543	722,543
2019-2023	2,195,000	1,418,661	3,613,661
2024-2028	2,825,000	793,606	3,618,606
2029-2030	1,345,000	104,293	1,449,293
Total	**$ 7,755,000**	**$ 3,818,241**	**$ 11,573,241**

Port of Redwood City Revenue Bonds Series 2012

On June 26, 2012, the Port issued Port of Redwood City Revenue Bonds Series 2012 to finance the redevelopment of Wharves 1 & 2. The original principal amount of the bonds was $10,000,000; there was no original issue discount. At June 30, 2014, the cost of issuance paid was $102,000. The bonds bear an interest rate of 4.20% and are fully amortized. Principal and interest are payable on the first of each month throughout the 20 year term. The bonds are secured by and payable from the revenues generated by the Port's operations.

At June 30, 2014, future debt service requirements for the 2012 revenue bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2015	355,795	386,499	742,294
2016	371,029	371,265	742,294
2017	386,916	355,378	742,294
2018	403,483	338,811	742,294
2019-2023	2,291,838	1,419,630	3,711,468
2024-2028	2,826,352	885,116	3,711,468
2029-2032	2,728,781	240,394	2,969,175
Total	$ 9,364,194	$ 3,997,093	$ 13,361,287

Department of Boating and Waterways Note Payable

The Port entered into a small craft harbor construction loan agreement with the California Department of Boating and Waterways in the total principal amount of $881,005. The loan bears an interest rate of 4.50%. Principal and interest is payable annually on each August 1. The debt is to be repaid from the

6. LONG-TERM DEBT, Continued

Port's operating revenues. The outstanding balance of the Department of Boating and Waterways Note Payable was $424,490 as of June 30, 2014.

At June 30, 2014, future debt service requirements for the Department of Boating and Waterways Note Payable were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2015	34,546	19,102	53,648
2016	36,101	17,547	53,648
2017	37,725	15,923	53,648
2018	39,423	14,225	53,648
2019-2023	225,375	42,865	268,240
2024	51,320	2,309	53,629
Total	$ 424,490	$ 111,971	$ 536,461

Debt Covenants and Restrictions

For the fiscal year ended June 30, 2014, the Port complied with all general and specific covenants of the master bond indenture and the first and supplemental bond indentures, including debt proceeds usage, debt repayment, and maintenance of adequate reserves.

7. OTHER LIABILITIES

At June 30, 2014, the accounts payable and accrued liabilities balance of $1,572,972 includes an accrual of $114,500 for the remaining estimated cost of post-closure analytical testing of groundwater, bio-augmentation remediation, and related regulatory oversight at the former Liquid Bulk Terminal site. The results of each of six consecutive semi-annual testing cycles must meet the established standards; if any fails to meet the established standards the six consecutive testing cycles must begin again. As of June 30, 2014, six testing cycles remained to be performed. See Management's Discussion and Analysis for further information.

8. SUBVENTION PAYMENTS TO THE CITY OF REDWOOD CITY

In accordance with Section 48d. of the Charter of the City, the Board of the Port Commissioners is required to annually pay to the City profits from the operation of the Port and any surplus funds which in its judgment may not be needed for Port purposes. Subventions to the City for fiscal years 2014 and 2013 were $409,468 and $375,760, respectively.

9. PENSION PLANS

A. California Public Employees Retirement Plan

Plan Description

The Port contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City of Redwood City and Port of Redwood City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members classified as Tier 1 miscellaneous employees are required by State statute to contribute 8.00% of annual covered payroll; Tier 3 miscellaneous employees are required to contribute 6.25%. During Fiscal Year 2014 the Port paid 4 and 0%, respectively, of the required contribution on behalf of Port employees and for their account; the employees contributed 4% and 6.25% respectively. During Fiscal Year 2013, the Port paid 4% and 0.75%, respectively, of the required contribution on behalf of Port employees and for their account; the employees contributed 4% and 6.25% respectively.

During Fiscal Year 2014, the Port was required to contribute $147,822 at an actuarially determined rate of 20.856% of annual covered payroll for miscellaneous employees (the "annual pension cost") and $200 for survivors' benefits. During Fiscal Year 2013, the Port was required to contribute $125,070 at an actuarially determined rate of 19.462% of annual covered payroll for miscellaneous employees (the "annual pension cost") and $200 for survivors' benefits. The total amount of pension costs incurred by the Port for the fiscal years ended June 30, 2014 and 2013, were $203,341 and $176,341 respectively; of current year's costs, $173,509 was funded by the Port and $29,832 was funded by Port employees.

Annual Pension Cost

For the fiscal year ended June 30, 2014 and 2013, the Port's annual pension cost of $147,822 and $125,070 respectively, for PERS was equal to the Port's required and actual contributions. The required Fiscal Year 2014 contribution was determined as part of the June 30, 2010, actuarial valuation using the Entry Age Normal Cost Method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.55% to 14.45%, and (c) 3.00% inflation factor. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2011, was 19 years for prior and current service unfunded liability for miscellaneous employees, with an average remaining period of 18 years as of the valuation date.

9. PENSION PLANS, Continued

Three Year Trend Information for PERS

Fiscal Year Ended	Pension Cost (APC)	APC Contributed	Net Pension Obligation
6/30/12	115,749	100%	-
6/30/13	125,070	100%	-
6/30/14	147,822	100%	-

B. Deferred Compensation Plan

Port employees may defer a portion of their compensation under a Port sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the Port's property and are not subject to the Port's control, they have been excluded from these financial statements.

C. Other Post-Employment Benefits (OPEB)

Plan Description

The other post-employment benefits (other than pension) offered by the Port are limited to reimbursement of medical premiums only. Eligibility extends to those employees hired before January 1, 2011, who, prior to retirement, have (a) worked ten or more consecutive years at the Port on a full time basis, and (b) are enrolled in the Port's medical plan, and (c) are age 55 or older, and (d) have not been voluntarily or involuntarily terminated from employment at the Port. Spouses and/or dependents are ineligible.

The reimbursement of medical premiums is limited to the lesser of (a) the medical insurance premium paid by the eligible retiree, or (b) the Port's cost to provide medical coverage for an active employee of the same age as the retiree or (c) the insurance premium for a Medicare supplement plan at the retiree's earliest Medicare eligibility age, whether or not the retiree enrolls in Medicare.

Funding Policy, Status and Progress

The accounting rules governing other post-employment benefits (OPEB) do not require mandatory funding of the actuarial accrued liability or annual required contribution. During the fiscal year ended June 30, 2011, the Port adopted a comprehensive funding policy for post-employment benefits other than pension. The policy addresses the selection of a Section 115 Trust, prefunding strategy, valuation frequency, valuation methodology, disbursements and administrative matters. The Section 115 Trust selected was the CalPERS California Employer's Retiree Benefit Trust Program ("CERBT").

9. PENSION PLANS, Continued

Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2014, the Port's annual OPEB cost was $32,421; of this amount $1,539 was expensed and funded by reimbursements to current retirees and the remaining $30,882 net OPEB obligation was expensed and recorded as a liability. Combined with the $141,250 net OPEB obligation as of June 30, 2013, the total net OPEB obligation as of June 30, 2014 was $172,132.

The annual required contribution was determined as part of the July 1, 2013, actuarial valuation using the Entry Age Actuarial Cost Method and assumptions consistent with CalPERS OPEB Assumptions Model. The actuarial assumptions included (a) salary increases of 3.25% per year (b) a discount rate of 7.61%, (c) 100% of eligible employees assumed to elect coverage upon retirement and to remain covered for life, (d) retirement, withdrawal and mortality rates based on CalPERS assumptions model for the classification "public agency miscellaneous 2.7% at 55", and (e) medical premium inflation rates ranging from 9% to 6% over time. The actuarial present value of future benefits was calculated for each individual using the economic assumptions and specific member data, then aggregated. The amortization component of the unfunded actuarial accrued liability was based on a 30 year amortization period.

Annual OPEB Cost and Net OPEB Obligation

Normal Cost	$7,905
Amortization of unfunded actuarial accrued liability	23,150
Annual required contribution	31,055
Interest on beginning net OPEB obligation	10,470
Annual required contribution adjustment	(9,104)
Annual OPEB expense	32,421
Actual current year employer payment	(1,539)
Increase in OPEB obligation	30,882
Net OPEB obligation at June 30, 2013	141,250
Net OPEB obligation at June 30, 2014	$172,132

OPEB Unfunded Actuarial Accrued Liabilities

Actuarial accrued liabilities	$349,824
Actuarial value of plan assets	-
Unfunded actuarial accrued liabilities (UAAL)	$349,824
Funded Ratio	0%
Covered Payroll	$636,746
UAAL as a % of Covered Payroll	54.94%

10. RISK MANAGEMENT

Workers' Compensation coverage is provided through the City's self-insurance program. The Port has no self-insured retention associated with this coverage.

All property and liability insurance coverage is provided through a broker. Deductible amounts range from $250 to $1,000,000.

In the last five years no claims were filed against the Port which exceeded its insurance coverage limits. One new claims was filed against the Port during the Fiscal Year ended June 30, 2014.

11. COMMITMENTS AND CONTINGENCIES

As of June 30, 2014 and 2013, the Port had committed approximately $1,519,000 and $5,814,000 respectively for capital improvement projects and professional services contracts. Of the $1,519,000 committed at June 30, 2014, $1,200,000 related to the Wharves 1&2 redevelopment project.

12. OPERATING LEASES

The Port leases a multi-function copier and a postage machine with scale. The minimum future lease payments under the non-cancelable operating leases for the remaining term of the leases are as follows:

Fiscal Year ending June 30,	Multi-function Copier	Postage Machine/Scale
2015	6,104	1,700
2016	6,104	1,700
2017	-	1,700
2019	-	1,700
2018	-	283
Total minimum future lease payments	$ 12,208	$ 7,083

13. PLEDGES OF FUTURE REVENUES

The Master Indenture for the Series 1999 Bonds and Series 2012 Bonds requires the Port to pledge its annual Net Revenues (defined as operating income plus depreciation, interest income and non-operating income) in an amount equal to at least 120% of the annual debt service requirement each fiscal year, through final maturities of the Bonds or early retirement of the Bonds, whichever first occurs. The Series 1999 Bonds mature June 1, 2030; the Series 2012 Bonds mature June 1, 2032. At June 30, 2014, the ratio of Net Revenues to the debt service payments due during Fiscal Year 2014 was 2.65 (265%). The Department of Boating and Waterways loan agreement contains the same revenue pledge as does the Master Indenture; however, the loan is subordinate to the Bonds. The loan matures on August 20, 2023.

14. DEBT SERVICE COVERAGE RATIOS

The Continuing Disclosure requirements for the Series 1999 Bonds prescribe the information to be included in the Annual Report to the Port's Series 1999 bondholders and repositories. Among those requirements is calculation of the Debt Service Coverage Ratio (Net Revenues divided by Maximum Annual Debt Service). At June 30, 2014, the Debt Service Coverage Ratio was 2.65 (265%)

The Second Supplemental Indenture, applicable to the Series 2012 Bonds, specifies additional reporting requirements and action to be taken in the event the Debt Service Coverage Ratio (DSCR) falls below specific levels. At a DSCR of less than 1.40, the Port is required to provide quarterly reports to the Trustee and the bondholders. At a DSCR of less than 1.20, the Port is required to hire an approved consultant to examine the Port's rates and operations, and to implement reasonable recommendations made by the consultant. A DSCR of less than 1.00 for two consecutive years is an immediate Event of Default.

15. MINIMUM OPERATING RESERVE

The Series 2012 Bond Purchase Agreement requires that the Port maintain a Minimum Operating Reserve. The Minimum Operating Reserve is defined as unrestricted cash reserves in an amount at least 1.5 times the annual maintenance and operation costs as defined in the Master Indenture. The definition of annual maintenance and operation costs, as applied to the Port's financial statements, is equal to Operating Expenses net of depreciation. At June 30, 2014, unrestricted cash reserves were 5.9 times Operating Expenses net of depreciation.

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REQUIRED SUPPLEMENTARY INFORMATION

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PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)
SCHEDULE OF FUNDING PROGRESS

The Port's retirement plan is part of the City of Redwood City's retirement plan. Information on the funding progress of this plan can be obtained from the City of Redwood City's Comprehensive Annual Financial Report.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF FUNDING PROGRESS

The actuarial valuation date of the Port's Other Postemployment Benefits (OPEB) was July 1, 2013.

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2010	-	$ 453,847	$ 453,847	0%	$ 689,620	65.8%
6/30/2011	-	303,153	303,153	0%	682,637	44.4%
6/30/2012	-	334,371	334,371	0%	631,539	52.9%
6/30/2013	-	362,074	362,074	0%	629,034	57.6%
6/30/2014	-	349,824	349,824	0%	636,746	54.9%

* Latest information available

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BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Of the Port of Redwood City
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Port of Redwood City, California (Port), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise The Port's basic financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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To the Board of Commissioners
Of the Port of Redwood City
Redwood City, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Badawi & Associates
Certified Public Accountants
Oakland, California
November 25, 2014

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain of the definitions and provisions of the Master Indenture (the "Indenture"), by and between the Port and the Trustee. The Indenture is supplemented by the First Supplemental Indenture, dated as of April 1, 1999 (the "First Supplemental Indenture"), the Second Supplemental Indenture, dated as of June 1, 2012 (the "Second Supplemental Indenture") and the Third Supplemental Indenture, dated as of May 1, 2015 (the "Third Supplemental Indenture"), by and between the Port and the Trustee. The First Supplemental Indenture provides for the terms of the Series 1999 Bonds. The Second Supplemental Indenture provides for the terms of the Series 2012 Bonds. The Third Supplemental Indenture provides for the terms of the Series 2015 Bonds. Certain terms summarized in the forepart of this Official Statement are not summarized in this Appendix. This summary is not intended to be comprehensive or definitive, and reference is made to the actual documents for the complete terms thereof.

DEFINITIONS

The following are summaries of certain of the definitions in the Indenture and the Third Supplemental Indenture. This summary is not intended to be comprehensive or definitive, and reference is made to the actual documents for the complete terms thereof.

Annual Debt Service

"Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest accruing on all Outstanding Bonds during such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed from the applicable Sinking Fund as scheduled, plus (2) the principal amount allocable to all Outstanding Serial Bonds in such Fiscal Year, calculated as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts from, in each case, each Principal Payment Date or the date of delivery of such Series of Bonds (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any Principal Payment Date), as the case may be, to the next succeeding Principal Payment Date, plus (3) the principal amount of all Outstanding Term Bonds allocable to such Fiscal Year, calculated as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts from, in each case, each Sinking Fund Payment Date or Principal Payment Date (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any Sinking Fund Payment Date), as the case may be, to the next succeeding Sinking Fund Payment Date, plus (4) that portion of the Contract Payments required to be made at the times provided in all the Contracts that would have accrued during such Fiscal Year if such Contract Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Contract Payment Date or the date of the pertinent Contract, as the case may be, plus (5) Parity Repayment Obligations scheduled to become due during such Fiscal Year; *provided,* that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

(A) with respect to any such Bonds or Contracts bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be (i) with respect to such Bonds or Contracts then outstanding, one hundred ten per cent (110%) of the greater of (1) the daily average interest rate on such Bonds or Contracts during the twelve (12) calendar months next preceding the date of such calculation (or the portion of the then current Fiscal Year that such Bonds or Contracts have borne interest) or (2) the most recent effective interest rate on such Bonds or Contracts prior to the date of such calculation or (ii) with respect to such Bonds or Contracts then proposed to be issued, the Index Rate;

(B) with respect to any such Bonds or Contracts having twenty-five per cent (25%) or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated for the Fiscal Year of determination as if the interest on and principal of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of such Bonds or Contracts;

(C) with respect to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(D) Annual Debt Service shall not include interest on Bonds or Contracts which is to be paid from amounts constituting capitalized interest and on deposit in any Interest Fund or Principal Fund created by a Supplemental Indenture;

(E) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Bonds or Contract to which it relates, no amounts payable under such interest rate swap agreement shall be included in the calculation of Annual Debt Service unless the sum of (i) the interest payable on such Bonds or Contract, plus (ii) the amounts payable by the Port under such interest rate swap agreement, less (iii) the amounts receivable by the Port under such interest rate swap agreement, are greater than the interest payable on such Bonds or Contract, in which case the amount of such payments to be made that exceed the interest to be paid on such Bonds or Contract shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (A) of this definition;

(F) if any Bonds or Contracts are Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting fixed interest rate to be paid by the Port with respect to such Paired Obligations; and

(G) Any Parity Repayment Obligation shall be deemed to be payable at the scheduled amount due under the Bonds or Contracts to which such Parity Repayment Obligation relates as calculated under this definition.

Authorized Investments

"Authorized Investments" means any of the following obligations which at the time of investment are legal investments of funds of the Port under the laws of the State of California for the money proposed to be invested therein and which are approved by and satisfactory to the Bond Insurers (if any):

A. For all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

B. For all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including:

— Export-Import Bank
— Farm Credit Enterprise Financial Assistance Corporation
— Rural Economic Community Development Administration (formerly the Farmers Home Administration)
— General Services Administration
— U.S. Maritime Administration
— Small Business Administration
— Government National Mortgage Association (GNMA)
— U.S. Department of Housing & Urban Development (PHA's)
— Federal Housing Administration
— Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

— Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the — Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
— Obligations of the Resolution Funding Corporation (REFCORP)
— Senior debt obligations of the Federal Home Loan Bank Enterprise
— Senior debt obligations of other government sponsored agencies approved by the Bond Insurers;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, including deposits with the Trustee, which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's. and which matures not more than 270 days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAmG" or better by S&P, including funds for which the Trustee or an affiliate acts as investment advisor or provides other services;

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any Port, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) General obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P;

(8) Investment agreements approved in writing by each Bond Insurer (supported by appropriate opinions of counsel) with notice to S&P and Moody's or if no Series of the Bonds is insured, then guaranteed investment agreements of institutions whose long-term debt or claims paying ability is at all times rated “AA” or better by S&P or "Aa" or better by Moody's or whose obligations are guaranteed by an entity rated "AA" or better by S&P or "Aa" or better by Moody's; and

(9) Other forms of investments (including repurchase agreements) approved in writing by each Bond Insurer with notice to S&P and Moody's.

C. The value of the above investments shall be determined as of the end of each month as follows:

(1) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) As to certificates of deposit and banker acceptances: the face amount thereof, plus accrued interest; and

(4) As to any investment not specified above: the value thereof established by prior agreement among the Port, the Trustee and the Bond Insurers, if any.

Average Annual Debt Service

"Average Annual Debt Service" means, as of any date of calculation, the average Annual Debt Service during the period from the date of such calculation through the final maturity date of all Outstanding Bonds or the final Contract Payment Date of all Contracts, whichever date is later.

Board

"Board" means the Board of Port Commissioners of the Port Department of the City provided for in Sections 47 through 50(b) of the Charter, or any other governing or legislative body of the Port hereinafter provided for by an amendment of the Charter.

Bond Insurer

"Bond Insurer" means any issuer of a Municipal Bond Insurance Policy obtained by the Port for any particular Series of Bonds (or any portion thereof).

Bonds

"Bonds" means all Series of the Bonds authorized, executed and delivered under all Supplemental Indentures.

Book-Entry Bonds

"Book-Entry Bonds" means Bonds registered in the name of the Nominee of a Depository as the Owner thereof pursuant to the terms and provisions of the Indenture.

Business Day

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks located in the city where the Corporate Trust Office is located, are required or authorized to remain closed.

Certificate of the Port

"Certificate of the Port" means an instrument in writing signed by the President of the Board, the Executive Director or the Manager of Finance and Administration of the Port, or by any other officer of the Port duly authorized by the Port for that purpose, such authorization to be evidenced by a certificate verifying the specimen signatures of such officers.

Charter

"Charter" means the charter of the City of Redwood City as the same may be supplemented or amended from time to time.

City

"City" means the City of Redwood City, or any successors thereto.

City Payments

"City Payments" means all amounts required to be paid by the Port to the City, including any department thereof.

Code

"Code" means the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder, as the same shall be amended from time to time, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

Consultant

"Consultant" means any independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm or other expert recognized to be well-qualified for work of the character required and retained by the Port to perform acts and carry out the duties provided for such consultant in the Indenture.

Contract Payment Date

"Contract Payment Date" means any date on which Contract Payments are scheduled to be paid by the Port under and pursuant to any Contract.

Contract Payments

"Contract Payments" means the payments scheduled to be paid by the Port under and pursuant to the Contracts, which payments are secured by a pledge of Net Revenues on a parity with the Bonds as provided in the Indenture.

Contracts

"Contracts" means the DBW Loan Contract and all other obligations of the Port authorized and executed by the Port that provide that the Contract Payments thereunder are secured by a pledge of the Net Revenues on a parity with the Bonds as provided in the Indenture.

Corporate Trust Office

"Corporate Trust Office" means a corporate trust office of the Trustee, located in San Francisco, California; provided, however, for transfer, registration, exchange, payment and surrender of Bonds, such term means care of the corporate trust office of U.S. Bank Trust National Association in St. Paul, Minnesota, or such other address as may be specified by the Trustee in a written notice to the Port.

Costs of Issuance

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Port and related to the authorization, execution, sale and delivery of any Series of Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning the Bonds, initial fees and charges of any Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance and credit enhancement costs, and any other cost, charge or fee in connection with the delivery of such Series of Bonds.

Costs of Issuance Funds

"Costs of Issuance Funds" means the funds by that name established pursuant to any Supplemental Indenture in accordance with the Indenture.

Depository

"Depository" means the securities depository acting as Depository for any Series of the Bonds pursuant to the Indenture.

DTC

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

Enterprise

"Enterprise" means all land, facilities and improvements owned by or under the control of or operated and maintained by the Port, together with all additions, betterments, extensions or improvements to such land, facilities and improvements or any part thereof hereafter acquired or constructed by the Port.

Event of Default

"Event of Default" means any event described as such in the Indenture.

Escrow Agreement

"Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of May 1, 2015, by and between the Port and the Trustee.

Escrow Fund

“Escrow Fund” means the fund of that name established under the Escrow Agreement.

Executive Director

"Executive Director" means the Port Manager of the Port.

Fiscal Year

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Port as its Fiscal Year in accordance with the Law and identified in writing to the Trustee, to Moody's (if Moody's is then rating any Series of the Bonds) and to S&P (if S&P is then rating any Series of the Bonds).

Generally Accepted Accounting Principles

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Independent Certified Public Accountant

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Port, and who, or each of whom:

(1) is in fact independent and not under the domination of the Port;

(2) does not have any substantial interest, direct or indirect, with the Port; and

(3) is not connected with the Port as a director, officer or employee of the Port, but who may be regularly retained to make annual or other audits of the books of or reports to the Port.

Index Rate

"Index Rate" means the rate equal to the rate published by the *Bond Buyer* as the 25-Revenue Bond Index of revenue bonds maturing in thirty (30) years, or if such index ceases to be published, a comparable index published by the *Bond Buyer* or, if no comparable index then exists, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

Information Services

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and any other service providing information with respect to called bonds that the Port may designate in writing to the Trustee.

Interest Funds

"Interest Funds" means the funds by that name established pursuant to any Supplemental Indenture in accordance with the Indenture.

Interest Payment Date

"Interest Payment Date" means any June 1 or December 1 on which interest on any Series of the Bonds is scheduled to be paid or any other dates designated for the payment of interest on such Series of the Bonds by the Supplemental Indenture relating to such Series of the Bonds.

Law

"Law" means the Charter and those portions of Section 54300 *et seq*. of the Government Code of the State of California, as amended, and all laws amendatory thereof or supplemental thereto, which are incorporated by reference into the Charter.

Letter of Representations

"Letter of Representations" means a letter of the Port delivered to and accepted by the Depository at or prior to the issuance of any Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter of the Port to a substitute depository.

Maintenance and Operation Costs

"Maintenance and Operation Costs" means the reasonable and necessary costs paid or incurred by the Port for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including the operation, promotion and maintenance of all harbor or port improvements, works, utilities, appliances, facilities, services, maritime related recreation facilities and watercraft, owned, controlled or operated by the Port for the promotion and accommodation of commerce, navigation and fishery, or used in connection therewith, as well as all administrative costs of the Port that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums (including payments required to be paid into any self-insurance funds), and including all other reasonable and necessary costs of the Port or charges required to be paid by it to comply with the terms of the Indenture or of any Supplemental Indenture or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the Trustee and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (i) the principal of and interest on Bonds, Contract Payments, Repayment Obligations, and payment with respect to Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which, under Generally Accepted Accounting Principles, are chargeable to a capital account, (iii) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, and (iv) City Payments.

Maximum Annual Debt Service

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Annual Debt Service during the period from the date of such calculation through the final maturity date of all Outstanding Bonds or the final Contract Payment Date of all Contracts, whichever date is later.

Moody's

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Port.

Municipal Bond Insurance Policy

"Municipal Bond Insurance Policy" means a municipal bond insurance policy or financial guaranty issued by a Bond Insurer insuring the payment of the interest on and principal of any Series of the Bonds (or any portion thereof) when due other than by acceleration, as provided therein, as designated in a Supplemental Indenture.

Net Revenues

"Net Revenues" means for any period Revenues for such period less Maintenance and Operation Costs for such period.

Nominee

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture relating to certain disqualified Bonds) all Bonds issued and delivered under the Indenture except--

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the defeasance provisions of the Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Port pursuant hereto.

Owner

"Owner" means the registered owner of any Outstanding Bond as per the registration books required to be maintained pursuant to the Indenture.

Paired Obligations

"Paired Obligations" means any one or more Series of Bonds (or portion thereof) or Contracts (or portion thereof) designated as Paired Obligations in a Supplemental Indenture or in a Certificate of the Port, which are simultaneously issued, executed or delivered and (i) the principal or notional amount of which, as applicable, is of equal amount and (ii) the interest rates on which, taken together, result in an irrevocably fixed rate obligation of the Port for the term of such Bonds or Contracts.

Parity Repayment Obligation

"Parity Repayment Obligation" means any Repayment Obligation that, under the terms of the written agreement establishing such Repayment Obligation, is secured by a pledge of the Net Revenues on a parity with the Bonds as provided in the Indenture.

Parity Reserve Funds

"Parity Reserve Funds" means the funds by that name established pursuant to any Supplemental Indenture in accordance with the Indenture.

Participants

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as a securities depository.

Port

"Port" means the Board of Port Commissioners of the Port Department of the City of Redwood City, and includes all facilities and property, real or personal, wherever located, under the jurisdiction and control of the Board or in which the Board has other rights or from which the Board derives revenues.

Principal Funds

"Principal Funds" means the funds by that name established pursuant to any Supplemental Indenture in accordance with the Indenture.

Principal Payment Date

"Principal Payment Date" means any April 1 on which the principal of any Series of the Bonds is scheduled to be paid or any other dates designated for the payment of principal on such Series of Bonds by the Supplemental Indenture relating to such Series of Bonds.

Project

"Project" means improvements, utilities, structures, watercraft, appliances, facilities and services as the Board may deem necessary or convenient for the promotion or accommodation of commerce, navigation or fishery, or for any use in connection therewith, or upon the lands and waters, or interests therein, in the possession and under the management, supervision and control of the Board, or for the payment of the cost of acquiring or taking such real property or any interest therein that the Board may deem necessary or convenient for such purposes, as more specifically identified in a Supplemental Indenture.

Project Funds

"Project Funds" means the funds by that name established pursuant to any Supplemental Indenture in accordance with the Indenture.

Qualified Facility

"Qualified Facility" means a dock or wharf and property that is functionally related and subordinate to a dock or wharf, including storage or training facilities directly related to the dock or wharf and physically located on or adjacent to the dock or wharf as described in Treasury Regulation section 1.103-8(3).

Qualified Project Costs

"Qualified Project Costs" means costs paid with respect to the Series 1999 Project financed with Series 2015 Proceeds that meet each of the following requirements: (i) the costs are properly chargeable to the capital account (or would be so chargeable with a proper election by the Commission or but for a proper election by the Commission to deduct such costs) in accordance with general federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the portion of the Series 1999 Project financed with Series 2015 Proceeds shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all costs of the portion of the Series 1999 Project financed with Series 2015 Proceeds; and provided further that interest accruing after the date of completion of the portion of the Series 1999 Project financed with Series 2015 Proceeds shall not be a Qualified Project Cost; (ii) the costs are paid with respect to a qualified facility or facilities within the meaning of Section 142(c) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the portion of the Series 1999 Project financed with Series 2015 Proceeds (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Series 2015 Bonds, and (iv) if the costs relating to the portion of the Series 1999 Project financed with Series 2015 Proceeds were previously paid and are to be reimbursed with Series 2015 Proceeds such costs were (A) costs of issuance of the Series 2015 Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the portion of the Series 1999 Project financed with Series 2015 Proceeds (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the portion of the Series 1999 Project financed with Series 2015 Proceeds that do not exceed twenty percent (20%) of the issue price of the Series 2015 Bonds (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the portion of the Series 1999 Project financed with Series 2015 Proceeds that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the portion of the Series 1999 Project financed with Series 2015 Proceeds is placed in service (but no later than three (3) years after the expenditure is paid). Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by the Commission in constructing or rehabilitating the portion of the Series 1999 Project financed with Series 2015 Proceeds (or any portion thereof), and (B) any reasonable fees for supervisory services actually rendered by the Commission.

Qualified Reimbursable Costs

"Qualified Reimbursable Costs" means (i) expenditures paid for costs of issuance of the Series 2015 Bonds, (ii) preliminary capital expenditures (within the meaning of Treasury Regulation section 1.150-2(f)(2)) with respect to the Series 1999 Project, such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Series 1999 Project that do not exceed 20% of the issue price of the Series 2015 Bonds, and (iii) capital expenditures that (A) were paid no earlier than 60 days before the date of the adoption (August 12, 1998, being the date on which the Board of Port Commissioners adopted its Resolution No. P-1606) by the Commission of a declaration of intent to reimburse such expenditures from the proceeds of obligations, and (B) are reimbursed no later than 18 months after the later of the date the expenditure was paid or the date the Series 1999 Project is placed in service (but no later than 3 years after the expenditure is paid).

Rebate Funds

"Rebate Funds" means the funds, if any, established pursuant to the Code and any Supplemental Indenture to make rebate payments to the United States pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder.

Record Date

"Record Date" means the close of business on the fifteenth day of the month preceding any Interest Payment Date or Principal Payment Date, whether or not such day is a Business Day, or any other dates designated by a Supplemental Indenture relating to a Series of Bonds.

Repayment Obligation

"Repayment Obligation" means an obligation under a written agreement between the Port and a credit provider to reimburse the credit provider for amounts paid under or pursuant to a credit facility for the payment of the principal amount or purchase price of and/or interest on any Bonds or any Contract Payments.

Reserve Fund Requirement

"Reserve Fund Requirement" means, as of any date of calculation, an amount equal to the least of (a) ten per cent (10%) of the principal amount of the then Outstanding Bonds secured by the Reserve Fund (less original issue discount if in excess of two percent (2%) of the stated amount payable at maturity), (b) one hundred twenty-five per cent (125%) of Average Annual Debt Service with respect to the then Outstanding Bonds secured by the Reserve Fund, or (c) the Maximum Annual Debt Service with respect to the then Outstanding Bonds secured by the Reserve Fund.

Revenue Fund

"Revenue Fund" means the fund by that name established pursuant to the Indenture.

Revenues

"Revenues" means:

(a) all money received or collected from or arising out of the use or operation of any harbor or port improvement, work, structure, appliance, facility, utility, service or watercraft owned, controlled or operated by the Port in or upon or pertaining to the lands and waters, or interests therein, of the Port; all tolls, charges and rentals collected by the Port; and all compensations or fees required to be paid for franchises or licenses, or otherwise by law or ordinance or order, to the Port for the operation of any public service utility upon lands and waters, or interests therein, of the Port; and

(b) all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture.

The following are specifically excluded from Revenues: (i) any amounts received by the Port from the imposition of ad valorem taxes; (ii) gifts and grants which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds, Contract Payments, or Parity Repayment Obligations; (iii) insurance proceeds to the extent the use of such proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Bonds, Contract Payments, or Parity Repayment Obligations; and (iv) Special Facilities Revenue.

Securities Depositories

"Securities Depositories" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 277-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; and any other securities depository that the Port may designate in writing to the Trustee.

Second Supplemental Indenture

“Second Supplemental Indenture” means the Second Supplemental Indenture, dated as of June 1, 2012, by and between the Port and the Trustee.

Serial Bonds

"Serial Bonds" means Bonds for which no Sinking Fund Installments are provided.

Series 1999 Project

“Series 1999 Project” has the meaning given that term in the Whereas clauses of the Third Supplemental Indenture.

Series 2015 Reserve Fund

“Series 2015 Reserve Fund” means the Port of Redwood City Series 2015 Parity Bond Reserve Fund established pursuant to the Indenture.

Series of the Bonds

"Series of the Bonds" or "Series", when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and delivery in a simultaneous transaction and identified pursuant to a Supplemental Indenture authorizing such Bonds as a separate Series of the Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant hereto.

Sinking Funds

"Sinking Funds" means the funds by that name established pursuant to any Supplemental Indenture in accordance with the Indenture.

Sinking Fund Installment

"Sinking Fund Installment" means the amount of money required by any Supplemental Indenture to be deposited by the Port in the applicable Sinking Fund on any Sinking Fund Payment Date for the mandatory sinking fund redemption of any particular Term Bonds of any Series.

Sinking Fund Payment Date

"Sinking Fund Payment Date" means any date on which Sinking Fund Installments for any Series of the Bonds are required to be deposited in the applicable Sinking Fund as designated by a Supplemental Indenture relating to such Series of the Bonds.

S&P

"S&P" means Standard & Poor's Ratings Services, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Port.

Special Facilities Revenue

"Special Facilities Revenue" means the contractual payments derived by the Port from a Special Facility and all other income and revenues available to the Port from such Special Facility.

Special Facility

"Special Facility" means a facility which is designated as a Special Facility under the provisions of the Indenture.

Subordinate Obligations

"Subordinate Obligations" means all obligations of the Port that are subordinate in payment to the Bonds, the Contracts, and the Parity Repayment Obligations and that are payable from the Subordinated Obligation Payment Fund.

Subordinated Obligation Payment Fund

"Subordinated Obligation Payment Fund" means the fund by that name established pursuant to the Indenture.

Subordinated Obligation Reserve Fund

"Subordinated Obligation Reserve Fund" means the fund by that name established pursuant to the Indenture.

Supplemental Indenture

"Supplemental Indenture" means any indenture then in full force and effect which has been entered into by the Port and the Trustee, amendatory of or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

Tax Certificate

"Tax Certificate" means a certificate of the Port with respect to a Series of the Bonds, dated the date of the original issuance and delivery of such Series of the Bonds, relating to the requirements of certain provisions of the Code, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

Term Bonds

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

Trustee

"Trustee" means U.S. Bank Trust National Association, a national banking association, duly organized and existing under the laws of the United States of America, appointed by the Port and acting as an independent trustee with the duties and powers in the Indenture provided, and its successors or assigns, or any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

Written Request of the Port

"Written Request of the Port" means an instrument in writing signed by the President of the Board, the Executive Director or the Manager of Finance and Administration of the Port, or their designee, or by any other officer of the Port duly authorized by the Port for that purpose, such authorization to be evidenced by a certificate verifying the specimen signatures of such officers.

SUMMARY OF INDENTURE

Conditions for the Issuance of Bonds

The Bonds in an unlimited principal amount are authorized by the Indenture to be issued by the Port at any time under and subject to the terms of the Indenture in order to finance or refinance the acquisition, construction, or improvement of Projects. The Port may at any time issue a Series of the Bonds payable from the Net Revenues and secured by a lien and charge upon the Net Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds, the Contracts, and the Parity Repayment Obligations, but only subject to the following specific conditions, which are conditions precedent to the issuance of any such Series of the Bonds:

(a) The Port shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture and in all Supplemental Indentures. Contracts, and agreements creating Parity Repayment Obligations required to be observed or performed by it, and a Certificate of the Port to that effect shall have been filed with the Trustee (this condition shall not apply where the purpose of the Series of Bonds proposed to be issued is to cure any such non-compliance).

(b) The issuance of such Series of the Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Series of the Bonds shall have been provided for by a Supplemental Indenture duly entered into by the Port and the Trustee, which Supplemental Indenture shall specify the following:

(i) The purpose for which such Series of the Bonds are to be issued and the accounts or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Series of the Bonds to be applied solely for (i) the financing of the acquisition, construction, or improvement of a Project, including payment of allowed costs incidental to or connected with such financing, and/or (ii) the refinancing of the acquisition, construction, or improvement of a Project, including payment of allowed costs incidental to or connected with such refinancing;

(ii) The authorized principal amount of such Series of the Bonds;

(iii) The dated date and the maturity date or dates of the Bonds of such Series;

(iv) The Interest Payment Dates and/or the Principal Payment Dates of the Bonds of such Series if different from the dates in the definition thereof in the Indenture;

(v) The authorized denominations and method of numbering of the Bonds of such Series;

(vi) The redemption premiums, if any, and the redemption terms, if any, for the Bonds of such Series;

(vii) The amount and due date of each Sinking Fund Installment, if any, for the Bonds of such Series;

(viii) The amount, if any, to be deposited from the proceeds of such Series of the Bonds in the Interest Fund related to such Series of the Bonds;

(ix) If such Series of the Bonds shall be secured by the Reserve Fund, the amount, if any, to be deposited from the proceeds of such Series of the Bonds in the Reserve Fund; provided that the amount on deposit in the Reserve Fund shall be increased at the time such Series of the Bonds become Outstanding to an amount at least equal to the Reserve Fund Requirement as calculated immediately after the issuance of such Series of the Bonds;

(x) If such Series of the Bonds shall be secured by a Parity Reserve Fund, the amount, if any, to be deposited from the proceeds of such Series of the Bonds in such Parity Reserve Fund; provided that the amount on deposit in such Parity Reserve Fund at the time such Series of the Bonds become Outstanding shall be equal to the funding requirement therefor as set forth in the applicable Supplemental Indenture;

(xi) The amount to be deposited from the proceeds of such Series of the Bonds into any other appropriate accounts or funds to accomplish the purpose of the issuance of such Series of the Bonds;

(xii) The form of such Series of the Bonds; and

(xiii) Such other provisions as are necessary or appropriate and not inconsistent herewith.

(c) The Net Revenues for the most recent audited Fiscal Year or, alternatively, any 12 consecutive months within the last 18 months preceding the date of issuance of such Series of the Bonds, as shown by a Certificate of the Port on file with the Trustee, plus an allowance for increased Net Revenues arising from any increase in the rates, fees and charges approved and which became effective prior to the date of the execution of such Supplemental Indenture, but which was not in effect during all or any part of such Fiscal Year or 12-month period, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, fees and charges had been in effect during the whole of such Fiscal Year or 12-month period, as shown by a Certificate of the Port on file with the Trustee, shall have produced a sum equal to at least one hundred twenty five per cent (125%) of the Maximum Annual Debt Service as calculated immediately after the issuance of such Series of the Bonds; *provided,* that in the event that all or a portion of such Series of the Bonds is to be issued for the purpose of refunding and retiring any then Outstanding Bonds, Contracts, or Parity Repayment Obligations, interest and principal payments on the Bonds, Contracts, or Parity Repayment Obligations to be so refunded and retired from the proceeds of such Series of the Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; *provided further,* that the Port may at any time issue a Series of the Bonds without compliance with the foregoing conditions if the Annual Debt Service for each Fiscal Year during which such Series of the Bonds is Outstanding will not be increased by reason of the issuance of such Series of the Bonds.

Nothing contained in the Indenture shall limit the issuance of any revenue bonds of the Port payable from the Net Revenues and secured by a lien and charge on the Net Revenues if, after the issuance and delivery of such revenue bonds, none of the Bonds theretofore issued under the Indenture will be Outstanding and none of the Contracts or Parity Repayment Obligations shall be unpaid.

Execution of Contracts; Repayment Obligations

The Port may at any time execute any Contracts the Contract Payments under which are payable from the Net Revenues on a parity with the Bonds; *provided*, that such Contracts meet the conditions and requirements for the issuance of additional Bonds under the Indenture (with the reference to Bonds being construed to mean Contracts or Contract Payments, as appropriate, and any provision not applicable to Contracts or Contract Payments being disregarded) at the time of the execution thereof.

If so provided in the applicable Supplemental Indenture and in the written agreement between the Port and a credit provider, a Repayment Obligation (other than a Repayment Obligation with respect to a credit facility on deposit in the Reserve Fund or any Parity Reserve Fund) may be accorded the status of an obligation payable from the Net Revenues on a parity with the Bonds solely for purposes of securing such Repayment Obligation under the Indenture; provided, that such Repayment Obligation meets the conditions and requirements for the issuance of additional Bonds under the Indenture (with reference to Bonds being construed to mean Parity Repayment Obligations, as appropriate, and any provision not applicable to Parity Repayment Obligations being disregarded) at the time of entering into such Repayment Obligation.

Pledge of Net Revenues

The Port pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Port in and to all of the following and provides that such lien and security interest shall, except as otherwise provided in the Indenture with respect to Contracts and Parity Repayment Obligations, be prior in right to any other pledge, lien or security interest created by the Port in the following: (a) the Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Indenture, (c) earnings on amounts included in the preceding clauses (a) and (b), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Indenture, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall, with respect to the security provided by the Indenture, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds or as otherwise provided in the Indenture or in a Supplemental Indenture.

Any Parity Reserve Fund created by a Supplemental Indenture and any other security or credit facility provided for specific Bonds or a specific Series of Bonds may, as provided by Supplemental Indenture, secure only such specific Bonds or Series of Bonds and, therefore, shall not be included as security for all Bonds under the Indenture. Moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under the defeasance provisions of the Indenture shall be held solely for the payment of such specific Bonds.

Revenue Fund; Receipt and Deposit of Net Revenues

There is established a special fund known as the "Port of Redwood City Revenue Fund," which fund shall be held by the Port on behalf of the Treasurer of the City. Beginning on the date the first Series of the Bonds become Outstanding and continuing until no Bonds are Outstanding and no Contract Payments or Parity Repayment Obligations are unpaid, the Port shall deposit all Revenues as and when received by it in the Revenue Fund. The Port agrees and covenants that all Revenues deposited by it in the Revenue Fund will be accounted for through and held in trust in the Revenue Fund, and the Port shall have no beneficial right or interest in such Revenues, except only as provided in the Indenture.

Establishment and Maintenance of Funds; Use of Money in the Revenue Fund

The Port shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Revenue Fund as they become due and payable. In addition thereto, the Port shall transfer or set-aside the amounts on deposit in the Revenue Fund for the purposes, at the times, in the amounts, and in the order of priority described below.

(a) Interest Funds and Interest Components. There shall be established for each Series of Bonds a separate fund with the Trustee, with each such fund to be designated for the Series of Bonds for which it is established and to be known as the "Port of Redwood City Series ________ Bond Interest Fund," all of which funds shall collectively be known as the "Interest Funds."

The Port shall transfer, without priority and on an equal basis, except as to timing of payment, (i) to the Trustee for deposit into the Interest Funds the amounts required to be deposited therein by the provisions of the Indenture and the applicable Supplemental Indentures, each such transfer to be made at the time specified in the applicable Supplemental Indenture and to be used to pay interest on the applicable Series of the Bonds, and (ii) to the obligees with respect to Contracts and Parity Repayment Obligations, at the times and in the manner provided for in such Contracts and Parity Repayment Obligations, to provide for the payment of the interest components of such Contracts and Parity Repayment Obligations. In the event there are insufficient moneys in the Revenue Fund to make all such transfers, then such moneys as are available shall be allocated among the Bonds, the Contracts, and the Parity Repayment Obligations ratably in proportion to the amount of interest becoming due and payable thereon on the next Interest Payment Date.

(b) Principal Funds. Sinking Funds, and Principal Components. There shall be established for each Series of Bonds a separate fund with the Trustee, with each such Fund to be designated for the Series of Bonds for which it is established and to be known as the "Port of Redwood City Series _______ Bond Principal Fund," all of which funds shall collectively be known as the "Principal Funds." There shall also be established for each Series of Bonds, if required by a Supplemental Indenture, a separate fund with the Trustee, with such Fund to be designated for the Series of Bonds for which it is established and to be known as the "Port of Redwood City Series _________ Bond Sinking Fund," all of which funds shall collectively be known as the "Sinking Funds."

The Port shall transfer, without priority and on an equal basis, except as to timing of payment, (i) to the Trustee for deposit into the Principal Funds and the Sinking Funds the amounts required to be deposited therein by the provisions of the Indenture and the applicable Supplemental Indentures, each such transfer to be made at the time specified in the applicable Supplemental Indenture and to be used to pay principal (upon maturity, prior redemption, or purchase) of the applicable Series of the Bonds, and (ii) to the obligees with respect to Contracts and Parity Repayment Obligations, at the times and in the manner provided for in such Contracts and Parity Repayment Obligations, to provide for the payment of the principal components (upon maturity, prior redemption, or purchase) of such Contracts and Parity Repayment Obligations. In the event there are insufficient moneys in the Revenue Fund to make all such transfers, then such moneys as are available shall be allocated among the Bonds, the Contracts, and the Parity Repayment Obligations ratably in proportion to the amount of principal becoming due and payable (upon maturity or prior mandatory sinking fund redemption) on the next Principal Payment Date or Sinking Fund Payment Date, as applicable.

(c) Reserve Fund. As was done for each of the Series 2012 Bonds and the Series 2015 Bonds, there may be established for each Series of Bonds a separate debt service reserve fund with the Trustee, with such fund to be designated for the Series of Bonds for which it is established and to be known as a "Parity Reserve Fund." Upon the initial issuance and delivery of a Series of the Bonds for which a Parity Reserve Fund is established, such Parity Reserve Fund shall be funded in an amount specified in the applicable Supplemental Indenture. All money in (or available to) a Parity Reserve Fund shall be used and withdrawn by the Trustee solely at the time and for the purpose set forth in the applicable Supplemental Indenture. Any Series of Bonds secured by a Parity Reserve Fund shall not have the benefit of the Reserve Fund.

On or before June 1 and December 1 of each year, the Port shall transfer, without priority and on an equal basis, (i) if applicable, to the Trustee, for deposit into the Reserve Fund, the amount necessary to increase the amount on deposit in the Reserve Fund to the Reserve Fund Requirement. (ii) to the Trustee, for deposit into the Parity Reserve Funds, the amounts necessary to increase the amount on deposit in each Parity Reserve Fund to the amount specified in each applicable Supplemental Indenture, and (iii) to the obligees with respect to Contracts and Parity Repayment Obligations, the amounts necessary to replenish any debt service reserve fund created pursuant to such Contracts and Parity Repayment Obligations; provided, however, that if there has been a draw upon any policy of insurance, surety bond, letter of credit or other comparable credit facility used to provide all or a portion of the Reserve Fund Requirement, or the funding requirement for any Parity Reserve Fund or for any debt service reserve fund created pursuant to Contracts or Parity Repayment Obligations, then the transfers described above may be paid to the provider of such instrument to the extent necessary to reimburse the provider of such instrument for payments made under such draw plus its expenses in connection therewith. In the event there are insufficient Revenues to make all such transfers, then such Revenues as are available shall be allocated among the Reserve Fund, the Parity Reserve Funds, and the debt service reserve funds related to Contracts and Parity Repayment Obligations ratably in proportion to the outstanding principal amount of the Bonds, Contracts, or Parity Repayment Obligations secured thereby.

If on any June 1 or December 1 the amount on deposit in the Reserve Fund is in excess of the Reserve Fund Requirement as of such date, then the Trustee shall so notify the Port and the Trustee shall, upon the Written Request of the Port, transfer the amount of such excess to such Project Funds as shall be selected by the Port or ratably among the Interest Funds related to such Series of the Bonds as are then secured by the Reserve Fund.

The Third Supplemental Indenture provides that all or any portion of the Reserve Fund Requirement for the Series 2015 Reserve Fund may be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with money on deposit in the Series 2015 Reserve Fund, provide an aggregate amount equal to the Reserve Fund Requirement, so long as (i) the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility is rated, at the time of the delivery of such instrument, in one of the two highest rating categories by Moody's or S&P, without regard to modifiers within a category, (ii) the Trustee has received an opinion of counsel substantially to the effect that such substitution is authorized or permitted under the Indenture and will not adversely affect the exclusion from gross income of interest on the Series 2015 Bonds for federal income tax purposes, (iii) the Trustee has received written confirmation from Moody's or S&P, whichever is applicable, that such substitution will not cause a lowering or withdrawal of any of their ratings on the Series 2015 Bonds, and (iv) the Trustee has received an opinion of counsel to the effect that the credit facility to be substituted is a valid, binding and legally enforceable obligation. In the event that any portion of the Reserve Fund Requirement is satisfied by the provision of such a policy of insurance, surety bond, letter of credit or other comparable credit facility, or a combination thereof, the amount of money then in the Series 2015 Reserve Fund equal to the portion of the Reserve Fund Requirement then being satisfied by such credit facility will (upon receipt of a Written Request of the Port) be withdrawn by the Trustee from the Series 2015 Reserve Fund and transferred to the Port.

(d) Subordinated Obligation Payment Fund. If provided for in a Supplemental Indenture, there shall be established under the Indenture a special fund to be held by the Trustee to be known as the "Port of Redwood City Subordinated Obligation Payment Fund," referred to in the Indenture as the "Subordinated Obligation Payment Fund." There may be created within the Subordinated Obligation Payment Fund such accounts and subaccounts as may be deemed necessary or desirable in connection with the execution and delivery by the Port of Subordinated Obligations. The Port shall deposit in the Subordinated Obligation Payment Fund for receipt on or before each payment date for Subordinated Obligations, beginning on the date designated in the agreement establishing such Subordinated Obligations, an amount of money from the Revenue Fund which, together with any money contained in the Subordinated Obligation Payment Fund, is equal to the aggregate amount of interest and principal due and payable on such payment date on all Subordinate Obligations.

(e) Subordinated Obligation Reserve Fund. If provided for in a Supplemental Indenture, there shall be established under the Indenture a special fund to be held by the Trustee to be known as the "Port of Redwood City Subordinated Obligation Reserve Fund," referred to in the Indenture as the "Subordinated Obligation Reserve Fund." There may be created within the Subordinated Obligation Reserve Fund such accounts and subaccounts as may be deemed necessary or desirable in connection with the execution and delivery by the Port of Subordinated Obligations. The Port shall deposit in the Subordinated Obligation Reserve Fund such amounts at such times and for such purposes as shall be designated in the agreement establishing such Subordinated Obligations.

(f) City Payments. The Port shall, from moneys in the Revenue Fund not necessary to make the deposits set forth above, transfer to the City all City Payments as they become due and payable.

(g) Remaining Money. All money remaining in the Revenue Fund after making the aforesaid payments may be withdrawn from the Revenue Fund by the Port and used by the Port for any lawful purpose; provided, however, that no money shall be released from the Revenue Fund in any Fiscal Year unless as of the date of such withdrawal (i) all payments for such Fiscal Year with respect to the Bonds, the Contracts, the Parity Repayment Obligations, and the Subordinate Obligations shall have been made, or amounts sufficient to make such payments shall be on deposit with the Trustee in the appropriate Fund, and (ii) the Reserve Fund, any Parity Reserve Fund, any debt service reserve fund created pursuant to Contracts or Parity Repayment Obligations; and the Subordinated Obligation Reserve Fund shall be funded to the level required by the Indenture, any Supplemental Indenture, or any other document or agreement applicable thereto.

Special Facilities and Special Facilities Obligations

The Port shall be permitted to designate new or existing facilities as Special Facilities as permitted in the Indenture. The Port may, from time to time, and subject to the terms and conditions of the Indenture, (a) designate a separately identifiable existing facility or planned facility as a "Special Facility," (b) pursuant to an indenture other than the Indenture and without a pledge of any Net Revenues, incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (c) provide that certain of the contractual payments derived from such Special Facility, together with other income and revenues available to the Port from such Special Facility to the extent necessary to make the payments required by clause (i) of the next succeeding paragraph, be "Special Facilities Revenue" and not included as Revenues or Net Revenues unless on terms provided in any Supplemental Indenture, and (d) provide that the debt so incurred shall be a "Special Facility Obligation" and the principal of and interest thereon shall be payable solely from the Special Facilities Revenue. The Port may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations. Special Facility Obligations shall be payable as to principal, redemption premium, if any, and interest solely from Special Facilities Revenue, which shall include contractual payments derived by the Port under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the Port and another person, firm or corporation, either public or private, as shall undertake the operation of a Special Facility.

No Special Facility Obligations shall be issued by the Port unless there shall have been filed with the Trustee a Certificate of the Port stating that:

(i) The estimated Special Facilities Revenue pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Port and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due; and

(ii) With respect to the designation of any separately identifiable existing Port Facility as a "Special Facility" or "Special Facilities", the estimated Net Revenues, calculated without including the new Special Facilities Revenue and without including any operation and maintenance expenses of the Special Facility as Maintenance and

Operation Expenses of the Port, will be sufficient so that the Port will be in compliance with the rate covenant of the Indenture; and

(iii) No Event of Default then exists.

To the extent Special Facilities Revenue received by the Port during any Fiscal Year shall exceed the amounts required to be paid pursuant to clause (i) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facilities Revenue, to the extent not otherwise encumbered or restricted, shall constitute Revenues.

Notwithstanding any other provision of the Indenture, at such time as the Special Facility Obligations issued for a Special Facility including Special Facility Obligations issued to refinance Special Facility Obligations are fully paid or otherwise discharged, all revenues of the Port from such facility shall be included as Revenues.

Certain Covenants of the Port

Punctual Payment. The Port will punctually pay the interest on and principal of and redemption premiums, if any, to become due with respect to the Bonds in strict conformity with the terms of the Indenture and of the Bonds, according to the true interest and meaning thereof, but only out of Net Revenues and other assets pledged for such payments as provided in the Indenture, and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms of the Indenture, of any Supplemental Indenture and of the Bonds.

Legal Existence. The Port will use all means legally available to maintain its existence so long as any of the Bonds are Outstanding.

Against Encumbrances. The Port will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Revenues except as provided in the Indenture, and (except for the Bonds, the Contracts, and the Parity Repayment Obligations) will not issue any obligations secured by Net Revenues on a parity with, or senior to, the Bonds, the Contracts, and the Parity Repayment Obligations; *provided*, that the Port may at any time issue any Subordinate Obligations.

Against Sale of Property. The Port will not sell or otherwise dispose of property or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Net Revenues unless the Bonds have been fully paid or provision has been made therefor in accordance with the defeasance provisions of the Indenture, or unless the Port delivers to the Trustee prior to such disposition a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Port as evidenced by a certificate of the Port's Manager, the Consultant estimates that the Port will be in compliance with subparagraph (b) of the rate covenant of the Indenture during each of the five Fiscal Years immediately following such disposition.

Maintenance and Operation of Port Enterprise. The Port will maintain and preserve the Enterprise in good repair and working order at all times from the Revenues or other funds available for such purpose, and will operate the Enterprise in an efficient and economical manner.

The Port will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Port, or upon the revenue from the operation thereof, when the same shall become due, as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon the Port or such revenue, or which might impair the security of the Bonds. Notwithstanding the foregoing, the Port need not pay or discharge any tax, assessment or other governmental charge, or claim for labor, materials or supplies, if and so long as the Port shall contest the validity or application thereof in good faith.

The Port will continuously operate the Enterprise so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with, but the Port shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith.

Insurance. The Port will procure and maintain at all times while any of the Bonds shall be Outstanding insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) as are usually insured in connection with operations similar to the Enterprise and, to the extent such insurance is available for reasonable premiums from a reputable insurance company, such insurance shall be adequate in amount and, as to the risks insured against, shall be maintained with responsible insurers; *provided,* that such insurance coverage may be satisfied under a self-insurance program which is actuarially sound.

The Port shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the Port (including its directors, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the Port's operations. including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations similar to the Enterprise; *provided,* that such insurance coverage may be satisfied under a self-insurance program which is actuarially sound.

The Trustee shall not be responsible for the adequacy or sufficiency of such insurance.

Eminent Domain Proceeds. If all or any part of the Enterprise shall be taken by eminent domain proceedings, then, subject to the following sentence and the following paragraph, the net proceeds realized by the Port therefrom shall be deposited by the Port with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the Port to the cost of acquiring and constructing additions, betterments, extensions or improvements to the Enterprise if (A) the Port first secures and files with the Trustee a Certificate of the Port showing (i) the loss in annual Revenues, if any, suffered, or to be suffered, by the Port by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise then proposed to be acquired and constructed by the Port from such proceeds, and (iii) an estimate of the additional Revenues to be derived from such additions, betterments, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the Port certifying that such additional Revenues will sufficiently offset the loss of Revenues resulting from such eminent domain proceedings so that the ability of the Port to meet its obligations under the Indenture will not be substantially impaired, and such Certificate of the Port shall be final and conclusive, and any balance of such proceeds not required by the Port for such purpose shall be deposited in the Revenue Fund and applied as provided in the Indenture. If the foregoing conditions are not met, then, subject to the following paragraph, such net proceeds shall be allocated by the Trustee among the Bonds, the Contracts, and the Parity Repayment Obligations on a pro rata basis in proportion to the then outstanding principal amounts thereof Amounts so allocated to the Bonds shall be transferred by the Trustee to the Interest Funds, Principal Funds, and Sinking Funds from time to time so as to pay principal of and interest on the Bonds as they shall become due. Amounts so allocated to the Contracts or the Parity Repayment Obligations shall be transferred by the Trustee to the obligees with respect to Contracts and Parity Repayment Obligations from time to time so as to pay amounts payable by the Port thereunder as they shall become due.

Notwithstanding the prior paragraph, if such eminent domain proceedings have not had a material adverse affect upon the Revenues and the security of the Bonds, and a Certificate of the Port to such effect has been filed with the Trustee, then the Port shall forthwith deposit such proceeds in the Revenue Fund, to be applied as provided in the Indenture.

Amounts of Rates. Fees and Charges.

(a) The Port will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees, tolls and charges, rentals for leases, permits and franchises, and compensation or fees for franchises and licenses, and manage the operation of the Enterprise for each Fiscal Year so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

(i) All current Maintenance and Operation Costs.

(ii) The interest on and principal of and Sinking Fund Installments for the Bonds, the payments for the Contracts and the Repayment Obligations and the payment of the Subordinate Obligations as they become due and payable.

(iii) All payments required for compliance with the terms of the Indenture, including restoration of the Reserve Fund to an amount equal to the Reserve Fund Requirement.

(iv) All payments to meet any other obligations of the Port which are charges, liens or encumbrances upon, or payable from, the Net Revenues.

(b) In addition to the requirements of the foregoing paragraph (a), the Port will, at all times while any of the Bonds remain Outstanding, to the maximum extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield Net Revenues during such Fiscal Year equal to at least one hundred twenty (120%) per cent of the Annual Debt Service in such Fiscal Year.

The Port may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the rate covenant requirements of the Indenture.

Enforcement of and Performance Under Contracts. The Port shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for payments or services to be rendered to the Port. Further, the Port will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Enterprise, to the extent that the Port is a party thereto.

Collection of Charges. Fees and Rates. The Port will have in effect at all times rules and regulations providing for the billing of fees and charges and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the Port will enforce the collection procedures contained in such rules and regulations.

Tax Covenants Related to the Series 2015 Bonds. The Port will not take any action or permit or suffer any action to be taken if the result of such action would be to cause the Series 2015 Bonds to be "federally guaranteed" within the meaning established by the Code. The Port will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Series 2015 Proceeds 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

Series 2015 Bonds would have caused the Series 2015 Bonds to be "arbitrage bonds" within the meaning of established by the Code.

The Port will take all actions necessary to assure the exclusion of interest on the Series 2015 Bonds from the gross income of the Owners of the Series 2015 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 delivery of the Series 2015 Bonds. The Port will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Series 2015 Bonds. The tax covenants of the Indenture will survive payment in full or defeasance of the Series 2015 Bonds.

The portion of the Series 1999 Project financed with the Series 2015 Proceeds will satisfy the public use requirement either (a) by being located in a public port or (b) by being available for use by members of the general public. The Port covenants that the portion of the Series 1999 Project financed with Series 2015 Proceeds will be owned by the Port or by a governmental unit within the meaning established by the Code. The Port covenants that no Series 2015 Proceeds will be used to certain facilities if such facilities are used for a private business use. The Port covenants that less than 25% of the Series 2015 Proceeds will be used for the acquisition of land. The Port covenants that no Series 2015 Proceeds will be used for the acquisition of any tangible property, other than land or an interest than land, except for certain limitations established by the Indenture.

The Port has made certain other tax covenants pursuant to the Indenture.

Temporary Covenant

The Port covenanted as follows in the Second Supplemental Indenture, which covenant will remain in effect only as long as the 2012 Bonds remain outstanding:

Within two hundred ten (210) days after the end of each Fiscal Year, the Port will compute its ratio of Net Revenues to Maximum Annual Debt Service (the "DSCR") for such Fiscal Year and furnish to the Trustee and owner of the 2012 Bonds, a Certificate of the Port setting forth the results of such computation. The Port covenants that if at the end of such Fiscal Year the DSCR shall have been less than 1.40:1.00, it will provide Quarterly Reports (as defined herein) and will continue to provide such Quarterly Reports until the DSCR is equal to or greater than 1.40:1.00. The Port covenants that if the DSCR shall have been less than 1.20:1.00, it will promptly employ a Consultant acceptable to the owner of the 2012 Bonds in its reasonable discretion to make recommendations as to a revision of the rates, fees and charges of the Port or the methods of operation or collections of the Port to increase the DSCR to at least 1.40:1.00 for subsequent Fiscal Years (or, if in the opinion of the Consultant, the attainment of such level is impracticable, to the highest practicable level). Copies of the recommendations of the Consultant will be filed with the Trustee and the owner of the 2012 Bonds within 90 days of the retention of the Consultant. Promptly upon its receipt of any such recommendations, and subject to applicable requirements or restrictions imposed by law, the Port shall implement the reasonable recommendations of the Consultant and shall take such other action as it deems in conformity with such recommendations.

If the Port complies in all material respects with the reasonable recommendations of the Consultant with respect to the Port's rates, fees, charges and methods of operation or collection, the Port will be deemed to have complied with the covenants set forth in the previous paragraph for such Fiscal Year, notwithstanding that the DSCR shall be less than 1.40:1.00; provided, however, that an immediate Event of Default shall exist if the DSCR is less than 1.00:1.00 for any two consecutive Fiscal Years.

Amendment of the Indenture

The Indenture and the rights and obligations of the Port and of the Owners may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least sixty per cent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Indenture) and the written consents of the Bond Insurers (if any) are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Port to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture of any Bond, without the express written consent of the Owner of such Bond, or (2) permit the creation by the Port of any mortgage, pledge or lien upon the Net Revenues superior to or on a parity with the pledge and lien for the benefit of the Bonds, the Contracts, and the Parity Repayment Obligations, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Port and of the Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon execution, without the consent of any Owners or Bond Insurers (if any), but only to the extent permitted by law and only for any one or more of the following purposes:

(a) To add to the agreements and covenants of the Port contained in the Indenture other agreements and covenants thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Port in the Indenture;

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising thereunder, as the Port may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Owners of the Outstanding Bonds;

(c) To provide for the issuance of any Series of the Bonds, and to provide the terms and conditions under which such Series of the Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) To modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939. as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(e) To maintain the exclusion under the Code of interest on the Bonds from gross income for federal income tax purposes;

(f) To the extent necessary to obtain a Municipal Bond Insurance Policy, to maintain any then existing rating by Moody's (if Moody's is then rating the Bonds) or S&P (if S&P is then rating the Bonds) or in connection with satisfying all or a portion of the Reserve Fund Requirement by placing a credit facility in the Reserve Fund;

(g) To determine and provide that any Subordinate Obligations are and shall constitute Bonds, Contracts, or Parity Repayment Obligations (as the case may be) under the Indenture; provided. that in order to make such determination and provision, such Subordinate Obligations must first meet the conditions and requirements for the issuance of additional Bonds at the time of such determination and provision (with the reference to Bonds being construed to mean Contracts or Parity Repayment Obligations, as appropriate):

(h) To modify, amend or supplement the Indenture in connection with the execution of a Contract or a Parity Repayment Obligation so long as such modifications, amendments or supplements to the Indenture do not materially adversely affect the interests of the Owners of the Outstanding Bonds; or

(i) For any other purpose that does not materially adversely affect the interests of the Owners of the Outstanding Bonds.

Events of Default and Remedies of Owners

Events of Default. The following events constitute an "Event of Default" under the Indenture:

(a) A default shall be made in the due and punctual payment of the interest on any Bond or with respect to any Contract or Parity Repayment Obligation when and as the same shall become due and payable;

(b) A default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on or of any Sinking Fund Installment for any Bond or with respect to any Contract when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(c) A default shall be made by the Port in the observance or performance of any of the other agreements, conditions, covenants or terms on its part contained in the Indenture or in the Bonds or in any Contract or Parity Repayment Obligation, and such default shall have continued for a period of 60 days after the Port shall have been given notice in writing of such default by the Trustee, which may give notice in its discretion and shall give notice at the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding; provided, that such default shall not constitute an Event of Default under the Indenture if the Port shall commence to cure such default within such 60-day period and thereafter diligently and in good faith shall proceed to cure such default within a reasonable period of time; or

(d) The Port shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Port, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Port or of the whole or any substantial part of its property.

Remedies of Owners. Upon a declaration by the Trustee of an Event of Default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the Port and any of the directors, officers and employees of the Port, and to compel the Port or any such directors, officers or employees to perform and carry out their duties under the Law and other applicable law and their agreements and covenants with the owners as provided in the Indenture;

(b) By suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or

(c) Upon the happening of an Event of Default, by a suit in equity to require the Port and its directors, officers and employees to account as the trustee of an express trust.

(d) In no event, upon the occurrence and continuation of an Event of Default, shall the Trustee, the Owners, or any other party have the right to accelerate the payment of principal of and interest on the Outstanding Bonds.

Discharge of Bonds

If the Port shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all or a portion of the Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of Net Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Port to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied; *provided*, that notwithstanding anything contained in the Indenture to the contrary, in the event that the interest on or principal of any Bonds shall be paid by a Bond Insurer pursuant to a Municipal Bond Insurance Policy, then such Bonds shall remain Outstanding for all purposes of the Indenture and shall not be defeased or otherwise satisfied and shall not be considered paid by the Port and the assignment and pledge under the Indenture and all agreements and covenants of the Port to the Owners of such Bonds shall continue to exist and shall run to the benefit of such Bond Insurer, and such Bond Insurer shall be subrogated to the rights of such Owners. In such event, the Trustee shall execute and deliver to the Port all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Port all money or securities held by it which secure only such Bonds (or are properly allocable under the terms of the Indenture to such Bonds to be defeased) which are not required for the payment of such interest, principal and redemption premiums, if any, on such Bonds, other than the money, if any, in any Rebate Fund related to such Bonds.

Any Outstanding Bonds for the payment of which money shall have been set aside (through deposit by the Port or otherwise) to be held in trust by the Trustee for such payment at the maturity or redemption date thereof shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the paragraph above.

Any Outstanding, Bonds shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph above if (1) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Authorized Investments identified in subparagraph A of the definition thereof ("Federal Securities") which are not subject to redemption prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of Treasury of the United States of America) the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant obtained by the Port and filed with the Trustee) to pay when due the interest due and to become due on such Bonds on and prior to the maturity date or redemption date thereof, and the principal of and redemption premiums, if any, on such Bonds on the maturity date or redemption date thereof, and (2) the Port shall have given the Trustee a Written Request of the Port containing irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (1) above has been made with the Trustee and that such Bonds are deemed to have been paid and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds; *provided*, that neither the Federal Securities nor any money deposited with the Trustee nor any interest or principal payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and such Federal Securities shall be held in trust for, the payment of the interest on and principal of and redemption premiums, if any, on such Bonds; and *provided further*, that any cash received from such interest or principal payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested as specified in a Written Request of the Port in Federal

Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of and redemption premiums, if any, on such Bonds on and prior to such maturity date or redemption date thereof, and interest earned from such reinvestments shall be deposited in the Revenue Fund.

Investment of Money in Funds and Accounts

Upon receipt of a Written Request of the Port by the Trustee at least two (2) Business Days prior to the date of such investment, all money in any Project Fund, any Costs of Issuance Fund, any Interest Fund, any Principal Fund, any Sinking Fund, the Reserve Fund, the Subordinated Obligation Payment Fund (if established), the Subordinated Obligation Reserve Fund (if established), or any Rebate Fund shall be invested by the Trustee in those Authorized Investments specified in such Written Request of the Port.

The Authorized Investments in the Reserve Fund and in any Interest Fund, Principal Fund, Sinking Fund, Project Fund, Costs of Issuance Fund, or Rebate Fund shall mature or otherwise have provisions for liquidity prior to the date on which such money is estimated to be required to be paid out under the Indenture. Any interest, income or profits from the deposits or investment of money in the Reserve Fund shall be deposited in the Reserve Fund. Except as otherwise provided in the applicable Supplemental Indenture, any interest, income or profits from the deposits or investment of money in any Rebate Fund, Project Fund, or Costs of Issuance Fund shall be deposited in such fund. Except as otherwise provided in a Supplemental Indenture for a Series of the Bonds, all interest, income or profits from deposits or investments of money in all funds and accounts held by the Trustee with respect to such Series of the Bonds, except for the Reserve Fund and except for the Project Fund, the Costs of Issuance Fund, and the Rebate Fund for such Series of the Bonds, shall be deposited (1) first, in the Reserve Fund until the amount therein is equal to the Reserve Fund Requirement (or if such Series of the Bonds is not secured by the Reserve Fund, then in the debt service reserve fund established with respect to such Series of the Bonds until the amount therein is equal to the required funding level of such debt service reserve fund), (2) second, in the Project Fund for such Series until the Certificate of the Port as to the completion of the related Project required by the Indenture has been delivered to the Trustee. (3) third, in the Interest Fund for such Series until the amount on deposit in the Interest Fund for such Series is equal to the amount of interest becoming payable on the next Interest Payment Date on Bonds Outstanding with respect to such Series, (4) fourth, in the Principal Fund for such Series until the amount on deposit in the Principal Fund for such Series is equal to the amount of principal becoming payable on the next Principal Payment Date on Bonds Outstanding with respect to such Series, (5) fifth, in the Sinking Fund for such Series until the amount on deposit in the Sinking Fund for such Series is equal to the amount of Sinking Fund Installments becoming payable on the next Principal Payment Date on Bonds outstanding with respect to such Series, (6) sixth, in the Subordinated Obligation Payment Fund until the amount on deposit therein is equal to any payments next becoming due on outstanding Subordinated Obligations, and (7) seventh, paid by the Trustee to the Port for deposit in the Revenue Fund. For any Authorized Investment, the Trustee may deduct from interest income and profit prior to making the above deposits, any fees relating to such investment. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Authorized Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Authorized Investment shall be credited to the fund or account from which such accrued interest was paid. For purposes of determining the amount on deposit in any fund or account held under the Indenture, all Authorized Investments or Federal Securities credited to such fund or account shall be valued at the market value thereof, and except as otherwise provided in the Indenture, Authorized Investments or Federal Securities representing an investment of money attributable to any account or fund and all investment profits or losses thereon shall be deemed at all times to be a part of such account or fund. Notwithstanding the foregoing, investment agreements shall be valued at the notional or face amount thereof. The Trustee is authorized to utilize computer pricing services including the valuation utilized in its regular accounting when valuing any fund or account held by it under the Indenture. The Trustee may act as principal or agent in the making or disposing of any Authorized Investment.

Interest Rate Agreements

The Port is authorized to enter into any interest rate or interest swap agreements, caps, collars or other hedging mechanisms with regard to any of the Bonds, subject to certain conditions listed in the Indenture.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the PORT OF REDWOOD CITY (the "Port") in connection with the issuance of by the Port of its $6,910,000* Port of Redwood City (San Mateo County, California) Refunding Revenue Bonds, Series 2015 (the "Bonds"). The Bonds are being issued pursuant to an the Master Indenture dated as of April 1, 1999 (the "Master Indenture"), by and between the Board, as supplemented by the First Supplemental Indenture dated as of April 1, 1999 (the "First Supplemental Indenture"), the Second Supplemental Indenture, dated as of June 1, 2012 (the "Second Supplemental Indenture"), and the Third Supplemental Indenture, dated as of May, 2015 (the "Third Supplemental Indenture" and, with the Master Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), each by and between the Board and U.S. Bank National Association, as trustee (the "Trustee").The Bonds shall be secured by a pledge, charge and lien upon Net Revenues (as such term is defined in the Indenture). The Port covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*Annual Report*" shall mean any Annual Report provided by the Port pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (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.

"*Dissemination Agent*" shall mean the Port or any successor Dissemination Agent designated in writing by the Port and which has filed with the Port a written acceptance of such designation. In the absence of such a designation, the Port shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean any original underwriter 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 Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The Port shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Port's fiscal year (which currently ends on June 30), commencing with the report for the 2014-15 Fiscal Year, which is due not later than March 31, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual 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 Certificate; provided that the audited financial statements of the Port may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the Port's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the Port shall provide the Annual Report to the Dissemination Agent (if other than the Port). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Port.

(d) *Report of Non-Compliance*. If the Port is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the Port shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the Port is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the Port, file a report with the Port certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the Port for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the Port'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 the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the Port, financial information and operating data with respect to the Port for the preceding fiscal year, as follows:

(1) Table 1—Major Agreements.

(2) Table 2—Rate Increases.

(3) Table 3—Cargo Summary by Tonnage.

(4) Table 4—Vessels Utilizing Port Facilities.

(5) Debt Service Coverage (shown in the form of Table 9—Projection of Revenues, Expenses and Debt Service Coverage.

(c) *Cross References.* Any or all of the items listed in above may be included by specific reference to other documents, including official statements of debt issues of the Port or related public entities, which are available to the public on EMMA. The Port shall clearly identify each such other document so included by reference.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Port shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The Port shall, or shall cause the Dissemination Agent (if not the Port) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Unscheduled draws on debt service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

(5) Defeasances.

(6) Rating changes.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(9) 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 security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 governmental 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.

(b) *Material Reportable Events.* The Port shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.

(2) Modifications to rights of security holders.

(3) Bond calls.

(4) The release, substitution, or sale of property securing repayment of the securities.

(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated

person, 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.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The Port shall, or shall cause the Dissemination Agent (if not the Port) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of Any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Port's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Port shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The Port may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Port, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Port pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the Port. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Port shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the Port.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the Port for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Port from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Port, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the Port or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Port. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the Port to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the Port under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Port may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the Port that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a 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.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the Port shall describe such amendment or waiver in the next following Annual 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 Port. 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(c), and (ii) the Annual 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 Certificate shall be deemed to prevent the Port from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Port chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Port shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Port to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Port to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Port to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the Port agrees to indemnify and save the 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 and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The obligations of the Port under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Port, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

PORT OF REDWOOD CITY

By ____
Name ____
Title ____

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Port of Redwood City
Name of Issue:	Port of Redwood City (San Mateo County, California) Refunding Revenue Bonds, Series 2015
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by ________________.

Date: ________________

PORT OF REDWOOD CITY, Dissemination Agent

By ____
Authorized Officer

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APPENDIX E

FORM OF BOND COUNSEL OPINION

[Letterhead of Jones Hall, A Professional Law Corporation]

[Closing Date]

Board of Port Commissioners of the
Port Department of the City of
Redwood City
Redwood City, California

OPINION: $6,910,000* Port of Redwood City Refunding Revenue Bonds, Series 2015

Members of the Commission:

We have acted as counsel to the Board of Port Commissioners of the Port Department of the City of Redwood City (the "Board of Port Commissioners") in connection with the issuance by the Port of the captioned bonds (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Sections 47 through 50(b) of the Charter of the City of Redwood City and Section 54300 et seq. of the Government Code of the State of California (the "Bond Law"), a Master Indenture, dated as of April 1, 1999 (the "Master Indenture"), by and between the Port and U.S. Bank National Association as successor trustee (the "Trustee"), as supplemented, including as supplemented by a Third Supplemental Indenture, dated as of May 1, 2015 (the "Third Supplement"; together with the Master Indenture, as previously supplemented, the "Indenture"), a resolution adopted by the Board of Port Commissioners on April 8, 2015 (the "Port Resolution") and a resolution adopted by the City Council of the City of Redwood City on April 13, 2015 (the "City Resolution"). Under the Indenture, the Port has pledged certain "Net Revenues (as defined in the Indenture) for the payment of principal, premium (if any), and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the Port contained in the Port Resolution and in the Indenture, of the City Council in the City Resolution, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Port Department of the City of Redwood City is a duly constituted public department of the City of Redwood City, duly organized and validly existing pursuant to the Charter of the City of Redwood City and the Constitution and laws of the State.

2. The Board of Port Commissioners of the Port Department of the City of Redwood City has the right and power under the Bond Law to adopt the Port Resolution, enter into the Indenture and perform the agreements on its part contained therein, and issue the Bonds.

3. The Indenture has been duly authorized, executed and delivered by the Board of Port Commissioners of the Port, and constitutes a valid and binding obligation of the Board of Port Commissioners of the Port, enforceable against the Board of Port Commissioners of the Port.

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* Preliminary, subject to change.

4. The Indenture creates a valid lien on the Net Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds and contracts (if any) issued or to be issued pursuant to the terms of the Indenture.

5. The Bonds have been duly authorized and executed by the Board of Port Commissioners of the Port in accordance with the Indenture, and are valid and binding limited obligations of the Board of Port Commissioners of the Port, enforceable in accordance with their terms and the terms of the Indenture, payable solely from the Net Revenues and other funds provided therefor in the Indenture, and are entitled to the benefits of the Indenture.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes, except for any period during which the Bonds are held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of section 147(a) of the Internal Revenue Code of 1986 (the "Code"). It should be noted, however, that, such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentence are subject to the condition that the Port comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Port has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of delivery of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

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. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the Port takes no responsibility for the completeness or accuracy thereof. The Port cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix F, the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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. 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 and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the 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 notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Port or the paying agent or bond trustee, on payable 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 Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the Port, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Port or the paying agent or bond trustee, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Port or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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