



June 3, 2021

William C. Brand, Mayor
City of Redondo Beach
415 Diamond St.
Redondo Beach, CA 90277

Re: Underwriter Engagement Relating to Potential Municipal Securities Transaction for the Financing of the City of Redondo Beach's Unfunded Accrued Pension Liability

Dear Mayor Brand,

The City of Redondo Beach ("Issuer") and Stifel, Nicolaus & Company, Incorporated ("Stifel") are entering into this engagement letter to confirm that they are engaged in discussions related to a potential issue of (or series of issuances of) municipal securities to pay all or a portion of the City's currently unamortized, unfunded accrued actuarial liability to the California Public Employees Retirement System (the "Issue") and to formalize Stifel's role as a joint senior managing underwriter with respect to the Issue.

Engagement as Underwriter

The Issuer is aware of the "Municipal Advisor Rule" of the Securities and Exchange Commission ("SEC") and the underwriter exclusion from the definition of "municipal advisor" for a firm serving as an underwriter for a particular issuance of municipal securities. The Issuer hereby designates Stifel as an underwriter for the Issue. The Issuer expects that Stifel will provide advice to the Issuer on the structure, timing, terms and other matters concerning the Issue.

Limitation of Engagement

It is the Issuer's intent that Stifel serve as an underwriter for the Issue, subject to satisfying applicable procurement laws or policies, formal approval by the City Council, finalizing the structure of the Issue and executing a bond purchase agreement. While the Issuer presently engages Stifel as the underwriter for the Issue, this engagement letter is preliminary, nonbinding and may be terminated at any time by the Issuer, without penalty or liability for any costs incurred by the underwriter, or Stifel. Furthermore, this engagement letter does not restrict the Issuer from entering into the Issue with any other underwriters or selecting an underwriting syndicate that does not include Stifel.

Disclosures Required by MSRB Rule G-17 Concerning the Role of the Underwriter

The Issuer confirms and acknowledges the following disclosures, as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2019-20 (Nov. 8, 2019)¹:

The following G-17 conflict of interest disclosures are broken down into three types, including: 1) dealer-specific conflicts of interest disclosures (if applicable); 2) transaction-specific disclosures (if applicable);

¹ Revised Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective Mar. 31, 2021).

and 3) standard disclosures. You may receive additional separate disclosure letters pursuant to Rule G-17 from the co-managing underwriters or other syndicate members for the Bonds if they have their own dealer-specific or transaction-specific disclosures.

1. **Dealer-Specific Conflicts of Interest Disclosures**

Stifel has not identified any actual or potential² material conflicts of interest.

2. **Transaction-Specific Disclosures: Disclosures Concerning Complex Municipal Securities Financing:**

Since we have not recommended a “complex municipal securities financing” to the Issuer or Obligor, additional disclosures regarding the financing structure for the Bonds are not required under MSRB Rule G-17.

3. **Standard Disclosures**

- **Disclosures Concerning the Underwriters’ Role:**
 - MSRB Rule G-17 requires an underwriter to deal fairly at all times with both issuers and investors.
 - The underwriters’ primary role is to purchase the securities with a view to distribution in an arm’s-length commercial transaction with the Issuer. The underwriters have financial and other interests that differ from those of the Issuer.
 - Unlike a municipal advisor, an underwriter does not have a fiduciary duty to the Issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Issuer without regard to its own financial or other interests.
 - The Issuer may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the Issuer’s interest in this transaction.
 - The underwriters have a duty to purchase the securities from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the securities to investors at prices that are fair and reasonable.
 - The underwriters will review the official statement for the securities, if any, in accordance with, and a part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.³

² When we refer to *potential* material conflicts throughout this letter, we refer to ones that are reasonably likely to mature into *actual* material conflicts during the course of the transaction, which is the standard required by MSRB Rule G-17.

³ Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriters is solely for purposes of satisfying the underwriters’ obligations under the federal

- Disclosures Concerning the Underwriters' Compensation:


- The underwriters will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriters may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

However, recognizing the "Disclosures Concerning the Underwriters' Role" above, Stifel represents that it shall provide the Issuer with recent underwriting fee comparables, act fairly towards the Issuer and work in good faith to avoid this potential conflict of interest in its recommendations.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please let me know.

Sincerely,

Stifel, Nicolaus & Company, Incorporated



By: _____

Name: Sara Oberlies Brown

Title: Managing Director

Issuer accepts and acknowledges the foregoing.

Accepted and Executed:

ATTEST:

By: _____

Name: William C. Brand

Title: Mayor

Eleanor Manzano, City Clerk

APPROVED AS TO FORM:

Date: _____

Michael W. Webb, City Attorney

securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.