

In the opinion of Orrick, Herrington & Sutcliffe LLP and Webster & Anderson, Oakland, California, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other things, compliance with certain covenants, interest on the Series 2001 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the opinion of Co-Bond Counsel, such interest is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. In the further opinion of Co-Bond Counsel, interest on the Series 2001 Bonds is exempt from State of California personal income taxes. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2001 Bonds. See "TAX MATTERS" herein.



\$134,890,000

OAKLAND JOINT POWERS FINANCING AUTHORITY
Lease Revenue Refunding Bonds
(Oakland Convention Centers), Series 2001

Dated: May 15, 2001

Due October 1, as set forth on the inside front cover

This cover page contains information for quick reference only. It is not a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2001 Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2001 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Beneficial owners of the Series 2001 Bonds will not receive physical delivery of bond certificates. Interest on the Series 2001 Bonds is payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2001, as described herein. Payments of principal of and interest on the Series 2001 Bonds will be made by The Chase Manhattan Bank, Houston, Texas (the "Trustee"), as trustee and paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2001 Bonds. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2001 Bonds will be subject to redemption prior to their stated maturities as described herein. See "THE SERIES 2001 BONDS—Redemption."

The Series 2001 Bonds are issued by the Oakland Joint Powers Financing Authority (the "Authority") pursuant to an Indenture of Trust dated as of May 1, 2001 by and between the Authority and the Trustee (the "Indenture"). The Series 2001 Bonds are authorized to be issued pursuant to a Joint Exercise of Powers Agreement, dated as of February 1, 1993 (the "Joint Powers Agreement"), by and between the City and the Redevelopment Agency of the City of Oakland, which Joint Powers Agreement creates and establishes the Authority, Resolution No. 2001-01-01 of the Authority adopted on May 8, 2001 and the Marks-Roos Local Bond Pooling Act of 1985, Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California.

The proceeds of the sale of the Series 2001 Bonds will be used to (i) refund the \$134,300,000 in aggregate outstanding principal amount of California Statewide Communities Development Authority, 1992 Lease Revenue Bonds (City of Oakland Convention Centers Project) dated as of November 1, 1992 (the "Prior Bonds"), originally issued in the aggregate principal amount of \$149,825,000, (ii) to purchase the Financial Guaranty Insurance Policy further described below, (iii) to acquire a debt service reserve fund surety bond and to fund the balance of the Reserve Requirement (as herein defined) with cash, and (iv) to pay certain costs of issuance relating to the Series 2001 Bonds.

The City will make Lease Payments to the Authority pursuant to the Second Amended and Restated Lease and Sublease Agreement Relating to the Convention Centers dated as of May 1, 2001 between the City and the Authority (the "Lease Agreement") for the use and possession of the Henry J. Kaiser Convention Center and the Oakland Convention Center—George P. Scotlan Memorial (together, the "Convention Centers"), in such amounts and at such times as are sufficient to cause principal and interest on the Series 2001 Bonds to be paid as scheduled. The Lease Payments have been pledged to the Trustee pursuant to the Indenture. The Lease Agreement also obligates the City to pay Additional Payments and to comply with certain other conditions and requirements with respect to the Convention Centers and the Series 2001 Bonds.

The Series 2001 Bonds are special limited obligations of the Authority payable solely from the Lease Payments to be made by the City to the Authority as rental for the Convention Centers. The Lease Payments are payable semiannually by the City from the City's general revenues, including amounts held in its General Fund and any other legally available source of funds, for the right to possession and use by the City of the Convention Centers.

Ambac Assurance Corporation has delivered a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2001 Bonds effective as of the date of issuance of the Series 2001 Bonds.

Ambac

THE SERIES 2001 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE PLEDGE OF LEASE PAYMENTS PAID BY THE CITY TO THE TRUSTEE PURSUANT TO THE INDENTURE AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE CITY. THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE SERIES 2001 BONDS NOR FOR THE PAYMENT OF LEASE PAYMENTS. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2001 BONDS NOR THE ANNUAL OBLIGATION TO MAKE LEASE PAYMENTS (WHICH IS SUBJECT TO ABATEMENT UNDER CERTAIN CIRCUMSTANCES) CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR THE CITY FOR WHICH EITHER SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH EITHER SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The Series 2001 Bonds will be offered when, as and if issued, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP and Webster & Anderson, Oakland, California, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the City by John R. Russo, Oakland City Attorney. Certain legal matters will be passed upon for the Underwriters by Lofton De Lancie, San Francisco, California. Foley & Lardner is acting as Disclosure Counsel to the City. It is expected that the Series 2001 Bonds will be available for delivery through the DTC book-entry system in New York, New York on or about June 14, 2001.

UBS PAINWEBBER INC.
HENDERSON CAPITAL PARTNERS LLC

M♦R♦ BEAL & COMPANY
MORGAN STANLEY DEAN WITTER

Dated: May 23, 2001.

AGGREGATE MATURITY SCHEDULE

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>
2001	\$6,565,000	2008	\$ 9,820,000
2002	5,600,000	2009	10,305,000
2003	5,825,000	2010	11,100,000
2004	8,155,000	2011	11,700,000
2005	8,535,000	2012	12,320,000
2006	8,930,000	2013	12,990,000
2007	9,350,000	2014	13,695,000

Consisting of standard and bifurcated serial maturities, as follows:

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2001*	\$6,565,000	5.00%	2.62%	2008	\$ 7,820,000	5.25%	4.10%
2002	3,600,000	4.50%	2.90%	2009	8,305,000	5.25%	4.25%
2003	3,825,000	4.50%	3.20%	2010	10,100,000	5.50%	4.35%
2004	6,155,000	5.00%	3.45%	2011	9,700,000	5.50%	4.45%
2005	6,535,000	5.00%	3.64%	2012	11,045,000	5.50%	4.56%
2006	6,930,000	5.00%	3.80%	2013*	12,990,000	5.50%	4.65%
2007	7,350,000	5.25%	3.95%	2014*	13,695,000	5.50%	4.75%

-and-

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2002	\$2,000,000	3.00%	2.90%	2008	\$ 2,000,000	4.00%	4.10%
2003	2,000,000	3.00%	3.20%	2009	2,000,000	4.25%	4.25%
2004	2,000,000	3.40%	3.45%	2010	1,000,000	4.30%	4.35%
2005	2,000,000	3.60%	3.64%	2011	2,000,000	4.40%	4.45%
2006	2,000,000	3.75%	3.80%	2012	1,275,000	4.50%	4.56%
2007	2,000,000	4.00%	3.95%				

* Standard (non-bifurcated) serial maturities

No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the City. 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 Series 2001 Bonds by any 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 purchaser or purchasers of the Series 2001 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 facts. The information set forth herein has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions 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 Authority or the City since the date hereof.

Certain statements in this Official Statement, which may be identified by the use of such terms as "plan," "expect," "estimate," "budget" or other similar words, constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, statements under the caption "RISK FACTORS." Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2001 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2001 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGES FROM TIME TO TIME BY THE UNDERWRITERS.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING STATEMENT FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THE TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE SERIES 2001 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

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**OAKLAND JOINT POWERS FINANCING AUTHORITY
PRESIDENT AND GOVERNING BOARD
AND
CITY OF OAKLAND
MAYOR AND CITY COUNCIL**

Edmund G. Brown, Jr., *President and Mayor*

Ignacio De La Fuente, *Representative and President of the City Council, Fifth District*

Jane Brunner, *Representative and Vice - Mayor, First District*

Henry Chang, Jr., *Representative and Councilmember At Large*

Moses Mayne, Jr., *Representative and Councilmember, Sixth District*

Nancy Nadel, *Representative and Councilmember, Third District*

Larry Reid, *Representative and Councilmember, Seventh District*

Richard Spees, *Representative and Councilmember, Fourth District*

Danny Wan, *Representative and Councilmember, Second District*

AUTHORITY AND CITY STAFF

Robert C. Bobb, *Executive Director and City Manager*

Dolores E. Blanchard, *Assistant City Manager*

Dr. George G. Musgrove, *Assistant City Manager*

Deborah Edgerly, *Treasurer/Auditor and Director, Financial Services Agency*

Roland E. Smith, *City Auditor*

John Russo, *Counsel to the Authority and City Attorney*

Ceda Floyd, *Secretary and City Clerk*

Joseph T. Yew, Jr., *Treasury Manager*

PROFESSIONAL SERVICES

Orrick, Herrington & Sutcliffe LLP, and Webster & Anderson, *Co-Bond Counsel*

Lofton De Lancie, *Underwriters' Counsel*

Public Financial Management, Inc., *Financial Advisor*

Foley & Lardner, *Disclosure Counsel*

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OFFICIAL STATEMENT

\$134,890,000

**Oakland Joint Powers Financing Authority
Lease Revenue Refunding Bonds
(Oakland Convention Centers), Series 2001**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, Table of Contents and Appendices (this "Official Statement"), is to provide certain information concerning the issuance and sale by the Oakland Joint Powers Financing Authority (the "Authority") of its Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001 (the "Series 2001 Bonds").

This introduction contains only a brief summary of certain of the terms of the Series 2001 Bonds being offered and a brief description of this Official Statement. Prospective investors should read the entire Official Statement (including the Appendices). Certain risks associated with any purchase of the Series 2001 Bonds are described herein in the section captioned "RISK FACTORS," but such description is not intended to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Series 2001 Bonds. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. The offering of the Series 2001 Bonds to potential investors is made only by means of the entire Official Statement. References to, and summaries of, provisions of the laws of the State of California or any other documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings given such terms in the Indenture. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Definitions of Certain Terms" for definitions of certain words and terms used, but not otherwise defined, herein.

Purpose; Authority for Issuance

The Series 2001 Bonds are being issued to provide funds for the following purposes: (i) to refund the \$134,300,000 in aggregate principal amount outstanding of the California Statewide Communities Development Authority, 1992 Lease Revenue Bonds (City of Oakland Convention Centers Project) dated as of November 1, 1992 (the "Prior Bonds"), originally issued in the aggregate principal amount of \$149,825,000, (ii) to purchase the Financial Guaranty Insurance Policy further described herein, (iii) to acquire a debt service reserve fund surety bond further described herein and to fund the balance of the Reserve Requirement (as herein defined) in cash, and (iv) to pay certain costs of issuance relating to the Series 2001 Bonds. See "THE REFUNDING PLAN," "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE RESERVE FUND SURETY BOND" and "SOURCES AND USES OF FUNDS" herein.

The Series 2001 Bonds are issued pursuant to a Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Oakland dated as of February 1, 1993 (the "Joint Powers Agreement"), which Joint Powers Agreement creates and establishes the Authority, and the Marks-Roos Local Bond Pooling Act of 1985, Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, and pursuant to and in accordance with other applicable laws

of the State, and an ordinance and resolution adopted by the City and the Authority, respectively, all as more fully described herein.

General

The Series 2001 Bonds are being issued principally to provide funds for the redemption and defeasance of the Prior Bonds. See "THE REFUNDING PLAN" herein. The Series 2001 Bonds are issued by the Authority pursuant to an Indenture of Trust dated as of May 1, 2001 (the "Indenture") by and between the Authority and The Chase Manhattan Bank, Houston, Texas, as the trustee (the "Trustee"). The Series 2001 Bonds have the terms, bear interest and will mature as set forth on the inside cover of this Official Statement. See also "THE SERIES 2001 BONDS" herein. The City will make Lease Payments to the Authority pursuant to the Second Amended and Restated Lease and Sublease Agreement Relating to the Convention Centers, dated as of May 1, 2001 between the City, as lessee, and the Authority, as lessor (the "Lease Agreement") for the use and possession of the Convention Centers (hereinafter defined), in such amounts and at such times as are sufficient to cause principal and interest on the Series 2001 Bonds to be paid as scheduled. The Lease Payments have been pledged to the Trustee pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS—Payment of Lease Payments" herein.

Security for the Series 2001 Bonds

The Series 2001 Bonds are limited obligations of the Authority payable solely from lease payments (the "Lease Payments") payable by the City to the Authority pursuant to the Lease Agreement. The Lease Payments are obligations of the City, payable by the City from its General Fund and any other legally available source of funds, for the right to the use and possession by the City of the Facilities comprising the Convention Centers.

Pursuant to the Lease Agreement, the City will make Lease Payments to the Authority scheduled to be in the amounts and payable at the times required to cause principal and interest on the Series 2001 Bonds to be paid when due. Pursuant to the Indenture, the Authority has pledged the Lease Payments and assigned its right to receive the Lease Payments to the Trustee for the benefit of the Bondowners. The Lease Payments are subject to abatement in the event of damage to or destruction of the Facilities which deprives the City of its use and possession of the Facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS—Proceeds of Insurance In the Event of Damage to or Destruction of Facilities; Abatement."

The City is required to procure and maintain, for the term of the Lease Agreement, fire and extended coverage property insurance and rental interruption insurance insuring against certain losses relating to the Facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS—Proceeds of Insurance In the Event of Damage to or Destruction of Facilities; Abatement" herein.

The Indenture requires that there be established with the Trustee, concurrently with the issuance of the Series 2001 Bonds, a separate account to be designated the "Reserve Account." Such account shall be maintained by the Trustee until the Lease Payments are paid in full pursuant to the terms of the Lease Agreement. The Indenture requires that the Reserve Account be funded in an amount equal to the Reserve Requirement, defined in the Indenture as, as of any date of calculation, an amount equal to the lesser of (i) 125% of the average aggregate annual Lease Payments; or (ii) the maximum aggregate annual Lease Payments; or (iii) 10% of the initial par amount of the Series 2001 Bonds. As of the date of issuance of the Series 2001 Bonds, the Reserve Requirement is \$13,489,000. The Indenture also permits the Authority to furnish a Reserve Facility (as hereinafter defined) meeting the requirements of the

Indenture in lieu of, or in combination with, a cash deposit into the Reserve Account. The Authority has elected to deposit with the Trustee, concurrently with the delivery of the Series 2001 Bonds, in satisfaction of the Reserve Requirement, cash in the amount of \$8,989,000 (which will be invested in Permitted Investments) and the Reserve Fund Surety Bond issued by Ambac Assurance Corporation (herein, "Ambac" or the "Bond Insurer") in the amount of \$4,500,000. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS—The Reserve Account and the Reserve Fund Surety Bond" and "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE RESERVE FUND SURETY BOND" herein.

THE SERIES 2001 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE PLEDGE OF LEASE PAYMENTS BY THE CITY TO THE TRUSTEE PURSUANT TO THE INDENTURE AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE CITY. THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE SERIES 2001 BONDS NOR FOR THE PAYMENT OF LEASE PAYMENTS. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2001 BONDS NOR THE ANNUAL OBLIGATION TO MAKE LEASE PAYMENTS (WHICH IS SUBJECT TO ABATEMENT UNDER CERTAIN CIRCUMSTANCES) CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR THE CITY FOR WHICH EITHER SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH EITHER SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Bond Insurance

Payment of the principal of and interest on the Series 2001 Bonds when due will be insured by a Financial Guaranty Insurance Policy to be issued by Ambac simultaneously with the delivery of the Series 2001 Bonds. See "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE RESERVE FUND SURETY BOND" herein.

Additional Bonds

The Authority may by Supplemental Indenture issue one or more Series of Additional Bonds on a parity with the Series 2001 Bonds then Outstanding, in such principal amount as may be determined by the Authority, upon compliance with the provisions and specific conditions precedent to the issuance of such Additional Bonds set forth in the Indenture. For information regarding the issuance of Additional Bonds, see APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Indenture—Additional Bonds" and "—Project Account" herein.

Continuing Disclosure

The City, as the "obligated person" with respect to the Series 2001 Bonds for purposes of Rule 15c2-12 of the U.S. Securities and Exchange Commission, has covenanted in the Lease Agreement to provide certain financial information and operating data relating to the City and to provide notices of the occurrence of certain enumerated events, if material, pursuant to a continuing disclosure certificate (the "Continuing Disclosure Certificate"). See "CONTINUING DISCLOSURE" and APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. The specific nature of the information to be contained in the notices of material events and information as to the dissemination thereof is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

General Purpose Financial Statements

The Lease Payments securing the Series 2001 Bonds are obligations of the City payable solely from the City's general revenues, including amounts held in its General Fund and any other legally available source of funds. Excerpts from the audited General Purpose Financial Statements of the City, without supplementary information relating thereto, for the Fiscal Year ended June 30, 2000, which contain the most recent audited information relating to the City's financial condition, including audited information relating to the City's General Fund and other sources of revenue, are included in APPENDIX B to this Official Statement. A complete copy of the City's Comprehensive Annual Financial Report may be obtained from the City. The General Purpose Financial Statements have been audited by KPMG LLP, independent accountants (the "Auditor") as stated in their report appearing in APPENDIX B. The City has not requested, nor has the Auditor given, the Auditor's consent to the inclusion in APPENDIX B of its report on such General Purpose Financial Statements. No review or investigation with respect to subsequent events has been undertaken in connection with such General Purpose Financial Statements by the Auditor.

Additional Information

For information regarding the terms of the Series 2001 Bonds, see "THE SERIES 2001 BONDS" herein and APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Indenture." For additional information regarding the sources of funds for repayment of the Series 2001 Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS." For additional information regarding the plan for refunding the Prior Bonds, see "THE REFUNDING PLAN" herein. For information regarding the City and financial information relating to the City, see APPENDIX A—"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B—"EXCERPTED AUDITED FINANCIAL STATEMENTS OF THE CITY OF OAKLAND." See "RISK FACTORS" herein for a discussion of certain risks affecting the payment of principal of and interest on the Series 2001 Bonds. For additional information regarding the Lease Agreement, the terms governing the Series 2001 Bonds and the funds and accounts established for the Series 2001 Bonds, see APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement" herein. For additional information regarding the Financial Guaranty Insurance Policy or the Reserve Fund Surety Bond, see "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE RESERVE FUND SURETY BOND" herein.

The City regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain periodic activity reports. Any Bondowner may obtain a copy of any such report, as available, from the Trustee or the City. Additional information regarding this Official Statement may be obtained by contacting the Trustee or:

City of Oakland
Financial Services Agency
150 Frank H. Ogawa Plaza, Suite 5330
Oakland, California 94612
Attention: Treasury Manager

THE REFUNDING PLAN

The proceeds of the Series 2001 Bonds will be used principally to provide funds necessary to defease and redeem the Prior Bonds, as further described herein. The Prior Bonds were issued by California Statewide Communities Development Authority, a California joint exercise of powers

authority ("CSCDA"), to refinance the acquisition costs of the facilities and improvements comprising the Convention Centers, to fund a reserve fund for the Prior Bonds, and to pay cost of issuance of the Prior Bonds.

The Prior Bonds were initially issued in the aggregate principal amount of \$149,825,000 and are currently outstanding in the aggregate principal amount of \$134,300,000.

In 1982-1983, the City of Oakland (the "City") implemented a tax-exempt debt financing arrangement to finance the construction and rehabilitation of the Convention Centers, both located in the City of Oakland. The City owns the land (the "Sites") upon which the Convention Centers are located, and currently leases the Sites to CSCDA pursuant to an Amended and Restated Ground Lease dated as of November 1, 1992 (the "1992 Ground Lease"). CSCDA owns the facilities and improvements comprising the Convention Centers, which facilities and improvements (the "Facilities") were refinanced with the proceeds of CSCDA's tax-exempt lease revenue bonds issued in December 1992 (the "Prior Bonds"). CSCDA subleases the Sites and leases the Facilities to the City pursuant to an Amended and Restated Lease and Sublease Agreement dated as of November 1, 1992 (the "1992 Facilities Lease"), under which the City pays rent to CSCDA in annual amounts sufficient to pay annual debt service on the Prior Bonds. Pursuant to a Sale, Assignment and Assumption Agreement, dated as of May 1, 2001 (the "Assignment Agreement"), by and between the CSCDA as seller and assignor and the Authority as purchaser and assignee, the Authority has agreed to purchase and acquire CSCDA's title and interest in the Facilities and an assignment of CSCDA's interest as the lessee under the 1992 Ground Lease and an assignment of CSCDA's interest as lessor of the Facilities and sublessor of the Sites to the City pursuant to the 1992 Facilities Lease.

In consideration of the conveyance of the foregoing interests of CSCDA to the Authority, the Authority will pay the Acquisition Costs (as defined in the Assignment Agreement) to CSCDA from the proceeds of the sale of the Series 2001 Bonds. CSCDA, through the application of a portion of the proceeds of the Series 2001 Bonds and other available moneys, will defease and repay the Prior Bonds. In consideration of the defeasance and repayment of the Prior Bonds, CSCDA will assign and transfer to the Authority all of its leasehold interests in and to the 1992 Ground Lease and the 1992 Facilities Lease and all of its fee interest in and to the Facilities. Following said assignment as contemplated, the Authority will replace CSCDA in the Convention Centers financing structure, and the Authority and the City will enter into a Second Amended and Restated Ground Lease (the "Ground Lease") and a Second Amended and Restated Lease and Sublease Agreement (the "Facilities Lease").

Pursuant to the Escrow Agreement dated as of May 1, 2001, among the Authority, The Chase Manhattan Bank, as escrow agent (the "Escrow Agent") and CSCDA, a portion of the proceeds of the sale of the Series 2001 Bonds will be used to purchase certain Escrowed Securities (as defined and described in said Escrow Agreement), the proceeds of which shall be applied to pay principal and interest due and payable on the Prior Bonds on October 1, 2001, April 1, 2002 and October 1, 2002 and to redeem the remainder of the Outstanding Prior Bonds on October 1, 2002. Certain of the Outstanding Prior Bonds will be redeemed at the par amount thereof and certain other Outstanding Prior Bonds are being redeemed at a redemption price of 102% of the principal amount of said Prior Bonds. The redemption prices of the Outstanding Prior Bonds to be redeemed will include accrued interest to the redemption date.

The accuracy of the mathematical computations of the adequacy of the principal and interest on the Escrowed Securities to provide for the payment of the redemption price of and interest on the Prior Bonds will be verified at the time of delivery of the Series 2001 Bonds by The Arbitrage Group, Inc., independent certified public accountants. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds in connection with the Series 2001 Bonds:

Sources	
From Proceeds of the Series 2001 Bonds:	
Principal Amount of Bonds.....	\$134,890,000.00
Accrued Interest	548,449.41
Net Premium.....	7,535,959.60
Total Sources From Proceeds of the Series 2001 Bonds	<u>\$142,974,409.01</u>
 Other Cash Sources	 <u>8,340,000.00</u>
 Total Sources of Funds	 <u>\$151,314,409.01</u>
 Uses	
Deposit to Escrow Fund	\$140,094,351.46
Costs of Issuance*	1,682,608.14
Deposit to Reserve Account.....	8,989,000.00
Deposit to Lease Payment Account.....	<u>548,449.41</u>
 Total Uses of Funds	 <u>\$151,314,409.01</u>

* Represents Underwriters' discount of \$515,353.99 and costs, including fees for services of co-bond counsel, rating agencies, financial advisors, the premium for the Financial Guaranty Insurance Policy and the Reserve Fund Surety Bond and other costs, related to the issuance of the Series 2001 Bonds.

THE SERIES 2001 BONDS

Description of the Series 2001 Bonds

The Series 2001 Bonds are being issued in the aggregate principal amount of \$134,890,000. The Series 2001 Bonds will be dated May 15 and will mature, subject to redemption in accordance with the provisions of the Indenture, as set forth on the cover of this Official Statement. The Series 2001 Bonds will be issued in denominations of \$5,000 each or any integral multiple thereof, in fully registered form, without coupons, with interest payable semiannually on each April 1 and October 1, each a "Payment Date," commencing October 1, 2001, to the registered owners whose names appear on the bond registration books of the Trustee as of March 15 and September 15, respectively. The Trustee will act as paying agent and registrar for the Series 2001 Bonds.

The Series 2001 Bonds, when issued, 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 Series 2001 Bonds. Ownership interests in the Series 2001 Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Series 2001 Bonds purchased. Payments of principal of and interest on the Series 2001 Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2001 Bonds. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM" herein.

Principal will be payable on the dates and in the amounts set forth on the inside front cover hereof.

No Optional or Mandatory Sinking Fund Redemption

The Series 2001 Bonds are not subject to optional redemption or mandatory sinking fund redemption prior to their scheduled maturity dates.

Mandatory Redemption From Proceeds of Insurance or Condemnation

The Series 2001 Bonds are subject to mandatory redemption in whole on any date or in part on any Payment Date (but not in a total redemption amount of less than \$5,000 at any one time), pro rata among maturities and by lot within a maturity, without premium, at the principal amount, together with accrued interest to the Payment Date fixed for redemption, from the Net Proceeds of insurance or condemnation of the Facilities in an amount of \$5,000 or more deposited with the Trustee pursuant to the provisions of the Lease Agreement.

The Lease Agreement provides that any Net Proceeds of any insurance relating to an accident to or destruction of any part of the Sites or the Facilities collected by the City shall be transferred to the Trustee pursuant to the Indenture. If the City determines that such Net Proceeds are to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Sites or the Facilities and that such repair, reconstruction or replacement can be completed within two years from the date of damage, then the City will direct the Trustee to pay such Net Proceeds to the City and will undertake such repairs or replacement in accordance with the Lease Agreement.

In lieu of repair, reconstruction or replacement of the damaged or destroyed portion of the Sites or the Facilities, the City may (and shall, if the City shall determine that such repair, reconstruction or replacement shall not be completed within two years), direct the Trustee to apply the Net Proceeds to the prepayment of Lease Payments in accordance with the applicable provisions of the Indenture, provided that, in the case where the City determines that such repair, reconstruction or replacement may be completed within two years of such damage or destruction, the City shall have determined that the remaining Lease Payments will be sufficient to pay all of that portion of principal and interest remaining on Outstanding Series 2001 Bonds. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—THE LEASE AGREEMENT—Application of Net Proceeds of Insurance" herein.

For purposes of the redemption of Series 2001 Bonds, Series 2001 Bonds with the same maturity but different interest rates shall be treated as different maturities.

Notice of Redemption

The Trustee shall, so long as DTC or its nominee is the registered owner of the Series 2001 Bonds, mail notice of redemption to DTC not less than 30 days and not more than 60 days prior to any redemption date. If for any reason DTC or any other securities depository shall not be engaged by the Authority with respect to some or all the Series 2001 Bonds, the Trustee shall give notice of any redemption of the Series 2001 Bonds by mail, postage prepaid, to the respective registered owners thereof at the addresses appearing on the bond registration books not less than 30 and not more than 60 days prior to any redemption date. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM" herein.

Such mailing of notice shall not be a condition precedent to redemption of the Series 2001 Bonds, and the failure to mail any such notice, or the failure of any Owner to receive any such notice, or any defect in such notice as mailed shall not affect the validity of the proceedings for the redemption of the Series 2001 Bonds or the cessation of the accrual of interest on the date fixed for redemption.

Debt Service

Debt service for the Series 2001 Bonds will be as follows:

**OAKLAND JOINT POWERS FINANCING AUTHORITY
Lease Revenue Refunding Bonds
(Oakland Convention Centers), Series 2001**

Debt Service

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Aggregate Fiscal Year Interest</u>	<u>Aggregate Fiscal Year Total</u>
2002	\$6,565,000	\$5,812,082.36	\$12,377,082.36
2003	5,600,000	6,369,087.50	11,969,087.50
2004	5,825,000	6,142,025.00	11,967,025.00
2005	8,155,000	5,838,087.50	13,993,087.50
2006	8,535,000	5,450,837.50	13,985,837.50
2007	8,930,000	5,040,712.50	13,970,712.50
2008	9,350,000	4,597,025.00	13,947,025.00
2009	9,820,000	4,118,812.50	13,938,812.50
2010	10,305,000	3,613,031.25	13,918,031.25
2011	11,100,000	3,053,275.00	14,153,275.00
2012	11,700,000	2,443,275.00	14,143,275.00
2013	12,320,000	1,800,100.00	14,120,100.00
2014	12,990,000	1,110,450.00	14,100,450.00
2015	<u>13,695,000</u>	<u>376,612.50</u>	<u>14,071,612.50</u>
TOTAL	<u>\$134,890,000</u>	<u>\$55,765,413.61</u>	<u>\$190,655,413.61</u>

Additional Bonds

The Authority may by Supplemental Indenture issue one or more Series of Additional Bonds on a parity with the Series 2001 Bonds then Outstanding, in such principal amount as shall be determined by the Authority, upon compliance by the Authority with the provisions and specific conditions precedent to the issuance of such Additional Bonds set forth in the Indenture. Such provisions require, among other things, (i) that the proceeds of the sale of such Additional Bonds shall be applied to Project Costs or for the refunding or repayment of any Bonds then Outstanding, (ii) that the Authority and the City enter into an amendment to the Lease Agreement in and by which the City will obligate itself in the manner provided in the Lease Agreement to make Lease Payments at the times and in the amount sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Lease Agreement, and (iii) that an opinion of nationally-recognized bond counsel be rendered stating, among other things, that the issuance of such Additional Bonds will not, of itself, cause interest on the Series 2001 Bonds to become includable in gross income for federal income tax

purposes. For more information regarding the issuance of Additional Bonds, see APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Indenture—Additional Bonds” and “—Project Account” herein.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS

Payment of Lease Payments

The Lease Agreement provides that the City shall pay to the Authority the Lease Payments set forth therein for the right to possession and use of the Facilities and the Sites. Each Lease Payment shall be for the right to possess the Sites and the Facilities for the semiannual period commencing the second day of October or April of each calendar year and ending on the first day of the following October or April. For each semiannual rental period, the City shall make Lease Payments during said semiannual period as required by the Lease Agreement. An amount equal to the Lease Payment attributable to each semiannual payment period will be due and payable by the City five (5) business days prior to each Payment Date in each year as specified in the Lease Agreement, with a credit for any amount of investment earnings on the Reserve Fund and amounts in the Lease Payment Account. The scheduled Lease Payments are due at such times and in such amounts as will be sufficient to pay scheduled principal and interest coming due on the Series 2001 Bonds. The City will make such payments directly to the Trustee for deposit in the Lease Payment Account. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement” herein.

In the Lease Agreement, the City covenants to take such action as may be necessary to include all Lease Payments (other than the amount of any Lease Payment which is subject to a credit from funds deposited with the Trustee, as reported by the Trustee to the City in the manner described in the Lease Agreement), Additional Payments and other payments required to be made pursuant to the Lease Agreement in its annual budget and annually to appropriate an amount necessary to make such Lease Payments. The Lease Agreement provides that the covenants of the City to budget and appropriate Lease Payments shall be deemed to be and shall be construed to be ministerial duties imposed by law and that it shall be the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement to be carried out and performed by the City. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement” herein.

The Authority has directed in the Indenture that the City make the Lease Payments directly to the Trustee for deposit in the Lease Payment Account. The Lease Agreement provides that, notwithstanding any dispute between the City and the Authority, the City shall make or cause to be made each and all Lease Payments when due and may not withhold or permit to be withheld any Lease Payments pending the final resolution of such dispute nor may the City assert nor permit to be asserted any right of setoff or counterclaim against the obligation to make Lease Payments as set forth therein. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement” herein.

Pursuant to the Indenture, the Lease Payments are irrevocably pledged by the Authority to, and shall be used by the Trustee for, the punctual payment of the principal of and interest on the Series 2001 Bonds, subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture. All amounts on deposit with the Trustee under the Indenture, including, without limitation, in the Convention Centers Trust Fund, the Project Account, the Delivery Costs Account, the Lease Payment Account, the Reserve Account, the Net Proceeds Account and the Redemption Fund (but not including the Rebate Fund) are irrevocably pledged to the Owners of

the Series 2001 Bonds as provided therein. The Indenture provides that the foregoing pledges constitute a first and exclusive lien on the Lease Payments and the foregoing funds and accounts and any moneys otherwise on deposit with the Trustee under the Indenture (other than the Rebate Fund) for the payment of the Series 2001 Bonds in accordance with the terms thereof. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Indenture—Pledge of Lease Payments” herein.

Pursuant to the Indenture, the Authority grants to the Trustee for the benefit of the Owners of the Series 2001 Bonds a security interest in, and assigns and transfers to and pledges with the Trustee as security for the payment of principal of and interest on the Series 2001 Bonds, the Lease Agreement, including, without limitation, the right to collect and receive directly all of the Lease Payments and the right to hold and enforce the Lease Agreement. However, such assignment does not include an assignment to the Trustee of the Authority's rights to payment of its reasonable fees and expenses and its right to indemnification or the assignment or delegation to, or assumption by, the Trustee of any of the Authority's obligations under the Lease Agreement. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Indenture—Pledge of Lease Payments” herein.

In the event of nonpayment of the Lease Payments by the City, the Lease Agreement and the Indenture provide for the exercise of remedies by the Trustee. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement—Pledge of Lease Payments” herein. Under the Lease Agreement, upon the occurrence and continuance of any Event of Default, the Trustee may hold the City liable for the Lease Payments and other amounts payable by the City as they become due pursuant to the Lease Agreement. Under no circumstances may the Authority or the Trustee declare the Lease Payments not then in default to be immediately due and payable. The Authority or the Trustee as assignee of the Authority covenants in the Lease Agreement to take such action as may be necessary to exercise such remedies and enforce the provisions of the Lease Agreement for the benefit of the Owners of the Series 2001 Bonds.

In the event of an Event of Default, the City will continue to remain liable for the payment of Lease Payments, Additional Payments and damages for breach of this Agreement and the performance of all conditions contained in the Lease Agreement. The Lease Payments, Additional Payments and damages will be payable to the Authority or Trustee at the time and in the manner set forth in the Lease Agreement. For a discussion of certain risks related to the exercise of remedies by the Trustee or Bondowners upon default, see “RISK FACTORS” herein.

Proceeds of Insurance In the Event of Damage to or Destruction of Facilities; Abatement

The Lease Agreement requires that the City from time to time procure and maintain certain types of insurance against loss or damage to the Facilities, as well as rental interruption insurance. Pursuant to the Lease Agreement, the City shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to the Sites and any structures constituting any part of the Facilities by fire and lightning, with special extended coverage property insurance, including vandalism and malicious mischief insurance. The City is required to procure and maintain earthquake insurance only if, in the sole opinion of the City, such insurance is available at reasonable cost on the open market from reputable insurance companies. The City currently maintains earthquake insurance with respect to the Facilities, but may elect at any time, in its sole discretion, to terminate or not renew such insurance, notwithstanding its availability at the City's current cost.

The Lease Agreement provides that the extended coverage property insurance required to be maintained by the City shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to 100% of the replacement cost of the Sites and the Facilities. Such insurance may be subject to deductible amounts as may be authorized by the City's liability insurance program. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the City and may be maintained in the form of an alternate method of insurance approved of by the Municipal Bond Insurer. The proceeds of such insurance shall be applied as provided in the Lease Agreement. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement" herein.

The Lease Agreement also provides that the City shall maintain or cause to be maintained throughout the term of the Lease Agreement rental interruption or use and occupancy insurance, in an amount not less than the maximum total Lease Payments payable by the City on any four consecutive dates for payment of semiannual Lease Payments under the Lease Agreement, to insure against loss of Lease Payments to the Authority or the Trustee as its assignee caused by any of the perils covered by the insurance required by the provisions of the Lease Agreement requiring fire and extended coverage insurance. The City currently maintains earthquake insurance with respect to the Facilities, but may elect at any time, in its sole discretion, to terminate or not renew such insurance, notwithstanding its availability at reasonable cost on the opinion market from reputable insurance companies. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement" herein.

Any policies of insurance delivered in satisfaction of the requirements of the Lease Agreement shall provide that all Net Proceeds thereunder shall be payable to the City and to the Trustee, as assignee of the Authority, as their interests may appear. Pursuant to the Lease Agreement, the City shall pay or cause to be paid when due the premiums for all insurance policies required by this Agreement. Said policies shall permit the Trustee in the absence of any action by the City in accordance with the Lease Agreement, to adjust, collect and receive all moneys which may become due and payable under any such policies, to compromise any and all claims thereunder and to apply the Net Proceeds of such insurance as provided in the Lease Agreement.

In the event of damage to or destruction of the Facilities, if the City elects to repair, reconstruct or replace the Facilities as provided in the Lease Agreement and the Facilities are not restored and made Usable within two years (or such shorter period of time as Net Proceeds of rental interruption insurance and moneys in the Reserve Account are available for the payment of Lease Payments), the City will pay, but only upon completion of the restoration and when the facilities have been made Usable, additional Lease Payments in an aggregate amount necessary to replenish any deficiencies in the Reserve Account by reason of such damage or destruction of the Facilities. Such additional Lease Payments will be made in consideration of the City's right to possession and use of the restored Facilities and shall be payable in equal semiannual payments, commencing on the date for the payment of Lease Payments hereunder next occurring following restoration and repair of the Facilities, for the lesser of five years or the remaining term of this Lease Agreement, until such additional Lease Payments are paid in full. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement" herein.

Prepayment of Lease Payments

The principal component of Lease Payments shall be prepaid in whole on any date or in part on any Payment Date (but not in a total amount of less than \$5,000 at any one time) pro rata among maturities, without premium or penalty, at the principal amount thereof on such Payment Date, together with interest accrued to said Payment Date, from the Net Proceeds of insurance or condemnation not used for repair, reconstruction or replacement of the Facilities and deposited in the Lease Payment Account pursuant to the Lease Agreement, such Net Proceeds so deposited constituting a special fund for the payment of Lease Payments.

In the event of prepayment in part, the partial prepayment shall be applied by the Authority or its assignee against the principal component of Lease Payments pro rata among maturities, and the City shall provide to the Trustee and the Authority a revised schedule of Lease Payments reflecting said partial prepayment in accordance with the Lease Agreement.

Other than as described above, the City shall not have the option of prepaying Lease Payments.

Reserve Account; Reserve Fund Surety Bond

The Indenture requires that there be established with the Trustee, concurrently with the issuance of the Series 2001 Bonds, a separate account to be designated the "Reserve Account." Such account shall be maintained by the Trustee until the Lease Payments are paid in full pursuant to the terms of the Lease Agreement. The Indenture requires that the Reserve Account be funded in an amount equal to the Reserve Requirement, defined in the Indenture as, as of any date of calculation (calculated on a Bond Year basis), an amount equal to the lesser of (i) 125% of the average aggregate annual Lease Payments; or (ii) the maximum aggregate annual Lease Payments; or (iii) 10% of the initial par amount of the Series 2001 Bonds. As of the date of issuance of the Series 2001 Bonds, the Reserve Requirement is \$13,489,000.

Pursuant to the Indenture, if on any Payment Date, the amounts in the Lease Payment Account are less than the Lease Payments then due, the Trustee shall transfer from the Reserve Account an amount sufficient to make up such deficiency. In the event of any such transfer, the Trustee shall, within five (5) days after making such transfer, provide written notice to the Authority and the City of the amount and date of such transfer, and the City shall thereupon pay any delinquent Lease Payments.

The Indenture requires that moneys in the Reserve Account shall be (i) applied as a credit against the last remaining installments of the Lease Payments; (ii) used for the purpose of making up deficiencies in the Lease Payment Account in the event that moneys in the Lease Payment Account are less than the Lease Payments then due on any Payment Date; or (iii) used for the purpose of paying any Rebate Amount.

Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Account or any Additional Lease Payment payable following restoration of any damage to or destruction of the Facilities, such Lease Payment shall be deposited in the Reserve Account.

The Authority may satisfy the Reserve Requirement at any time by the deposit with the Trustee for the credit of the Reserve Account of a surety bond, an insurance policy or letter of credit (the "Reserve Facility"), or any combination of a Reserve Facility and money, as described in the Indenture. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Indenture" herein.

Concurrently with the issuance of the Series 2001 Bonds, the Authority will deposit with the Trustee in satisfaction of the Reserve Requirement cash in the amount of \$8,989,000 and the Reserve Fund Surety Bond issued by Ambac in the amount of \$4,500,000. See "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE RESERVE FUND SURETY BOND" herein.

Substitution of the Sites and the Facilities

The City may at any time and from time to time substitute other land, facilities, improvements or other property ("Substitute Property") for all or any portion of the Sites and the Facilities, provided that the City satisfies the requirements of the Lease Agreement. The Lease Agreement requires, among other things, that the City certify in writing that the estimated fair market value, the estimated fair rental value and the useful life of the Substitute Property is at least equal to the estimated fair market value, the estimated fair rental value and useful life, respectively, of the Sites and the Facilities to be replaced. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement—Substitution of the Site and Facilities" herein.

RISK FACTORS

The following factors, which represent material risk factors that have been identified at this time, should be considered along with all other information in this Official Statement by potential investors in evaluating an investment in the Series 2001 Bonds. The following discussion is not intended to be a comprehensive or definitive listing of the risks associated with an investment in the Series 2001 Bonds and the order in which these factors are presented does not necessarily reflect the relative importance of various risks. There can be no assurance that other risk factors will not become evident at any future time.

Lease Payments Are Limited Obligation of City; Article XIII B Appropriations Limit

THE SERIES 2001 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY SECURED SOLELY BY THE PLEDGE OF LEASE PAYMENTS BY THE CITY TO THE TRUSTEE PURSUANT TO THE INDENTURE AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE CITY. THE FULL FAITH AND CREDIT OF THE CITY IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE SERIES 2001 BONDS NOR FOR THE PAYMENT OF LEASE PAYMENTS. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2001 BONDS NOR THE ANNUAL OBLIGATION TO MAKE LEASE PAYMENTS (WHICH IS SUBJECT TO ABATEMENT UNDER CERTAIN CIRCUMSTANCES) CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY OR THE CITY FOR WHICH EITHER SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH EITHER SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

In the event that the City's available revenue sources for payment of Lease Payments are less than its total obligations with respect to the Lease Agreement and other obligations to provide municipal services, the City could choose to breach the Lease Agreement and fund other municipal services in lieu of or before making Lease Payments and other payments due under the Lease Agreement. Neither the Lease Agreement nor the Indenture restrict the ability of the City to incur additional obligations payable from its General Fund revenues. It is likely that the City will undertake additional obligations payable from its General Fund revenues in the future. To the extent that the City incurs such additional obligations and does not experience an offsetting increase in General Fund revenues, the moneys available to the City to make Lease Payments may be decreased.

Although the City has determined that the Lease Payments fall within an exception to the appropriations limit restrictions of Article XIII B of the California Constitution, the same result could possibly occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Abatement Risk Due to Damage or Destruction of Facilities

During any period in which, by reason of material damage or destruction, there is substantial interference with the use and possession by the City of any portion of the Convention Centers, Lease Payments due under the Lease Agreement with respect to the Convention Centers will be abated proportionately, and the City waives any and all rights to terminate the Lease Agreement by virtue of any such interference and the Lease Agreement shall continue in full force and effect. The method for calculating the amount of abatement is described in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Lease Agreement—Lease Payments" herein. However, although the City has agreed in the Lease Agreement to maintain insurance with respect to the Facilities, such insurance will insure against only limited kinds of casualties, and the amounts actually collected by the City with respect to such insurance may not be sufficient to completely address all losses. In addition, it is possible under the terms of the Lease Agreement for the Lease Payments to be abated indefinitely, possibly even for the remaining maturity of the Series 2001 Bonds, and there is no assurance that such abated Lease Payments, after the application of any available insurance proceeds to the repair or reconstruction of the Facilities, if undertaken by the City, will be sufficient to pay all of the principal or interest on the Series 2001 Bonds.

Seismic Considerations

The City is located in a region considered to be seismically active. There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes. These faults include the San Andreas Fault, as well as the Hayward Fault and the Calaveras Fault which run through the central and eastern portions of the City, respectively. The Hayward Fault runs within approximately 10 miles of the Convention Centers.

The Loma Prieta earthquake, which occurred in October 1989 along the San Andreas Fault with a magnitude of 7.1 on the Richter Scale and an epicenter near Santa Cruz, approximately 50 miles southwest of the City, caused no material structural damage to the Convention Centers.

Pursuant to the Lease Agreement, the City must procure and maintain earthquake insurance only if such insurance is available at reasonable cost in the open market from reputable insurance companies. As of the date of this Official Statement, the City has obtained earthquake insurance for the Convention Centers. However, the City may elect at any time, in its sole discretion, to terminate or not renew such insurance, notwithstanding its availability at the City's current cost.

No Acceleration Upon Default

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The Trustee is not empowered to sell a fee simple, leasehold or other interest in the Convention Centers and use the proceeds of such sale to prepay the Series 2001 Bonds or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, statutory and judicial limitations on lessors' remedies under real property leases, other terms of the Lease Agreement and limitations on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

Limitation of Remedies; Bankruptcy Risk

The Trustee is given limited remedies for a default by the City in the payment of Lease Payments, or other default under the Lease Agreement, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS—Lease Payments" herein. Upon occurrence of a default in payment of Lease Payments by the City, the Trustee will not be permitted to terminate the Lease Agreement or to re-let the Facilities and the Site. The enforcement of the remedies provided in the Lease Agreement and Indenture could prove to be both expensive and time consuming.

The Trustee may elect to proceed against the City to recover damages pursuant to the Lease Agreement, upon the occurrence of an Event of Default under the Lease Agreement. Any suit for money damages would be subject to statutory and judicial limitations on lessors' remedies under real property leases, other terms of the Lease Agreement and limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

In addition to the limitations on remedies contained in the Lease Agreement and the Indenture, the rights and remedies provided in the Indenture and the Lease Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the City under the Lease Agreement. In addition, bankruptcy courts exercise substantial discretionary powers to alter existing contracts of a bankrupt entity and could permit the trustee in bankruptcy to remake the Lease Agreement and significantly alter its terms.

THE FINANCIAL GUARANTY INSURANCE POLICY AND THE RESERVE FUND SURETY BOND

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2001 Bonds effective as of the date of issuance of the Series 2001 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2001 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2001 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2001 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2001 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2001 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any

acceleration of the principal of the Series 2001 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on an Series 2001 Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2001 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2001 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2001 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2001 Bond and will be fully subrogated to the surrendering Holder's rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Reserve Account-Ambac Assurance Surety Bond

The Indenture requires the establishment of a Reserve Account in an amount equal to \$13,489,000. The Indenture authorizes the Authority to obtain a Reserve Fund Surety Bond in place of, or in combination with, fully funding the Reserve Account with cash. Accordingly, Ambac Assurance Corporation ("Ambac Assurance") has issued a commitment for the issuance of a Reserve Fund Surety Bond for the purpose of funding a portion of the Reserve Account in the amount of \$4,500,000. The Series 2001 Bonds will only be delivered upon the issuance of such Reserve Fund Surety Bond. The premium on the Reserve Fund Surety Bond is to be fully paid at or prior to the issuance and delivery of the Series 2001 Bonds. The Reserve Fund Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2001 Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to

make such payments due on the Series 2001 Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Reserve Fund Surety Bond.

Pursuant to the terms of the Reserve Fund Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Reserve Fund Surety Bond and the Authority is required to reimburse Ambac Assurance for any draws under the Reserve Fund Surety Bond with interest at a market rate. Upon such reimbursement, the Reserve Fund Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Authority is subordinate to the Authority's obligations with respect to the Series 2001 Bonds.

In the event the amount on deposit, or credited to the Reserve Account, exceeds the amount of the Reserve Fund Surety Bond, any draw on the Reserve Fund Surety Bond shall be made only after all the funds in the Reserve Account have been expended. In the event that the amount on deposit in, or credited to, the Reserve Account, in addition to the amount available under the Reserve Fund Surety Bond, includes amounts available under a letter of credit, insurance policy, Reserve Fund Surety Bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Reserve Fund Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Reserve Account shall be replenished in the following priority: (i) principal and interest on the Reserve Fund Surety Bond and on the Additional Funding Instrument shall be paid from first available Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into account the amounts available under the Reserve Fund Surety Bond and the Additional Funding Instrument shall be deposited from next available Revenues.

The Reserve Fund Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Reserve Fund Surety Bond would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$4,568,000,000 (unaudited) and statutory capital of approximately \$2,787,000,000 (unaudited) as of March 31, 2001. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2001 Bonds. No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the Lessee.

Ambac Assurance makes no representation regarding the Series 2001 Bonds or the advisability of investing in the Series 2001 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "THE FINANCIAL GUARANTY INSURANCE POLICY AND THE RESERVE FUND SURETY BOND" herein.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1)The Company's Current Report on Form 8-K dated January 24, 2001 and filed on January 24, 2001;
- 2)The Company's Current Report on Form 8-K dated March 19, 2001 and filed on March 19, 2001;
- 3)The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and filed on March 28, 2001; and
- 4)The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2001 and filed on May 15, 2001.

THE CONVENTION CENTERS

The Convention Centers are comprised of the Henry J. Kaiser Convention Center and the Oakland Convention Center-George P. Scotlan Memorial. The Convention Centers and the revenues derived by the City from the Convention Centers are not security for the payment of principal and interest on the Series 2001 Bonds. Neither the terms and provisions of the Lease Agreement nor the Indenture grant the Trustee or the Bondowners any interest in the Convention Centers.

Henry J. Kaiser Convention Center

The Henry J. Kaiser Convention Center is located near Lake Merritt at Tenth Street in Oakland. For seventy years, it was known as the Oakland Civic Auditorium. Over the years, the Oakland Civic Auditorium was utilized for professional sports, theatrical events, and a variety of artistic and cultural events featuring prominent artists. Located two blocks from the Lake Merritt Bay Area Rapid Transit District (BART) station, the Convention Center is accessible by public transportation or by car. It is within walking distance of the City Center, Oakland's Chinatown, Jack London's Waterfront, Oakland Museum, and the Lake Merritt business district. In 1984, the City undertook a \$15 million refurbishment of the facilities and the Oakland Civic Auditorium was renamed the Henry J. Kaiser Convention Center.

The Henry J. Kaiser Convention Center is used as a community center, a performing arts center and a promotional sports complex capable of accommodating audiences ranging from 150 to 8,000. The Center offers parking for 205 cars. Street parking and approximately 2,500 additional spaces are available in its immediate vicinity.

The Center has five rooms that offer flexibility in the selection of an appropriate venue. The Kaiser Arena accommodates up to 8,000 people for concerts, trade shows, conventions, sporting events, dances, fundraisers, and banquets. The Calvin Simmons Theatre provides an intimate setting. The Olympic Room is used for parties, receptions, banquets, and meetings. The Ballroom features a performance stage and side area balcony and is intended for small stage performances, receptions, dances, lectures, and other events. The Gold Room, which was the first home of the Oakland Museum of Art, features hardwood floors, a balcony service area, and an overhead skylite.

Oakland Convention Center-George P. Scotlan Memorial

The Oakland Convention Center-George P. Scotlan Memorial is located in central Oakland. It opened on May 5, 1983, and offers a combination of exhibit space, assembly facilities, private meeting rooms, and on-site parking for 580 cars. The Exhibit Hall accommodates groups of 5,000 persons, banquets for up to 3,200 persons, or 275 exhibits. To provide scheduling flexibility, the 48,000 square foot main hall can be divided into two separate activity areas, the 33,000 square foot Exhibit Hall West and the 15,000 square foot Exhibit Hall East.

The Center's location affords access to many East Bay entertainment and cultural facilities, including the Oakland Museum, the Paramount Theatre of the Arts, and Jack London Square, nearby restaurants and three professional sports teams.

THE AUTHORITY AND THE CITY

The Authority

The Authority was formed in 1993 pursuant to the provisions of Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State and currently exists pursuant to the Joint Powers Agreement. The Authority was formed to assist the City and the Redevelopment Agency of the City of Oakland in the financing of public capital improvements. The Authority is controlled by the City Council of the City, which serves as both the Board of the Authority and the Board of the Redevelopment Agency. The Authority has no employees and all staff work for the Authority is done by City staff.

The City

The City is the county seat of the County of Alameda, the third largest city in the San Francisco Bay Area and the eighth largest city in California. See APPENDIX A —“CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND” herein for additional information relating to the City. See APPENDIX B —“EXCERPTED AUDITED FINANCIAL STATEMENTS OF THE CITY OF OAKLAND” herein for financial information relating to the City.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines “full cash value” to mean “the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a change in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The 1% property tax is automatically levied by the County of Alameda and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment could serve to reduce the property tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or “severely disabled homeowners” who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster. See APPENDIX A —"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND - Property Taxation" herein.

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91 each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations of an entity of local government subject to Article XIII B include generally authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (2) the investment of tax revenues. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years. As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. Article XIII B provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues received by the State to a fund established to assist in financing certain school needs.

Article XIII B does not limit the appropriation of moneys to pay debt service or indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose. Furthermore, in 1990, Article XIII B was amended to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City's long-term general fund lease obligations (including the Lease Payments due under the Lease Agreement) are generally excluded from the City's appropriations limit.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) ("AB 454") provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property") commencing with the 1988-89 fiscal year will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior

year State-assessed revenue: and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenue or greater than 102% of the previous years revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Statutory Spending Limitations

A statutory initiative ("Proposition 62") was adopted by the voters in the State at the November 4, 1986 election which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote of the electorate in order for a local government or district to impose a special tax. The *Guardino* decision did not address the question of whether or not it should be applied retroactively.

On December 15, 1997, the Court of Appeals for the State of California, Fourth Appellate District, in *McBrearty v. City of Brawley*, concluded that (i) *Guardino* is to be applied retroactively to require voter approval of previously enacted taxes, and (ii) the three-year statute of limitations applicable to such taxes runs from the date to the *Guardino* decision. In the opinion of the City Attorney, the City should be exempt from the provisions of Proposition 62 because, as a charter city under the California Constitution, it should not be affected by a statutory initiative such as Proposition 62.

Several questions raised by the *Guardino* and *McBrearty* decisions remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general *ad valorem* property tax levy allocated to that jurisdiction is reduced by \$1 for every \$1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by the *Guardino* decision.

Right to Vote on Taxes Initiative—Proposition 218

On November 5, 1996, California voters approved an initiative to amend the California Constitution known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 requires

majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. Proposition 218 also extends the initiative power to reducing or repealing local property-related taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to impositions after November 6, 1996 and absent other legal authority, could result in retroactive reduction in any existing taxes, assessments, fees and charges. In addition, Proposition 218 limits the application of assessments, fees and charges and requires certain existing, new and increased assessments, fees and charges to be submitted to property owners for approval or rejection, after notice and public hearing.

The City is not able to predict whether Proposition 218 will be held to be constitutional in the courts or its application limited in certain respects. If upheld, Proposition 218 could substantially restrict the City's ability to raise future revenues, subject existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court.

Pursuant to Proposition 218 (Article XIII C) taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. Since December 31, 1994, the City has increased two classes of taxes within its Business License Tax Ordinance, for firearms and electricity sales. The Firearms Business License Tax was enacted after the passage of Proposition 218, and was not collected until it was approved by the voters on June 2, 1998. The Electric Business License Tax was enacted prior to the passage of Proposition 218 and was collected for a two-year period. However the Electric Business Tax was rejected by the voters on November 3, 1998, and the City has discontinued collecting this tax. The voter approval requirements of Proposition 218 reduces the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase taxes in the future to meet increased expenditure needs.

Proposition 218 (Article XIII D) also adds several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that the assessment must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, and (iii) a majority protest procedure which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected property. "Assessment" in Article XIII D is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This would include maintenance assessments for open space areas, street medians, street lights and parks. If the City were unable to continue to collect assessment revenues for these programs, the programs might have to be curtailed and/or funded by amounts in the City's General Fund. All but one of the City's assessments are security for bonded indebtedness, and should be exempt from the provisions of Article XIII D. The remaining assessment is levied by the Landscape and Lighting Assessment District, which was approved by the citizens through an initiative, and should be exempt from the provisions of Article XIII D.

In addition, Proposition 218 (Article XIII D) adds several provisions affecting “fees” and “charges,” defined for purposes of Article XIII D to mean “any levy other than an ad valorem tax, a special tax, or an assessment imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. This may require the City's General Fund to forego collecting some or all of the annual amounts it collects from the City's enterprise funds. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (these “property related” fee requirements also do not apply to fees for electrical and gas service, which are not treated as “property related” for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge (essentially the same procedure required for approval of assessments) or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The only enterprise fund operated by the City which may be subject to Proposition 218 is the Sewer Enterprise Fund. The fees and charges of the Sewer Enterprise Fund may be determined to be fees and charges subject to the initiative power referred to in Article XIII C, as described below. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the City may have to decide whether to support any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

Proposition 218 (Article XIII C) also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. “Assessments,” “fees” and “charges” are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meaning for purposes of Article XIII C as for Article XIII D described above. If not, the scope of the initiative power under Article XIII C potentially could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

Further analysis and future judicial interpretations may affect the City's estimate of the impact of Proposition 218 on current general fund revenues.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, and Webster & Anderson, Oakland, California, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2001 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Co-Bond Counsel is also of the opinion that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although

Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A complete copy of the proposed opinion of Co-Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Series 2001 Bonds is less than the amount to be paid at maturity of such Series 2001 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2001 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2001 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2001 Bonds is the first price at which a substantial amount of such maturity of the Series 2001 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2001 Bonds accrues daily over the term to maturity of such Series 2001 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2001 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2001 Bonds. Owners of the Series 2001 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2001 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2001 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2001 Bonds is sold to the public.

Series 2001 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Series 2001 Bonds. The Authority and the City have covenanted to comply with certain restrictions designed to ensure that interest on the Series 2001 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2001 Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2001 Bonds. The opinion of Co-Bond Counsel assumes compliance with these covenants. Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2001 Bonds may adversely affect the value of, or the tax status of interest on the Series 2001 Bonds.

Certain requirements and procedures contained or referred to in the Lease Agreement, the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2001 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Co-Bond Counsel express no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP and Webster & Anderson.

Although Co-Bond Counsel are of the opinion that interest on the Series 2001 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2001 Bonds may otherwise affect a Bondowner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondowner or the Bondowner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Series 2001 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Bondowners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2001 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Series 2001 Bonds for audit examination, or the course or result of any IRS examination of the Series 2001 Bonds, or obligations which present similar tax issues, will not affect the market price for the Series 2001 Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Series 2001 Bonds to provide certain financial information and operating data relating to the City not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for Fiscal Year 2000-01 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository and State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX E—"Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). Neither the Authority nor the City is in default with respect to any previous undertaking made with regard to said Rule. Neither the Authority nor the City has ever failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual financial information or notices of material events.

LEGAL MATTERS

The validity of the Series 2001 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, and Webster & Anderson, Oakland, California, Co-Bond Counsel. A complete copy of the proposed form of Co-Bond Counsel opinion is contained in APPENDIX D hereto. Co-Bond Counsel undertake no responsibility for the accuracy, completeness, or fairness of this Official Statement. Foley & Lardner is serving as Disclosure Counsel to the Authority and the City. Certain legal matters will be passed upon for the Underwriters by Lofton De Lancie, San Francisco, California. Co-Bond Counsel, Disclosure Counsel and counsel to the Underwriters will receive compensation contingent upon the successful sale and delivery of the Series 2001 Bonds. Certain legal matters will be passed upon for the Authority and for the City by John H. Russo, Oakland City Attorney.

LITIGATION

No litigation is pending or threatened against the Authority or the City, concerning the validity of the Series 2001 Bonds, the Lease Agreement or the Indenture, and an opinion of John H. Russo, Oakland City Attorney, to that effect will be furnished at the time of the original delivery of the Series 2001 Bonds. The Authority is not aware of any litigation pending or threatened questioning the political existence of the Authority or the City or contesting the City's ability to appropriate or make Lease Payments and Additional Payments, if any.

There are a number of lawsuits and claims pending against the City. Except as disclosed in this Official Statement, neither the Authority nor the City have any claims pending against them that, if successful, would materially affect the ability of the Authority and the City to meet their respective obligations as described in this Official Statement. See APPENDIX A—"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND—Litigation" herein.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's, a division of The McGraw-Hill Companies ("Standard & Poor's") have assigned the Series 2001 Bonds the long-term ratings of "Aaa" and "AAA", respectively, with the understanding that concurrently with the delivery of the Series 2001 Bonds, the Financial Guaranty Insurance Policy will be issued by the Bond Insurer. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings may be obtained only from the respective organizations at: Moody's Investors Service, 99 Church Street, New York, New York 10007-2796, telephone number (212) 553-0317; and Standard & Poor's, 55 Water Street, New York, New York 10041, telephone number (212) 208-1002. There is no assurance that such ratings will continue for any given period or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2001 Bonds. No underlying ratings of any credit rating organization have been secured or requested for the Series 2001 Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc. (the "Financial Advisor") has assisted the Authority with various matters relating to the planning, structuring and delivery of the Series 2001 Bonds. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Financial Advisor will receive compensation from the Authority contingent upon the sale and delivery of the Series 2001 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided on behalf of the Authority relating to (a) computation of forecasted receipts of principal and interest on the Escrow Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds, and (b) computation of the yields on the Refunding Bonds and the Escrow Securities was examined by The Arbitrage Group, Inc.. Such computations were based solely upon assumptions and information supplied on behalf of the Authority. The Arbitrage Group, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the ability to achieve the forecasted

outcome. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Escrow Agreement” herein.

UNDERWRITING

The Series 2001 Bonds are being purchased by UBS PaineWebber Inc., acting on behalf of itself and as representative of M.R. Beal & Company, Morgan Stanley & Co. Incorporated, and Henderson Capital Partners, LLC (the “Underwriters”), the underwriters of the Series 2001 Bonds set forth on the cover page hereto. The Underwriters have agreed, subject to certain conditions, to purchase the Series 2001 Bonds at a price of \$141,910,605.61, plus accrued interest.

The Underwriters may offer and sell the Series 2001 Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriters. The purchase contract pursuant to which the Underwriters will purchase the Series 2001 Bonds provides that the Underwriters thereunder will purchase all of the Series 2001 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract.

EXECUTION AND DELIVERY

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

OAKLAND JOINT POWERS FINANCING AUTHORITY

By: /s/ Robert C. Bobb
Executive Director

CITY OF OAKLAND, CALIFORNIA

By: /s/ Deborah Edgerly
Director, Financial Services Agency

APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

General Information

Overview. The City of Oakland (the "City") is located in the County of Alameda (the "County") on the east side of San Francisco Bay, approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. The City ranges from industrialized lands bordering the Bay on the west to suburban foothills in the east. Formerly the industrial heart of the Bay Area, the City has developed into a financial, commercial and governmental center. The City is also the hub of an extensive transportation network which includes a freeway system and the western terminals of major railroads and trucking firms, as well as one of the largest container-ship ports in the United States. The City supports an expanding international airport and rapid-transit lines which connect it with most of the Bay Area. The City is the seat of government for the County and is the seventh most populous city in the State of California (the "State").

City Government. The City was incorporated as a town in 1852 and as a city in 1854, and became a charter city in 1889. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchise, licenses, permits, leases and sales; employee's pension funds; and the creation and organization of the Port of Oakland (the "Port"). The City is governed by an eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis. The Mayor is not a member of the City Council but is the City's chief elective officer. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Attorney is nominated and elected in the same manner, and for the same term, as the Councilmember-at-Large. The Mayor, subject to confirmation by the City Council, appoints a City Manager who is responsible for daily administration of City affairs and preparation and submission of the annual budget under the direction of the Mayor and City Council for the Mayor's submission to the City Council.

Subject to civil service regulations, the City Manager appoints City employees except the City Attorney, City Clerk and City Auditor. The City Clerk is appointed by the City Manager, subject to City Council confirmation. The City Auditor is elected at the same time as the Mayor. The Director of the Financial Services Agency serves as the City's Treasurer and supervises the City's financial affairs.

The City's charter was most recently amended through the approval of ballot Measure X by voters on November 3, 1998. Changes ratified at that time include the creation of the Mayor-Council form of government, the provision of a two-term limit for the Mayor, the institution of a requirement for voter approval for increases to City Council compensation, and a provision for the election of the City Attorney.

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under State law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning and general administrative services.

Budget Process. The City's budget is developed on the Generally Accepted Accounting Principles ("GAAP") basis (modified accrual for governmental funds and accrual for proprietary and pension trust funds). The City Charter requires that the City Council adopt a balanced budget by June 30,

preceding the start of the fiscal year on July 1. The City's budget cycle is a two-year process which promotes long-term decision making, increases funding stability and allows for greater performance evaluation. In advance of each two-year cycle, the City Manager and Agency heads conduct internal budget hearings to develop budget proposals for presentation to the Mayor. Within 60 to 90 days before the end of the prior two-year cycle, the Mayor submits the proposed two-year budget to the City Council and formal public budget hearings are scheduled. Upon conclusion of the public hearings, the City Council may make adjustments and/or revisions. The City Council adopts the City's operating budget on or before June 30. It contains appropriations for all funds and two-year appropriations for the five-year Capital Improvements Program.

As part of the two-year budget process, the City has designated specific criteria for mid-cycle (end of year one) review and/or revisions: Federal and State mandates, significant changes in mid-year revenue projections and any full cost-covered program changes. Additionally, one-third of any year-one surplus in the General Fund will roll forward to year two, one-third to programs, and one-third to the General Fund balance.

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds, and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for fiscal years 1998-1999 and 1999-2000 was KPMG Peat Marwick LLP.

Within a reasonable period following the fiscal year-end, the accountant submits the final audit to the City Council. The City then publishes the financial statements as of the close of the fiscal year.

Investment Policy

The authority to invest the City's Operating Fund is derived from Council Resolution No. 56127 which delegates to the Director of Finance/Treasurer the authority to invest this Operating Fund within the guidelines of Section 53600 of Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City Council adopted a policy for Fiscal Year 2000-01 in July of 2000. The Investment Policy is subject to revision at any time.

The objectives of the Investment Policy are to preserve capital, provide adequate liquidity to meet cash disbursements of the City and reduce overall portfolio risks while maintaining market average rates of return.

Current Investment Portfolio

The City currently maintains approximately \$171 million in operating funds, excluding capital, debt service funds, special revenue funds and pension trust funds. The Operating Fund is broken out by different types of investment securities and is invested in accordance with the Investment Policy. The composition of these operating funds, including the average term and days to maturity, is provided below as of March 31, 2001. As of March 31, 2001, the City maintained approximately 62.17% of the Operating Fund in investments that mature in one year or less.

**CITY OF OAKLAND
OPERATING FUND
PORTFOLIO MASTER SUMMARY
MARCH 31, 2001**

Investments	Book Value	Percent of Portfolio	Average Term	Days To Mat./Call	--- Yield To Maturity ---	
					360 Equivalent	365 Equivalent
Federal Agency Issues- Coupon	\$76,850,709.10	44.94%	1,425	775	5.749%	5.829%
Money Market	51,310,000.00	30.00	1	1	5.385	5.460
Local Agency Investment Funds	27,000,000.00	15.79	1	1	6.431	6.520
Certificates of Deposit	1,400,000.00	0.82	181	93	5.799	5.880
Negotiable CD's	5,000,147.54	2.92	62	36	5.008	5.077
Commercial Paper - Discount	9,451,339.49	5.53	65	56	4.866	4.933
TOTAL INVESTMENTS	171,012,196.13	100.00%	648	354	5.677	5.756

Source: City of Oakland Financial Services Agency

In addition, Fitch Inc. ("Fitch") has assigned a managed fund credit rating of "AAA" and a market risk rating of "V-1+" to the City Portfolio. Fitch's managed fund credit ratings are an assessment of the overall credit quality of a fund's portfolio. Ratings are based on an evaluation of several factors, including credit quality and diversification of assets in the portfolio, management strength and operational capabilities. Fitch managed fund market risk ratings are an assessment of relative market risks and total return stability in the portfolio. Market risk ratings are based on, but not limited to, analysis of interest rate, derivative, liquidity, spread and leverage risk. Fitch's managed fund credit and market risk ratings are based on information provided to Fitch by the City. Fitch does not verify the underlying accuracy of this information. These ratings do not constitute recommendations to purchase, sell or hold any security.

Financial Obligations

The City has never defaulted on the payment of principal of or interest on any of its indebtedness or lease obligations.

General Obligation Debt. As of June 30, 2000, the City had outstanding a total of \$140,435,000 aggregate principal amount of general obligation bonds.

The Series 1991A General Obligation Bonds in the amount of \$12,000,000 were issued as part of the maximum authorized amount of \$60,000,000 under Measure K approved by the voters in November 1990 for the purpose of financing the acquisition of open space and the rehabilitation, development and expansion of park and recreational facilities within the City. In March 1995, the Series 1995B General Obligation Bonds in the amount of \$15,000,000 were issued, and in April 1997, the Series 1997C General Obligation Bonds of \$22,250,000 were issued, both under the 1990 authorization. In July of 2000, the City issued the remaining \$10.75 million in authorized general obligation debt as well as refunding a portion of a prior series of bonds.

The Series 1992 General Obligation Bonds of \$50,000,000 were issued at the maximum authorized amount approved by the voters in June 1992 to provide funds to enhance emergency response capabilities and seismic reinforcement of public facilities and infrastructure.

In April 1997, the Series 1997 (Measure I) General Obligation Bonds of \$45,420,000 were issued at the maximum authorized amount approved by voters in November 1996 for the purpose of financing

the repair, construction, acquisition and improvement of certain libraries, museums and other cultural and recreational facilities.

Short-Term Obligations. The City implemented a short-term financing program in 1981 to finance general fund temporary cash flow deficits during the fiscal year (July 1 through June 30). The City has issued short-term notes for each of the last ten fiscal years, including the issuance of \$65,000,000 Tax and Revenue Anticipation Notes for the fiscal year ended June 30, 2000. The City has never defaulted on the payment of any of these notes.

Lease Obligations. Since 1982, the City has entered into sale-leaseback transactions to finance the acquisition construction of capital improvements to City properties. In July 1998, the City participated in the issuance of Lease Revenue Bonds to provide a portion of the funds necessary to refund all of the outstanding City of Oakland Revenue Bonds (Pension Financing) 1988 Series A. In April 1996, the City participated in the issuance of \$103,945,000 in Lease Revenue Bonds to finance a portion of the design, construction, rehabilitation, and equipping of two City administration buildings and a civic plaza. The bonds are secured by lease payments payable by the City from the City's General Fund to the Joint Powers Financing Authority. In November 1992, the California Statewide Community Development Authority ("CSCDA") issued \$149,825,000 of lease revenue bonds to repurchase the Kaiser Convention Center ("Kaiser") and the George P. Scotlan Memorial Convention Center ("Scotlan"). The City concurrently leased Kaiser and Scotlan from the CSCDA. In May 1992, Oakland Redevelopment Agency (the "Agency") issued \$39,408,000 in Refunding Certificates of Participation to defease Oakland Museum Certificates of Participation 1987 Series A. The Agency leased the Museum's facilities and site to under a lease agreement. In December 1985, the City entered into various simultaneous agreements to finance improvements on City property, such as traffic control devices, street resurfacing, parking lots, garages, and the rehabilitation of various City buildings. The \$52,300,000 Certificates of Participation issued are secured by lease payments payable by the City and the securities are recorded as direct obligations to the City.

In the fiscal years 2000-01 through 2004-05 the City is required to make combined lease payments from its General Fund as shown below:

CITY OF OAKLAND GENERAL FUND LEASE OBLIGATIONS

Fiscal Year	Oakland Coliseum	Oakland Convention Center	Civic Improvement Corp. ⁽¹⁾	Oakland Museum	Oakland Admin. Building	Oakland Arena	Oakland JPA Revenue Bonds	Total
2000-01	\$10,500,000	\$12,518,704	\$3,174,000	\$3,702,380	\$7,548,141	\$11,000,000	\$16,892,372	\$64,335,597
2001-02	12,750,000	12,510,039	3,212,000	3,703,480	7,549,536	11,000,000	19,309,635	66,784,690
2002-03	12,750,000	12,494,766	3,246,000	3,700,450	7,550,449	11,000,000	18,567,262	66,058,927
2003-04	12,750,000	12,485,949	3,374,000	3,702,750	7,550,009	11,000,000	18,010,914	65,623,622
2004-05	12,850,000	14,508,129	3,396,000	3,700,563	7,547,271	9,500,000	17,283,896	68,785,859
Principal Balance ⁽²⁾	\$201,300,000	\$134,300,000	\$41,100,000	\$27,588,024	\$103,945,000	\$134,600,000	\$187,500,000	\$830,333,024

*Variable Rate debt, estimated

⁽¹⁾ The City replaced the letter of credit provider on August 1, 1999. The issue was previously non-rated, the bonds assumed the new provider's underlying AAA rating (Helaba), debt service projections have consequently been adjusted from 5% to 4%.

⁽²⁾ Principal outstanding as of July 1, 2001.

Source: City of Oakland Financial Services Agency

Other Long-Term Borrowings. In February 1997, the City issued \$436,289,659.15 of taxable pension obligation bonds. These bonds have serial maturities to 2010. The source of payment for

principal of and interest on the bonds is not limited to any source of funds, but includes tax override revenues, which are the revenues generated and collected by the City as proceeds of its annual tax levy authorized by Measure R and Measure O, enacted by the voters on June 8, 1976 and June 7, 1988, respectively. The obligation of the City to make payments with respect to the bonds is an obligation imposed upon the City by law. Hence, these bonds are direct obligations of the City.

In addition, the Agency has issued several series of its tax allocation bonds for two redevelopment project districts. In each case, the tax allocation bonds are limited obligations of the Agency and are payable solely from and secured by a pledge of an incremental portion of tax revenues assessed on property within each respective project district. For the fiscal year ending June 30, 2000, the redevelopment tax increment revenues within the City were approximately \$25,639,000.

Special Assessment Debt. In April 1994, the City issued \$2,020,000 of 1994 Refunding Improvement Bonds Medical Hill Parking Assessment, Series 3 Bonds to defease the Medical Hill Parking Assessment District Refunding Bonds dated March 1989.

In December 1994, the City issued \$7,370,000 of Limited Obligation Improvement Bonds for its Fire Area Utility Underground Assessment District No. 1994-1 (the "1994-1 Bonds"), an area consisting of approximately 2200 assessed parcels in the Oakland hills. The proceeds of the bonds were to be used to finance a portion of the costs of the construction and installation of underground electric, telephone and cable TV public utility lines, including the installation of underground electric transformers, primary electric vaults, and numerous telephone, cable TV and street light boxes, street lights and primary electric and telephone conduits, and certain street improvements.

In December 1994, the City issued \$876,315 of Limited Obligation Improvement Bonds, Series 1994 for its Assessment District No. 1994-2 (Rockridge Area Water Improvements), an area consisting of approximately 776 assessed parcels in the Oakland hills. The proceeds of the bond issue were used to finance a portion of the costs of the acquisition and installation of certain water system improvements, utility pipelines, fire hydrants and certain related street repairs. The City refunded these bonds and the 1994-1 Bonds and sold the associated Reassessment Revenue Bonds on July 15, 1999.

In August 1994, the City issued \$349,989.42 of Limited Obligation Improvement Bonds for the Skyline Sewer Assessment District, consisting of 30 parcels in the Oakland hills. The proceeds of the bonds were used to finance the construction of a sewer line.

The City has also established the following special assessment districts and levied assessments to finance the costs of installing ornamental street lighting and/or undergrounding utilities: in 1994, Lakeshore Ornamental Lighting Assessment District - Phase 1 (\$86,568.00) and Ocean View Ornamental Lighting Assessment District (\$15,250,000); in 1995, Lakeshore Ornamental Lighting Assessment District - Phase 11 (\$31,782.96); in 1996, Lower Hubert Road Ornamental Lighting Assessment District (\$50,327.39); in 1997, Proctor Utility Undergrounding Assessment District No. 1997-2 (\$37,818.00), Lakeshore Phase III Utility Undergrounding Assessment District No. 1997-3 (\$106,914.00), La Salle, Liggett, Pershing and Wood Area Utility Undergrounding Assessment District No. 1997-4 (\$893,878.00), Harbord, Estates, McAndrew and Wood Area Utility Undergrounding Assessment District No. 1997-5 (\$797,146.00), and Grizzly Peak Utility Undergrounding Assessment District No. 1997-6 (\$174,990.00); and in 1999 Lakeshore Phase IV Utilities Undergrounding Assessment District (\$57,450.00).

With respect to special assessment debt, the bonds are payable from annual assessment installments levied against property owners in the assessment district, and included on their respective property tax bills.

No Defaults. The City has never defaulted on any of its debt.

Estimated Direct And Overlapping Debt. Contained within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates of participation, and special assessment bonds. The direct and overlapping debt of the City as of June 30, 2000, according to California Municipal Statistics, Inc., is shown below. The City makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

CITY OF OAKLAND
STATEMENT OF DIRECT AND OVERLAPPING DEBT, AS OF JUNE 30, 2000

1999-00 Assessed Valuation: \$19,575,981,160
 Redevelopment Incremental Valuation: 2,193,714,677
 Adjusted Assessed Valuation: \$17,382,266,483

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/00</u>
East Bay Municipal Utility District	20.747%	\$ 1,452,290
East Bay Municipal Utility District, Special District No. 1	52.507	23,930,065
East Bay Regional Park District	11.236	20,290,531
Peralta Community College District	54.394	20,226,409
Berkeley and Castro Valley Unified School Districts	0.005&0.100	11,491
Oakland Unified School District	99.996	138,582,910
San Leandro Unified School District	18.645	2,604,707
City of Oakland	100.	129,665,000 ⁽¹⁾
City of Oakland 1915 Act Bonds	100.	9,860,000
City of Emeryville 1915 Act Bonds	4.183	603,189
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$347,226,592
Less: East Bay Municipal Utility District (100% self-supporting)		1,452,290
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$347,774,302

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Alameda-Contra Costa Transit District Certificates of Participation	21.740%	\$ 5,280,646
Alameda County and Coliseum Authority General Fund Obligations	18.834	117,996,973
Alameda County Pension Obligations	18.834	97,350,721
Alameda County Board of Education Public Facilities Corporation	18.834	1,246,811
Chabot-Las Positas Community College District Certificates of Participation	2.440	135,786
Oakland Unified School District Certificates of Participation	99.996	51,667,933
San Leandro Unified School District Certificates of Participation	18.645	3,066,170
Castro Valley Unified School District Certificates of Participation	0.100	3,510
City of Oakland and Coliseum Authority General Fund Obligations	100.	672,925,525
City of Oakland Pension Obligations	100.	407,279,659
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$1,356,953,734

GROSS COMBINED TOTAL DEBT \$1,704,180,326⁽²⁾
NET COMBINED TOTAL DEBT \$1,702,728,036

⁽¹⁾ Excludes general obligation bonds dated 7/25/00.

⁽²⁾ Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 1999-00 Assessed Valuation:

Direct Debt (\$129,665,000).....	0.66%
Total Gross Direct and Overlapping Tax and Assessment Debt.....	1.77%
Total Net Direct and Overlapping Tax and Assessment Debt.....	1.77%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$1,209,870,184).....	6.96%
Gross Combined Total Debt.....	9.80%
Net Combined Total Debt.....	9.80%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/00: \$1,739,032

Source: California Municipal Statistics, Inc.

Property Taxation

The following table represents a five-year history of assessed valuations in the City:

**CITY OF OAKLAND
ASSESSED VALUATIONS⁽¹⁾
(in \$000's)**

Fiscal Year	Local Secured	Utility	Unsecured	Total
1996-97	14,964,944	64,955	2,194,244	17,224,143
1997-98	15,265,600	80,139	2,413,259	17,758,998
1998-99	15,927,351	78,976	2,670,736	18,677,063
1999-00	16,993,037	64,608	2,518,336	19,575,981
2000-01	18,453,636	62,398	2,574,565	21,090,599

⁽¹⁾ Net of exemptions before redevelopment tax allocation increment deduction.

Source: Alameda County Auditor-Controller.

The following table represents a five-year history of the secured tax levy and of uncollected amounts in the City:

**CITY OF OAKLAND
SECURED TAX LEVY
AND AMOUNTS UNCOLLECTED
(in \$000's)**

Year Uncollected	Secured Tax Levy	Amount Uncollected as of June 30	Percent as of June 30
1996	94,756	5,368	5.67
1997	95,519	5,554	5.82
1998	106,732	5,696	5.34
1999	105,036	6,411	6.10
2000	117,765	6,757	5.74

⁽¹⁾ All taxes collected by the County within the City of Oakland.

Source: Alameda County Auditor-Controller.

Tax Rates. The City is divided into thirty-three Tax Rate Areas. The largest Tax Rate Area within the City is Tax Rate Area 17-001 which has a total assessed valuation of \$12,748,989,870, or 60.45% of the City's total assessed valuation. A ten-year history of the property tax rates received by the City and the County of Alameda is shown below.

**CITY OF OAKLAND
PROPERTY TAX RATES**

Fiscal Year Ending	City of Oakland	Alameda County	Others	Total
1992	0.5198%	0.3086%	0.4970%	1.2376%
1993	0.5222	0.3086	0.4130	1.2438
1994	0.4690	0.1555	0.6224	1.2469
1995	0.4643	0.1597	0.6169	1.2409
1996	0.4627	0.1595	0.6412	1.2634
1997	0.4468	0.1575	0.6412	1.2455
1998	0.4932	0.1567	0.6434	1.2933
1999	0.4568	0.1570	0.6370	1.2508
2000	0.5059	0.1570	0.6151	1.2780
2001	0.4694	0.1570	0.6775	1.3039

(1) "Other" includes County-wide Tax, Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay MUD, and the Oakland Knowland Park Zoo.

(2) Educational Revenue Augmentation Fund Shift begins in 1994.

Sources: Alameda County Office of the Auditor-Controller and City of Oakland Financial Services Agency.

The following table lists the largest ten taxpayers in the City in terms of their 2000-01 assessed valuation.

**CITY OF OAKLAND
TOP TEN TAXPAYERS
2000 – 2001⁽¹⁾**

Property Owner	Type of Business	2000-01 Assessed Valuation
1. Oakland City Center LLC	Property Management	\$185,605,023
2. Prentiss Properties Acquisition Partners LP	Property Management	118,720,680
3. Kaiser Foundation Health Plan, Inc.	Health Services	104,026,645
4. 1800 Harrison Foundation	Property Management	102,162,894
5. Clorox Company	Household Products	90,236,171
6. Kaiser Center Inc.	Hospital Services	85,631,901
7. Owens Illinois Glass Container, Inc.	Industrial	62,851,269
8. Webster Street Partners, Ltd.	Property Management	61,675,200
8. KSL Claremont Resort, Inc.	Property Management	58,658,060
10. Catellus Development Corporation	Industrial	36,976,094
Total - Top Ten		\$906,543,937

⁽¹⁾ Net of Exemptions.

Source: California Municipal Statistics, Inc.

Financial and Accounting Information

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into eight generic fund types and three broad fund categories as follows:

Government Funds.

General Fund. The general fund is the general operating fund of the City. It accounts for normal recurring activities traditionally associated with governments which are not required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business and utility taxes, interest and rental income, charges for services and federal and State grants. Government Funds.

Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds. Debt service funds are used to account for the accumulation of resources to be used for, and the payment of the principal of and interest on general obligation long-term debt and related costs.

Capital Projects Funds. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds).

Special Assessment Funds. Special assessment funds are used to account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

Proprietary Funds.

Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds. Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds.

Trust and Agency Funds. Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include the pension trust, expendable trust and agency funds. Operation of the pension trust funds are accounted for and reported in the same manner as the proprietary fund types. Operations of expendable trust funds are accounted for in essentially the same manner as governmental fund types. Agency funds are custodial in nature and do not involve measurement of results of operations.

All government funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and other taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are incurred.

General Fund Revenues and Expenditures

The following table describes revenues and expenditures for the General Fund Group for five fiscal years. Fiscal year 2001 revenues and expenditures, from the Adopted Budget, include intra- and inter-departmental amounts and therefore are not comparable with previous fiscal years. The City's fiscal year ends June 30, 2000.

CITY OF OAKLAND GENERAL FUND REVENUES AND EXPENSES

Fiscal Year Ending June 30:	1997	1998	1999	2000	Adopted Budget 2001
Revenues (\$000's)					
Taxes ¹	\$221,793	\$237,658	\$258,853	\$282,322	\$222,510
Licenses and Permits	7,097	7,690	8,043	9,088	10,860
Traffic Fines and Various Penalties	9,506	11,873	13,224	14,129	17,350
Interest Income	8,702	5,793	4,785	10,019	3,800
Revenue from Current Services	32,008	30,920	34,517	36,506	37,810
Grant Revenue	7,443	6,242	6,695	7,265	540
Other Revenue, incl. Transfers	8,955	14,730	27,732	8,813	23,080
Total Revenues	\$295,504	\$314,902	\$353,849	368,142	\$315,950
Expenditures (\$000's)					
General Government ²	\$33,078	\$33,970	\$38,685	41,245	\$40,010
Public Safety ³	145,839	158,948	166,389	190,782	172,050
Public Works ⁴	41,552	29,359	26,070	25,050	1,300
Life Enrichment ⁵	25,038	26,565	28,874	31,749	28,100
Economic and Community Development ⁶	1,629	14,775	18,403	18,954	19,820
Payment to Unfunded Pension	440,409	-	-	-	-
Other ⁷	16,764	18,180	16,478	23,462	35,540
Transfers/other sources and uses	(410,044)	35,847	2,543	581	19,110
Total Expenditures	\$294,265	\$317,644	\$297,442	331,823	\$315,930
Excess of Revenues and Other Sources over Expenditures and Other Uses (\$000's)	\$1,239	\$2,738	\$56,407	36,319	\$20

Motor Vehicle License Fees

In the 2000 fiscal year the City received approximately \$12.31 million from the State allocated under the Motor Vehicle License Fee Statute, such amount representing approximately 1.53% of the

¹ Includes property, state and local taxes.

² Includes elected and appointed officials, general governmental agencies and administrative services.

³ Includes police and fire services.

⁴ Previously classified in Public Works, the Office of Planning and Building amount was reclassified to Community and Economic Development in FY 1997-1998.

⁵ Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.

⁶ Includes Planning and Building (as of FY 1997-98), Housing and Neighborhood Development, and Economic Development and Employment.

⁷ Includes capital outlays and certain debt service charges; does not include rent payable on lease obligations. Approximately \$105.5 million in debt service charges were paid from sources outside the General Fund.

City's budget. For the 2000-01 fiscal year, the City has budgeted for receipts of approximately \$10.08 million from vehicle license fees (1.26% of the City budget). It should be noted that legislation was recently adopted which provides for the gradual elimination of the vehicle license fee on noncommercial vehicles for over a five-year period. Such legislation provides for the transfer of sales and use tax revenues to local governments in the event that any local government lose money as a result of the reduction and/or elimination of the noncommercial license fee. The City can provide no assurance, however, that such revenues from the State will be available to replace lost motor vehicle license fees.

Labor Relations

City employees are represented by seven labor unions and associations, described in the table below, the largest one being the Service Employees United Public Employees (Local 790), which represents approximately 47% of all City employees. Approximately 90% of all City employees are covered by negotiated agreements, as shown below. Memoranda of Understandings effective July 1, 2000 were entered into with all non-sworn employee organizations. The newly-accredited Local 21 is currently negotiating a contract with the City. The City has never experienced an employee work stoppage. Pursuant to the Meyers-Milas-Brown Act (California Government Code Section 3500 et seq.), the City continues to meet and confer with the exclusive bargaining representatives of the City employees.

**CITY OF OAKLAND
LABOR RELATIONS**

Employee Organization/Bargaining Unit	Number of Employees	Contract Termination
International Association of Firefighters (Local 557)	481	6/30/01
International Brotherhood of Electrical Workers (Local 1245)	28	6/30/02
International Federation of Professional and Technical Engineers (Local 21)/Units A, W, and F	660	6/30/02
IFPTE, Local 21 Units H (Supervisors) & M (Managers)	375	6/30/02
IFPTE, Local 21 (Deputy City Attorney)	29	6/30/02
Oakland Police Officers Association	779	6/30/01
United Public Employees (Local 790)/full-time	1,479	6/30/02
United Public Employees (Local 790)/part-time	1,317	6/30/02
Ranger Association	21	6/30/01

Source: City of Oakland, Office of Personnel Resource Management.

Retirement Program

The Police and Fire Retirement System ("PFRS") is a defined benefit plan administered by a Board of Trustees and covers uniformed employees hired prior to July 1, 1976. As of June 30, 2000, PFRS covered 161 current employees and 1,495 retired employees. Effective July 1, 1976, the City began providing for and funding an amount equal to the annual normal service cost of all PFRS participants and the amortization of unfunded benefits accumulated as of that date over a forty year period. On June 7, 1988, voters approved a City measure to extend the amortization period of the unfunded benefits to fifty years, ending in 2026. In accordance with these voter-approved measures, the City annually levies an ad valorem tax on all property within the City subject to taxation by the City to

help fund the accumulated unfunded benefits. For fiscal year 2000, the City levied a tax of 0.1575% for this purpose.

The City's annual contribution to PFRS is determined by calculating the total pension liability for public safety employees under both PFRS and the Public Employees Retirement System ("PERS"). The amount to be contributed to both plans will be such that the unfunded liabilities for PFRS and PERS will be extinguished by 2026 and 2011, respectively.. Contributions to PERS are deducted and the difference is contributed to PFRS.

For the fiscal year ended June 30, 2000, contributions to PFRS totaling \$903,883 million (no employer contributions; all \$903,883 million contributed by employees) were made in accordance with actuarially determined contribution requirements. Through a Pension Obligation Bond financing in Fiscal Year 1996-97, the City contributed \$417,072,300 to offset its estimated unfunded liability for the 14-year period ending 2011. The City's actuaries do not make an allocation of the contribution amount between normal cost and the unfunded actuarial liability because the plan is closed. An actuarial valuation on the PFRS benefit plan is conducted every two years with the most recent valuation conducted for the period ending June 30, 2000.

Oakland Municipal Employees Retirement System ("OMERS") is administered by the City and covers two nonuniformed employees hired prior to September 1, 1970 who have not elected to transfer to the PERS as well as 151 retired employees. For the year ended June 30, 2000, the City, in accordance with actuarially determined contribution requirements, did not make contributions to OMERS as the plan is fully funded.

PERS is a defined benefit plan administered by the State and covers all nonuniformed employees except those who have not elected to transfer from OMERS and all uniformed employees hired after June 30, 1976. As of June 30, 2000, the pension benefit obligation for the City miscellaneous employees was overfunded by \$178.3 million; the pension benefit obligation for City safety employees was overfunded by \$39.00 million.

For accounting purposes, employees covered under PERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 7% and 9%, respectively, of their annual salary to PERS. The City contribution rates for the fiscal year ending June 30, 2000 are 0.0% and 8.488% for each group, respectively. The City pays the entire amount of its employees contribution rate for miscellaneous and safety employees, including the annual contribution of 7% and 9% to PERS.

PERS uses an actuarial method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability ends June 30, 2011.

City Demographic and Economic Information

The City occupies approximately 53.8 square miles, with approximately 19 miles of coastline on the San Francisco Bay in northern California. The City's convenient access to mass transit, freeways, rail lines and airports; its favorable climate, environmental quality and multiple cultures; its proximity to superior universities and research institutions; and its diverse employee base all contribute to the cosmopolitan character of the City and have made it the center of commerce for the Bay Area.

The City's population exceeds 398,000, making it the seventh largest city in the State and the third largest in the Bay Area. At least 81 different languages and dialects are spoken within the City; it is the only major city to have no census tract composed of a single race. The City's workforce is both sizable and multi-skilled.

The City's economic base historically has been predominantly industrial. Over the past 25 years, there have been significant gains in diversifying the City's economic base. While manufacturing jobs have decreased, commercial and service-oriented sectors have come to play a larger role in the economy. The City has embraced an aggressive economic development strategy surrounding five primary business clusters: (1) biotechnology/healthcare; (2) telecommunications; (3) software/multimedia; (4) food processing; and (5) transportation.

The City's largest employers include both public and private entities. Many of the City's largest public employers are headquartered in the City, including the City government itself, the Bay Area Rapid Transit District ("BART"), the East Bay Municipal Utility District ("EBMUD") and the Alameda-Contra Costa Transit District ("AC Transit"). The City's largest private employer is Kaiser Permanente, followed by Federal Express and Summit Medical Center.

Demand in the Oakland metropolitan rental market has remained healthy through the fourth quarter of 2000. Tight vacancy rates and inflated asking rental rates in nearby Bay Area markets have served as the fuel behind the consistent demand in the City's market area. Although net absorption for the fourth quarter finished at negative 38,642 square feet for the Non-Central Business District, the year-to-date total remains strong at positive 851,371 square feet for the entire City.

According to the Cushman & Wakefield Office Market Report (Fourth Quarter 2000), total inventory in the Oakland Metropolitan Area exceeds 22.7 million square feet, split nearly even between the CBD and the non-CBD. Increased demand in the Oakland market continues to be evident with a continuing drop in vacancy rate. Due to substantial leasing activity throughout the entire year, overall vacancy rates have dramatically fallen from 8.1% at the beginning of 2000 to 6.0% by year's end.

A growing number of tenants have found that the East Bay has the infrastructure, economical rental rates, and tax incentive plans they desire. In fact, the East Bay now leads the nine-county Bay Area region in job growth, a position previously held by Silicon Valley. Furthermore, Mayor Brown is also promoting the City's business-friendly atmosphere and a new image to companies from surrounding areas seeking to relocate to the City.

Development of the City's downtown has long been a primary thrust of city planning. Over the past two decades, the central business district has undergone a dramatic physical renaissance. New office and retail buildings, refurbished public facilities, luxury hotels, park enhancements and outdoor art have created a cosmopolitan environment enhancing the City's status as the hub of the Bay Area. Recently completed downtown projects include the University of California Office of the President, the Elihu Harris State Building, the City Administration Buildings, the Warriors Headquarters and Practice Facility, the Jack London Square retail project, the Swan's Market mixed-use project, the Tribune Tower, and the Martin Luther King, Jr., Plaza (a biomedical research and senior center). City Center is the premier location in the City's urban business center. Over 400,000 square feet of space has been leased in the City Center office complex since 1997. City Center is virtually 100% leased. The Shorenstein Company broke ground on the \$115 million 555 City Center, a 472,000 square-foot office-retail project.

The 555 City Center will be the first class A building to go up in Oakland in ten years. Shorenstein has three additional parcels on which it develop up to 1.6 million square feet.

Downtown projects currently under development include a new office tower, renovations to a landmark office building, two new hotels and four new downtown housing sites. Renovations at the Rotunda Building will bring an additional 180,000 square feet to market next year. Construction on the \$20,000,000, 162-room "Courtyard by Marriott" hotel began in June 2000. Construction on the 210-room Hilton Keystone Hotel will begin later this year. In keeping with the Mayor's economic development goals, which include an aggressive strategy to bring 10,000 new residents to downtown Oakland, the City will develop 4,600 new market rate housing units and 1,000 units are already underway.

The City is developing a new concept in concert with the Oakland Unified School District, the Peralta Community College District, and BART for reshaping the Lake Merritt Channel Area. This area has enormous potential for housing, recreation, and retail uses. The intention is to work collaboratively with these public entities to identify opportunity sites and implement public improvements.

The City is also helping to upgrade the façades of buildings in the Downtown Historic District and Uptown, along Broadway and Telegraph, in Chinatown and in Old Oakland. The City has more than 35 active façade improvement projects in the downtown area alone.

Part of the City's economic expansion is evidenced by the ongoing activity at the Port of Oakland (the "Port") which is undertaking several capital improvement projects. The Port, established in 1927, is an independent department of the City employing some 560 people. The Port extends approximately 19 miles along the east side of the Oakland Estuary from the border of the city of Emeryville immediately north of the San Francisco-Oakland Bay Bridge, to the south to the border of the city of San Leandro. Port facilities include four major marine terminal areas covering almost 1,000 acres; Oakland International Airport (the "Airport") which covers an area of over 2,500 acres; 1,100 acres of commercial, industrial, recreational and other land; and 950 acres of underdeveloped land.

The Port of Oakland made several cash land sales in 2000, generating \$27 million. The largest deal was for a 16-acre site called Hegenberger Gateway, purchased by Simeon Commercial Properties. Simeon has plans to use the site to develop Metroport, a 1.3 million square foot class A office project that will include a 300 room full service hotel.

Much of the City's economic strength is attributable to its extensive transportation network. The City is today recognized as the center of commerce for the Bay Area and is the Bay Area's mainland connection. Nine major U.S. and California highways converge in the City, providing convenient travel throughout the Bay Area and direct access to other regions of the country. High-speed light-rail transit throughout the Bay Area is provided by BART and local bus service is offered by AC Transit, 98% of whose lines connect with BART. Other transportation services include the Alameda/Oakland Ferry Service, Amtrak and Greyhound Bus Lines.

In addition to ground transportation, the City is home to an international airport and to one of the main sea terminals for cargo moving between the western United States and the Pacific Rim, Latin America and Europe. The Port loads and discharges more than 97% of containerized goods bound to and through the Bay Area, making it the third largest container port on the Pacific Coast, the fourth largest in the United States and among the top thirty in the world. About 72.0% of the City's foreign maritime trade is with Asia. The Port is currently undertaking a project to deepen the Bay's access channels, which will allow it to compete more effectively with other West Coast ports for Pacific Rim trade.

The Airport, operated by the Port, is a major regional center of air passenger and cargo jet operations and the second largest airport in the Bay Area. Approximately \$1.5 billion will be spent over the next five years on the expansion and renovation of the Oakland International Airport, including the

renovation of all terminals, a new parking garage and new roadways. The Oakland International Airport has shown steady growth in passenger traffic, and the expansion is expected to increase annual passenger volume to over 10 million passengers by the end of 2001.

Services and other important resources are extensive and locally provided. Five major hospitals are located in the City. Over 170 public and private schools provide elementary, middle, special and secondary education. The Oakland Unified School District operates 88 schools, which include elementary, middle, high schools, and special education programs daily. In addition, there are a wide range of private and nonprofit elementary and secondary schools in the City. Seven colleges are located in the City, reporting enrollment of over 20,000 students. Utility services are provided by Pacific Bell, EBMUD and Pacific Gas & Electric. The City has its own regional newspaper, radio stations and a Fox Network television station.

The City has many well-established medium-density residential neighborhoods, consisting primarily of single-family homes. The City is an affordable community, containing neighborhoods with price levels from low-income (22% of housing units are valued below \$100,000) to high-income (32.5% of housing units are valued above \$250,000). Of total housing units, over 38% are owner-occupied. Shopping districts such as Montclair, College Avenue, Piedmont Avenue, Grand/Lakeshore Avenues and Park Boulevard form the spines for the surrounding residential areas.

Current State of California Electricity Crisis

A large portion of the State of California is currently undergoing shortages of electrical energy power supply as a result of significantly higher costs for wholesale electrical power being charged to the primary providers of electrical energy in the State, resulting in financial difficulties being experienced by such providers. Pacific Gas and Electric Company ("PG & E"), which has been the provider of electrical power to retail, commercial and industrial customers within the City of Oakland for many years, filed a petition for Chapter 11 bankruptcy protection on April 6, 2001. The California Public Utilities Commission, which sets rates for electric power sold by public utilities such as PG & E, has recently approved substantial increases in prices for electrical power for retail, commercial and industrial customers within the PG & E service area and elsewhere in the State, which are expected to be implemented retroactively to March 27, 2001.

PG & E pays unitary property taxes, business license taxes and utility service franchise fees to the City. For Fiscal Year 2000-01, these taxes and fees, which are accounted for in the City's General Fund, aggregated approximately \$730,000, \$700,000 and \$1,986,000, respectively. The City has received payment in full of all amounts owed by PG & E for Fiscal Year 2000-2001.

The City paid approximately \$4.7 million to PG & E for electrical power from its general revenues in Fiscal Year 1999-2000 and expects that its costs for electrical power will be approximately \$5.7 million for Fiscal Year 200-2001. The City currently estimates that its costs for electrical power payable from its general revenues will increase to \$7.7 million for Fiscal Year 2001-2002.

The City currently does not expect the PG & E bankruptcy reorganization proceeding to jeopardize the future collection of the unitary property taxes, business license taxes and utility service franchise fees annually paid by PG & E to the City. In any event, such amounts are not deemed by the City to be material. In addition to their possible direct impact on City revenues, the PG & E bankruptcy and the anticipated substantial increases in prices of electrical power within the PG & E service area and elsewhere in the State may have adverse effects on the local economy, which could result in decreased City revenues. It is not possible for the City to predict whether or not such adverse effects will occur, whether such effects would be significant, or the duration of any such conditions.

Military Base Closures

All major military facilities in Alameda County have closed. These closures included the Alameda Naval Air Station, the Naval Medical Center Oakland, and the Oakland Army Base. The cumulative community and economic impacts of base closures on the County's economy have been approximated at exceeding \$2 billion and the aggregate job loss totals over 60,000 jobs.

Several efforts are underway to mitigate the impact of base closures in the City of Oakland and Alameda County, including the conversion of the military bases to civilian use. Among these are the activities of the Alameda County Economic Development Advisory Board ("EDAB"), a consortium of public and private entities in the County that assists with regional conversion efforts. EDB collaborates with organization such as the Bay Area Defense Conversion Action Team, the Bay Area economic Forum, the Bay Area Regional Technology Alliance, and Joint Venture Silicon Valley to design in-fill redevelopment strategies for meeting the demand for community improvements. In addition, the East Bay Conversion and Reinvestment Commission has received grants from the Federal Office of Economic Adjustment to provide planning, analyses, and technical assistance.

Alameda County, the City of Oakland, and the Oakland Redevelopment Agency have formed a local reuse authority (the "Oakland Base Reuse Authority") under a joint powers agreement for development of comprehensive local reuse plans with respect to the Naval Medical Center Oakland and the Oakland Army Base. These facilities are being prepared for reuse in ways that will stimulate economic development, maximize job creation, stimulate tax revenues to the City, minimize public investment in the projects, and maximize private investment.

The redevelopment of 210-acre Oakland Army Base into a Master Planned Business and Technology Park is projected to add 8,000 to 10,000 new jobs to the City's economy in the next ten years. The Port's Maritime program will also expand, through its receipt of approximately 500 acres of the Naval Fleet and Industrial Supply Center property, and potentially up to 184 acres of the Oakland Army Base.

The City is unable to predict the ultimate financial impact that it will experience due to the military base closures. However, the impact on the City to date has been less significant than originally anticipated, and the City's economy continues to thrive despite these closures.

Population

The City's population on January 1, 2001, was estimated at 402,100 by the Demographic Research Unit of the California Department of Finance. This figure represents 27.6% of the corresponding County figure and 1.18% of the corresponding State figure. While the City's population decreased 7.68% during the two decades between 1960 and 1980, its population has grown over 18% in the twenty years since 1980. The following table illustrates the City's population relative to the population of Alameda County and the State of California.

POPULATION			
Year	City of Oakland	County of Alameda	State of California
1960	367,548	908,209	15,717,204
1970	361,561	1,071,446	19,953,134
1980	339,337	1,105,379	23,667,902
1987	356,447	1,218,400	27,019,000

1988	356,063	1,241,400	28,019,000
1989	356,600	1,252,400	28,662,000
1990	371,100	1,276,702	29,473,000
1991	378,200	1,294,700	30,321,000
1992	378,200	1,310,500	30,982,000
1993	379,700	1,326,300	31,552,000
1994	381,400	1,338,400	31,952,000
1995	381,400	1,344,200	31,910,000
1996	383,900	1,356,300	32,223,000
1997	389,700	1,375,900	32,609,000
1998	397,800	1,408,100	33,252,000
1999	399,900	1,433,800	33,773,000
2000	402,100	1,454,300	34,336,000

Sources: California State Department of Finance (estimates as of January 1, 2001)

Employment

Over the past several years, the City's labor force and employment levels have both grown and unemployment rates have declined. The following table represents the labor patterns in the City, the State of California, and the United States from 1994 through 1999, and for June 2000.

**CITY OF OAKLAND, STATE OF CALIFORNIA AND UNITED STATES
CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT
1994 THROUGH 1999, AND JUNE 2000**

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
1994				
City	181,280	163,940	17,340	9.6%
State	15,450,000	14,122,100	1,327,900	8.6
United States	131,056,000	123,060,000	7,996,000	6.1
1995				
City	180,540	164,290	16,290	9.0
State	15,412,200	14,202,800	1,209,400	7.8
United States	132,304,000	124,900,000	7,404,000	5.6
1996				
City	180,130	166,040	14,090	7.8
State	15,568,600	14,444,400	1,124,200	7.2
United States	133,943,000	126,708,000	7,236,000	5.4
1997				
City	184,580	171,780	12,800	6.9
State	15,971,800	14,965,500	1,006,300	6.3
United States	136,297,000	129,558	6,739,000	4.9
1998				
City	186,130	174,000	12,130	6.5
State	16,329,100	15,360,600	968,500	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999				
City	188,510	178,220	10,920	5.5
State	16,585,000	15,721,700	864,200	5.2
United States	140,108,000	134,420,000	5,688,000	4.1
June 2000				
City	193,010	184,880	8,130	4.2
State	17,034,600	16,139,500	895,100	5.3
United States	140,762	135,179	5,583,000	4.0

Source: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

Major Employers

As an integral part of the Bay Area, the City of Oakland benefits from the wide variety of job opportunities available throughout the area. Summarized below are the City's largest private and public employers as of June 30, 2000.

CITY OF OAKLAND TOP TEN PUBLIC EMPLOYERS*

	Employer	Type of Organization	Number of Employees
1.	U.S. Federal Government (Civilian)	Government Operations	10,500
2.	County of Alameda	Government Operations	8,822
3.	Oakland Unified School District	Education	7,883
4.	State of California (not including the University of California)	Government Operations	4,430
5.	City of Oakland (FTE)	Government Operations	4,218
6.	Bay Area Rapid Transit District	Public Transportation	3,422
7.	Alameda Contra Costa Transit District	Public Transportation	2,300
8.	East Bay Municipal Utility District	Utility/Water/Wastewater	1,930
9.	New Haven Unified School District	Education	1,487
10.	Peralta Community College	Education	1,434

CITY OF OAKLAND TOP TEN PRIVATE EMPLOYERS*

	Employer	Type of Organization	Number of Employees
1.	Kaiser Permanente	Hospital Services	6,290
2.	Federal Express Corp.	Delivery Services	2,490
3.	Summit Medical Center	Hospital Services	2,300
4.	Kaiser Foundation Health Plan Inc.	Health Services	2,015
5.	United Airlines Inc.	Transportation	2,000
6.	Children's Hospital Medical Center	Hospital Services	2,005
7.	Southwest Airlines Co.	Transportation	1,935
8.	United Parcel Service, Inc.	Delivery Services	1,755
9.	Pacific Bell	Communications	1,060
10.	Clorox Services Company	Household Products	1,165

* Approximate figures

Sources: Alameda County, Economic Development, Alliance for Business and City of Oakland Financial Services Agency

Commercial Activity

A five-year history of total taxable transactions for the City is shown in the following table.

CITY OF OAKLAND TAXABLE TRANSACTIONS 1994-1998

Year	Total Sales
1994	\$2,322,874,000
1995	2,495,567,000
1996	2,596,521,000
1997	2,767,367,000
1998	2,817,183,000
1999	3,085,079,000
2000 ⁽¹⁾	1,671,996,000

⁽¹⁾ First two quarters of 2000 only

Source: State Board of Equalization, Department of Research and Statistics.

Construction Activity

A five-year history of building permits and valuation (including electrical, plumbing, and mechanical permits) appears in the following table.

CITY OF OAKLAND BUILDING PERMITS AND VALUATIONS 1994-1998

Year	Number of Permits Issued	Authorized New Dwelling Units	Residential Valuation (In Thousands)	Nonresidential Valuation (In Thousands)
1994	8,557	N/A	\$ 51,710	\$ 96,004
1995	9,692	290	47,129	132,865
1996	12,154	180	79,278	99,844
1997	12,459	176	39,425	202,995
1998	12,545	233	121,006	302,080
1999	14,860	181	175,115	117,140
2000	16,725	542	272,170	195,270

Source: Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2000.

Median Household Income

Effective Buying Income ("EBI") is defined as personal income less personal income tax and non-tax payments, such as fines, fees, or penalties. Median household EBI for the City is shown in the table below.

CITY OF OAKLAND AND ALAMEDA COUNTY MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME 1993-1999⁽¹⁾ MEDIAN EBI

Year	City of Oakland	Alameda County	California	United States
1993	\$31,203	\$42,284	\$39,330	\$35,056
1994	32,842	44,381	40,969	37,070
1995 ⁽²⁾	28,033	38,436	34,533	32,238
1996 ⁽²⁾	28,788	39,658	35,216	33,482
1997 ⁽²⁾	29,784	41,127	36,483	34,618
1998	30,388	41,715	37,091	35,377
1999	32,751	44,730	39,492	37,233

⁽¹⁾ Most recent data available.

⁽²⁾ The definition of EBI changed beginning in 1995, accordingly the data for 1995 and subsequent years is not directly comparable with the data for years prior to 1995.

Source: "Survey of Buying Power," *Sales and Marketing Management Magazine*.

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APPENDIX B

EXCERPTED AUDITED FINANCIAL STATEMENTS OF THE CITY OF OAKLAND

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Three Embarcadero Center
San Francisco, CA 94111

Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Oakland:

We have audited the accompanying general purpose financial statements of the City of Oakland, California (the City) as of and for the year ended June 30, 2000, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Oakland Municipal Employees' Retirement System, the Police and Fire Retirement System or the Oakland Redevelopment Agency, whose statements reflect total assets and total revenues which represent 1% and 0%, respectively, of the combined totals of the Special Revenue Funds; 31% and 12% of the combined totals of the Debt Service Funds; 60% and 80% of the combined totals of the Capital Projects Funds; 87% and 80% of the combined totals of the Fiduciary Fund Types and 15% of the combined total liabilities of the General Long-Term Obligations Account Group. We also did not audit the financial statements of the Port of Oakland, a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities in the Special Revenue, Debt Service, Capital Projects, Fiduciary Fund Types, the General Long-Term Obligations Account Group, and the discretely presented component unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Oakland, California, as of June 30, 2000, and the results of its operations and the changes in plan assets of the pension trust funds and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.



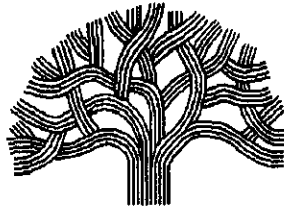
The schedules of funding progress on pages 91 and 92 are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied to the schedules of funding progress certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the foregoing table of contents, which are also the responsibility of the management of the City, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such additional information has been subjected to the auditing procedures applied in our audit and the other auditors' audits of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

KPMG LLP

April 6, 2001

GENERAL PURPOSE FINANCIAL STATEMENTS



CITY OF OAKLAND



**ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
COMBINED BALANCE SHEET**

June 30, 2000

(In Thousands)

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
ASSETS AND OTHER DEBITS						
Assets						
Cash and investments	\$ 19,613	\$ 32,624	\$ 9,364	\$ 75,592	\$ 460	\$ 11,645
Receivables (net of allowance for uncollectibles):						
Accrued interest and dividends	170	422	156	1,228	4	—
Property taxes	2,348	674	1,818	1,689	—	—
Accounts receivable	43,660	1,499	—	3,067	1,569	194
Grants receivable	—	48,556	—	—	—	—
Receivable from Port of Oakland	10,263	—	—	—	—	—
Due from other funds	82,415	5,632	10,063	3,951	—	—
Due from other governments	—	—	—	110	—	—
Notes and loans receivable	13,709	79,787	—	24,193	—	—
Restricted cash and investments	24	—	71,416	185,839	—	28,850
Inventories	—	—	—	—	—	885
Fixed assets (net, where applicable of accumulated depreciation)	—	—	—	—	79,998	16,278
Property held for resale	—	—	21,447	53,492	—	—
Other	1,509	26	460	2,407	—	—
Other Debits						
Amount available in debt service funds	—	—	—	—	—	—
Amount to be provided for long-term obligations	—	—	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 173,711</u>	<u>\$ 169,220</u>	<u>\$ 114,724</u>	<u>\$ 351,568</u>	<u>\$ 82,031</u>	<u>\$ 57,852</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	Port of Oakland	Reporting Entity
\$1,124,541	\$ —	\$ —	\$1,273,839	\$ 70,844	\$1,344,683
5,637	—	—	7,617	9,027	16,644
—	—	—	6,529	—	6,529
20,984	—	—	70,973	32,243	103,216
—	—	—	48,556	—	48,556
—	—	—	10,263	—	10,263
3,829	—	—	105,890	—	105,890
—	—	—	110	—	110
—	—	—	117,689	—	117,689
220,204	—	—	506,333	456,519	962,852
—	—	—	885	—	885
—	759,580	—	855,856	1,095,592	1,951,448
—	—	—	74,939	—	74,939
—	—	—	4,402	23,205	27,607
—	—	91,829	91,829	—	91,829
—	—	1,398,896	1,398,896	—	1,398,896
<u>\$1,375,195</u>	<u>\$ 759,580</u>	<u>\$1,490,725</u>	<u>\$4,574,606</u>	<u>\$1,687,430</u>	<u>\$6,262,036</u>

(continued)



ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT

COMBINED BALANCE SHEET, continued

June 30, 2000

(In Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
LIABILITIES, EQUITY AND OTHER CREDITS						
Liabilities						
Accounts payable and accrued liabilities	\$ 77,905	\$ 12,830	\$ 151	\$ 7,204	\$ 1,728	\$ 3,604
Due to other funds	12,124	36,932	20,492	23,816	—	5,533
Payable to primary government	—	—	—	—	—	—
Deferred revenue	50,562	88,791	1,458	49,548	—	—
Interest payable	—	—	794	—	—	—
Long-term obligations	—	—	—	—	8,923	28,760
Due to bond holders	—	—	—	—	—	—
Securities lending liability	—	—	—	—	—	—
Other	886	7	—	3,244	—	—
Total liabilities	141,477	138,560	22,895	83,812	10,651	37,897
Equity and Other Credits						
Investment in general fixed assets	—	—	—	—	—	—
Contributed capital	—	—	—	—	—	17,382
Retained earnings	—	—	—	—	71,380	2,573
Fund balances:						
Reserved	3,708	30,660	91,829	267,756	—	—
Unreserved:						
Designated	11,111	—	—	—	—	—
Undesignated	17,415	—	—	—	—	—
Total equity and other credits	32,234	30,660	91,829	267,756	71,380	19,955
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 173,711	\$ 169,220	\$ 114,724	\$ 351,568	\$ 82,031	\$ 57,852

The notes to the financial statements are an integral part of this statement.

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	Port of Oakland	Reporting Entity
\$ 35,079	\$ —	\$ —	\$ 138,501	\$ 68,312	\$ 206,813
6,993	—	—	105,890	—	105,890
—	—	—	—	10,263	10,263
—	—	—	190,359	4,435	194,794
—	—	—	794	25,731	26,525
1,010	—	1,490,725	1,529,418	1,014,521	2,543,939
12,397	—	—	12,397	—	12,397
245,582	—	—	245,582	—	245,582
8	—	—	4,145	39,383	43,528
<u>301,069</u>	<u>—</u>	<u>1,490,725</u>	<u>2,227,086</u>	<u>1,162,645</u>	<u>3,389,731</u>
—	759,580	—	759,580	—	759,580
—	—	—	17,382	202,903	220,285
—	—	—	73,953	321,882	395,835
1,074,126	—	—	1,468,079	—	1,468,079
—	—	—	11,111	—	11,111
—	—	—	17,415	—	17,415
<u>1,074,126</u>	<u>759,580</u>	<u>—</u>	<u>2,347,520</u>	<u>524,785</u>	<u>2,872,305</u>
<u>\$ 1,375,195</u>	<u>\$ 759,580</u>	<u>\$ 1,490,725</u>	<u>\$ 4,574,606</u>	<u>\$ 1,687,430</u>	<u>\$ 6,262,036</u>

(concluded)



**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Year ended June 30, 2000

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Taxes:				
Property	\$ 85,872	\$ 23,243	\$16,143	\$ 30,683
State:				
Sales and Use	38,470	8,321	—	—
Motor Vehicle In-lieu	19,314	—	—	—
Gas	—	8,052	—	—
Local:				
Business License	35,845	—	—	—
Utility Consumption	41,592	—	—	—
Real Estate Transfer	34,359	—	—	—
Transient Occupancy	12,100	—	—	—
Parking	5,686	—	—	—
Franchise	9,084	—	—	—
Licenses and permits	9,088	10	—	—
Fines and penalties	14,129	1,432	64	—
Interest and investment income	10,019	1,001	10,598	13,831
Charges for services	36,506	2,504	—	2,171
Federal and state grants and subventions	7,265	75,986	—	508
Pension annuity distribution	—	—	—	—
Other	8,813	4,246	1,220	2,880
TOTAL REVENUES	<u>\$368,142</u>	<u>\$124,795</u>	<u>\$28,025</u>	<u>\$ 50,073</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
\$ 149	\$156,090
—	46,791
—	19,314
—	8,052
—	35,845
—	41,592
—	34,359
—	12,100
—	5,686
—	9,084
—	9,098
—	15,625
1,458	36,907
1	41,182
136	83,895
17,600	17,600
<u>878</u>	<u>18,037</u>
<u>\$ 20,222</u>	<u>\$591,257</u>

(continued)



**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, continued
Year ended June 30, 2000
(In Thousands)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	\$ 918	\$ 1	\$ —	\$ 15
Council	2,350	52	—	142
City Manager	3,910	1,548	—	1,359
City Attorney	4,824	409	—	26
City Auditor	1,079	—	—	—
City Clerk	2,171	—	—	64
Agencies/Departments:				
Personnel Resource Management	3,898	30	—	126
Retirement and Risk Administration	1,055	—	—	—
Information Technology	7,024	26	—	662
Financial Services	14,016	206	642	1,114
Police Services	121,542	9,041	—	79
Fire Services	69,240	2,845	—	152
Life Enrichment				
Administration	610	5	—	—
Parks and Recreation	12,160	14,099	—	14,944
Library	9,089	4,527	—	255
Museum	5,268	18	—	226
Aging	2,512	4,188	—	—
Health and Human Services	579	12,577	—	—
Cultural Arts	1,531	97	—	89
Community and Economic Development	18,954	29,666	—	35,774
Public Works	25,050	16,393	—	7,061
Other	22,596	23,402	1,414	901
Capital outlay	866	1,762	—	15,978
Debt service:				
Principal repayment	—	—	36,144	—
Interest charges	581	—	73,162	—
TOTAL EXPENDITURES	<u>331,823</u>	<u>120,892</u>	<u>111,362</u>	<u>78,967</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 36,319</u>	<u>\$ 3,903</u>	<u>\$(83,337)</u>	<u>\$(28,894)</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Fiduciary Fund Type</u> Expendable Trust	Total (Memorandum Only)
\$ 118	\$ 1,052
376	2,920
147	6,964
984	6,243
—	1,079
43	2,278
—	4,054
—	1,055
—	7,712
149	16,127
874	131,536
35	72,272
—	615
51	41,254
206	14,077
62	5,574
—	6,700
—	13,156
—	1,717
7,796	92,190
152	48,656
687	49,000
383	18,989
—	36,144
—	<u>73,743</u>
<u>12,063</u>	<u>655,107</u>
<u>\$ 8,159</u>	<u>\$ (63,850)</u>

(continued)



**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, continued
Year Ended June 30, 2000
(In Thousands)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES, BROUGHT FORWARD	<u>\$ 36,319</u>	<u>\$ 3,903</u>	<u>\$ (83,337)</u>	<u>\$ (28,894)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	1,166	143	7,255	39,493
Payment to refunded bond escrow agent	—	—	(7,125)	—
Property sale proceeds	79	205	—	4,573
Operating transfers in	116,700	6,842	122,426	12,901
Operating transfers out	<u>(164,902)</u>	<u>—</u>	<u>(24,625)</u>	<u>(61,308)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(46,957)</u>	<u>7,190</u>	<u>97,931</u>	<u>(4,341)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(10,638)	11,093	14,594	(33,235)
Fund balances at beginning of year	<u>42,872</u>	<u>19,567</u>	<u>77,235</u>	<u>300,991</u>
FUND BALANCES AT END OF YEAR	<u>\$ 32,234</u>	<u>\$ 30,660</u>	<u>\$ 91,829</u>	<u>\$267,756</u>

The notes to the financial statements are an integral part of this statement.

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
<u>\$ 8,159</u>	<u>\$ (63,850)</u>
—	48,057
—	(7,125)
—	4,857
10,963	269,832
<u>(18,338)</u>	<u>(269,173)</u>
<u>(7,375)</u>	<u>46,448</u>
784	(17,402)
<u>176,733</u>	<u>617,398</u>
<u>\$177,517</u>	<u>\$ 599,996</u>
	(concluded)



**GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE
AND DEBT SERVICE FUNDS**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL ON A BUDGETARY BASIS**

Year ended June 30, 2000

(In Thousands)

	General Fund		
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
REVENUES			
Taxes:			
Property	\$ 82,345	\$ 85,872	\$ 3,527
State:			
Sales and Use	38,099	38,470	371
Motor Vehicle In-lieu	11,523	19,314	7,791
Gas	—	—	—
Local:			
Business License	37,766	35,845	(1,921)
Utility Consumption	38,355	41,592	3,237
Real Estate Transfer	20,519	34,359	13,840
Transient Occupancy	11,133	12,100	967
Parking	5,544	5,686	142
Franchise	9,756	9,084	(672)
Licenses and permits	10,316	9,088	(1,228)
Fines and penalties	17,899	14,129	(3,770)
Interest and investment income	3,583	9,365	5,782
Charges for services	41,463	36,506	(4,957)
Federal and state grants and subventions	3,313	7,265	3,952
Other	<u>16,412</u>	<u>8,813</u>	<u>(7,599)</u>
TOTAL REVENUES	<u>\$348,026</u>	<u>\$367,488</u>	<u>\$19,462</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Annually Budgeted Special Revenue Funds			Annually Budgeted Debt Service Funds		
Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
\$ 16,413	\$ 17,326	\$ 913	\$ —	\$ 15,511	\$ 15,511
12,473	8,321	(4,152)	—	—	—
—	—	—	—	—	—
7,060	8,052	992	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
8	10	2	—	—	—
270	999	729	—	64	64
388	563	175	1,440	1,673	233
698	288	(410)	—	—	—
1,000	1,040	40	—	—	—
55	11	(44)	83	1,220	1,137
<u>\$ 38,365</u>	<u>\$ 36,610</u>	<u>\$ (1,755)</u>	<u>\$ 1,523</u>	<u>\$ 18,468</u>	<u>\$ 16,945</u>

(continued)



**GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE
AND DEBT SERVICE FUNDS**

**COMBINED STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL ON A BUDGETARY BASIS, continued**

Year ended June 30, 2000

(In Thousands)

	General Fund		
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
EXPENDITURES			
Current:			
Elected and Appointed Officials:			
Mayor	\$ 1,026	\$ 918	\$ 108
Council	2,427	2,350	77
City Manager	4,253	3,910	343
City Attorney	4,842	4,824	18
City Auditor	1,068	1,079	(11)
City Clerk	2,722	2,171	551
Agencies/Departments:			
Personnel Resource Management	3,592	3,898	(306)
Retirement and Risk Administration	1,188	1,055	133
Information Technology	8,255	7,024	1,231
Financial Services	15,318	14,016	1,302
Police Services	115,362	121,542	(6,180)
Fire Services	67,959	69,240	(1,281)
Life Enrichment			
Administration	550	610	(60)
Parks and Recreation	13,399	12,160	1,239
Library	9,170	9,089	81
Museum	5,241	5,268	(27)
Aging	3,402	2,512	890
Health and Human Services	557	579	(22)
Cultural Arts	2,536	1,531	1,005
Community and Economic Development	26,272	18,954	7,318
Public Works	26,850	25,050	1,800
Other	92,948	22,596	70,352
Capital outlay	827	866	(39)
Debt service:			
Principal repayment	—	119	(119)
Interest charges	152	462	(310)
TOTAL EXPENDITURES	<u>409,916</u>	<u>331,823</u>	<u>78,093</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER (UNDER) EXPENDITURES	<u>\$ (61,890)</u>	<u>\$ 35,665</u>	<u>\$ 97,545</u>

The notes to the financial statements are an integral part of this statement.

GENERAL PURPOSE FINANCIAL STATEMENTS

Annually Budgeted Special Revenue Funds			Annually Budgeted Debt Service Funds		
Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
\$ —	\$ 1	\$ (1)	\$ —	\$ —	\$ —
—	—	—	—	—	—
127	148	(21)	—	—	—
87	87	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	1	(1)	—	—	—
—	—	—	—	—	—
24	21	3	—	—	—
89	65	24	39	642	(603)
—	6	(6)	—	—	—
—	—	—	—	—	—
2	3	(1)	—	—	—
14,097	13,529	568	—	—	—
—	1	(1)	—	—	—
—	17	(17)	—	—	—
—	58	(58)	—	—	—
888	989	(101)	—	—	—
—	—	—	—	—	—
22	9	13	—	—	—
29,981	12,989	16,992	—	—	—
654	6,062	(5,408)	—	—	—
—	205	(205)	486	889	(403)
200	—	200	38,540	19,248	19,292
—	—	—	<u>69,775</u>	<u>43,905</u>	<u>25,870</u>
<u>46,171</u>	<u>34,191</u>	<u>11,980</u>	<u>108,840</u>	<u>64,684</u>	<u>44,156</u>
<u>\$ (7,806)</u>	<u>\$ 2,419</u>	<u>\$ 10,225</u>	<u>\$ (107,317)</u>	<u>\$ (46,216)</u>	<u>\$ 61,101</u>

(concluded)



**ALL PROPRIETARY FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNIT
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

Year Ended June 30, 2000

(In Thousands)

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
OPERATING REVENUES		
Rental	\$ 121	\$ —
Charges for services	18,313	31,108
Interest	3	—
Other	<u>6</u>	<u>326</u>
TOTAL OPERATING REVENUES	<u>18,443</u>	<u>31,434</u>
OPERATING EXPENSES		
Personnel	8,581	11,887
Supplies	346	5,220
Depreciation and amortization	2,800	2,821
Contractual services and supplies	1,317	1,181
Repairs and maintenance	80	1,985
General and administrative	1,619	3,526
Rental	553	1,211
Interest	—	259
Other	<u>96</u>	<u>5,345</u>
TOTAL OPERATING EXPENSES	<u>15,392</u>	<u>33,435</u>
OPERATING INCOME (LOSS)	<u>3,051</u>	<u>(2,001)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest	(315)	727
Other, net	<u>—</u>	<u>—</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(315)</u>	<u>727</u>
INCOME BEFORE OPERATING TRANSFERS	<u>2,736</u>	<u>(1,274)</u>
Operating transfers out	<u>(659)</u>	<u>—</u>
TOTAL OPERATING TRANSFERS	<u>(659)</u>	<u>—</u>
NET INCOME (LOSS)	<u>2,077</u>	<u>(1,274)</u>
Depreciation of fixed assets acquired with contributed capital	<u>—</u>	<u>—</u>
Retained earnings at beginning of year	<u>69,303</u>	<u>3,847</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 71,380</u>	<u>\$ 2,573</u>

The notes to the financial statements are an integral part of this statement.

GENERAL PURPOSE FINANCIAL STATEMENTS

Total (Memorandum Only) Primary Government	Component Unit Port of Oakland	Total (Memorandum Only) Reporting Entity
\$ 121	\$ 172,725	\$ 172,846
49,421	—	49,421
3	—	3
<u>332</u>	<u>—</u>	<u>332</u>
<u>49,877</u>	<u>172,725</u>	<u>222,602</u>
20,468	41,885	62,353
5,566	—	5,566
5,621	34,900	40,521
2,498	—	2,498
2,065	19,873	21,938
5,145	29,072	34,217
1,764	—	1,764
259	—	259
<u>5,441</u>	<u>—</u>	<u>5,441</u>
<u>48,827</u>	<u>125,730</u>	<u>174,557</u>
<u>1,050</u>	<u>46,995</u>	<u>48,045</u>
412	(24,149)	(23,737)
<u>—</u>	<u>179</u>	<u>179</u>
<u>412</u>	<u>(23,970)</u>	<u>(23,558)</u>
<u>1,462</u>	<u>23,025</u>	<u>24,487</u>
<u>(659)</u>	<u>—</u>	<u>(659)</u>
<u>(659)</u>	<u>—</u>	<u>(659)</u>
<u>803</u>	<u>23,025</u>	<u>23,828</u>
—	6,273	6,273
<u>73,150</u>	<u>292,584</u>	<u>365,734</u>
<u>\$ 73,953</u>	<u>\$ 321,882</u>	<u>\$ 395,835</u>



**ALL PROPRIETARY FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNIT
COMBINED STATEMENT OF CASH FLOWS
Year ended June 30, 2000
(In Thousands)**

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	Enterprise	Internal Service	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 3,051	\$(2,001)	\$ 1,050
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	2,800	2,821	5,621
Changes in assets and liabilities:			
Receivables	1,559	(102)	1,457
Inventories	—	253	253
Other assets	—	—	—
Accounts payable and accrued liabilities	526	228	754
Deferred revenue	—	—	—
Other liabilities	—	—	—
Other	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>7,936</u>	<u>1,199</u>	<u>9,135</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Inter-fund receipts	7	174	181
Inter-fund (repayments) borrowings	(293)	1,904	1,611
Operating transfers to other funds	<u>(659)</u>	<u>—</u>	<u>(659)</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (945)</u>	<u>\$ 2,078</u>	<u>\$ 1,133</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Component Unit Port of Oakland	Total (Memorandum Only) Reporting Entity
\$ 46,995	\$ 48,045
34,900	40,521
(9,165)	(7,708)
—	253
914	914
3,084	3,838
659	659
(2,122)	(2,122)
<u>(29,575)</u>	<u>(29,575)</u>
<u>45,690</u>	<u>54,825</u>
—	181
—	1,611
<u>—</u>	<u>(659)</u>
<u>\$ —</u>	<u>\$ 1,133</u>

(continued)



**ALL PROPRIETARY FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNIT
COMBINED STATEMENT OF CASH FLOWS, continued**
Year ended June 30, 2000
(In Thousands)

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Long-term debt:			
New borrowings	\$ —	\$ 28,760	\$ 28,760
Repayment of principal	(599)	—	(599)
Payment of interest	(315)	—	(315)
Proceeds from sale of fixed assets	—	—	—
Acquisition and construction of capital assets	(7,892)	(4,284)	(12,176)
Grants from governmental agencies	—	—	—
Other	—	727	727
Passenger facility charges	—	—	—
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,806)</u>	<u>25,203</u>	<u>16,397</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	—	—	—
Proceeds from sales of investments	—	—	—
Interest on investments	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	<u>—</u>	<u>—</u>	<u>—</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(1,815)	28,480	26,665
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>2,275</u>	<u>12,015</u>	<u>14,290</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 460</u>	<u>\$ 40,495</u>	<u>\$40,955</u>

The notes to the financial statements are an integral part of this statement.

GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Component Unit Port of Oakland</u>	<u>Total (Memorandum Only) Reporting Entity</u>
\$1,810,102	\$ 1,838,862
(1,366,116)	(1,366,715)
(23,690)	(24,005)
1,664	1,664
(182,512)	(194,688)
3,896	3,896
—	727
<u>14,180</u>	<u>14,180</u>
<u>257,524</u>	<u>273,921</u>
(417,991)	(417,991)
76,071	76,071
<u>2,060</u>	<u>2,060</u>
<u>(339,860)</u>	<u>(339,860)</u>
(36,646)	(9,981)
<u>107,490</u>	<u>121,780</u>
<u>\$ 70,844</u>	<u>\$ 111,799</u>
	(concluded)



PENSION TRUST FUNDS
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
Year ended June 30, 2000
(In Thousands)

ADDITIONS:

Members contributions	\$ 909
Investment income:	
Net appreciation in fair value of investments	44,783
Interest	25,810
Dividends	<u>7,785</u>
Total	78,378
Less investment expense	<u>(3,089)</u>
Net investment income	<u>75,289</u>
TOTAL ADDITIONS	<u>76,198</u>

DEDUCTIONS:

Disbursements to members and beneficiaries:	
Retirement	\$ 39,430
Disability	21,131
Death	<u>1,899</u>
Total	<u>62,460</u>
Administrative expenses	848
Interest expense - bonds	63
Interest on PERS	253
Termination refunds of employees' contributions	<u>197</u>
TOTAL DEDUCTIONS	<u>63,821</u>
EXCESS OF ADDITIONS OVER DEDUCTIONS	12,377
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year, restated	<u>884,232</u>
End of year	<u>\$896,609</u>

The notes to the financial statements are an integral part of this statement.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS

The following are summaries of certain provisions of the Indenture of Trust, the Second Amended and Restated Lease and Sublease Agreement and the Second Amended and Restated Ground Lease. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the documents.

Definitions of Certain Terms

Acquisition Costs. The term "Acquisition Costs" means all costs of the acquisition and assignment of the fee and leasehold interests of CSCDA to the Authority as provided in the Assignment Agreement.

Additional Bonds. The term "Additional Bonds" means all Bonds ranking on a parity with the Bonds originally issued under the Indenture, issued in accordance with the Indenture.

Additional Payments. The term "Additional Payments" means those payments specified in Section 411 of the Lease Agreement.

Agency. The term "Agency" means the Redevelopment Agency of the City of Oakland.

Amended and Restated Ground Lease. The term "Amended and Restated Ground Lease" means the Second Amended and Restated Ground Lease, dated as of May 1, 2001, between the City, as lessor of the Sites, and the Authority, as lessee thereof.

Assignment Agreement. The term "Assignment Agreement" means the Sale, Assignment and Assumption Agreement, dated as of May 1, 2001, by and between the CSCDA, as seller and assignor, and the Authority as purchaser and assignee, pursuant to which CSCDA will assign and transfer all of its leasehold interest in the Sites and all of its fee interest in and to the Facilities to the Authority.

Authority. The term "Authority" means the Oakland Joint Powers Financing Authority, a public body corporate and politic duly organized and existing under the Joint Powers Agreement and under the Constitution and the laws of the State of California, as issuer of the Bonds and lessor and sublessor under the Lease Agreement.

Authorized Representative. The term "Authorized Representative" means: (a) with respect to the Authority, its President, Vice President, Executive Director, Treasurer, Secretary or any other Person designated as an Authorized Representative of the Authority by a written certificate of the Authority signed by its President, Vice President, Executive Director, Secretary or Treasurer, and filed with the Authority and the Trustee; (b) with respect to the City, the City Manager, the Assistant City Manager, the Director, Financial Services Agency, Treasury Manager or any other officer or employee of the City who is designated by the City Manager, the Assistant City Manager, the Director, Financial Services Agency or the Treasury Manager as an Authorized Representative for purposes of the Indenture; and (c) with respect to the Trustee, any Senior Vice President, any Vice President, any Assistant Vice President or any Trust Officer of the Trustee and, when used with reference to any act or document, also means any other Person authorized

to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

Bond Register. The term "Bond Register" means the books for registration maintained by the Trustee pursuant to the Indenture.

Bonds. The term "Bonds" means the Bonds issued by the Authority pursuant to the Indenture.

CSCDA. "CSCDA" means the California Statewide Communities Development Authority, as issuer of the Prior Bonds and assignor under the Assignment Agreement.

City. The term "City" means the City of Oakland California, as lessee and sublessee under the Lease Agreement.

Closing Date. The term "Closing Date" means the date of initial delivery of the Bonds.

Convention Centers. The term "Convention Centers" means the Scotlan Center and the Kaiser Center, both situate in the City.

Delivery Costs. The term "Delivery Costs" means all costs incurred in connection with the preparation, review, execution and delivery of the Indenture, the Second Amended and Restated Ground Lease, the Lease Agreement and the Escrow Agreement and in connection with the issuance, sale and delivery of the Bonds, including, but not limited to, costs paid or incurred by the City, the Authority or the Trustee for filing costs, printing costs, reproduction and binding(costs, fees and charges of the Trustee, financing discounts, legal fees and charges and reimbursements, financial and other professional consultant fees and charges and reimbursements, auditors, fees and charges and reimbursements, costs of rating agencies for credit ratings, fees for execution, registration, transportation and safekeeping of the Bonds, municipal bond insurance premiums, surety bond premiums if any, and other charges and fees in connection with the foregoing.

Delivery Costs Account. The term "Delivery Costs Account" means the account by that name established under and held by the Trustee pursuant to the Indenture.

Event of Default. The term "Event of Default" means an event of default under the Lease Agreement or an event of default under the Indenture.

Facilities. The term "Facilities" means, collectively, the Convention Centers.

Indenture. The term "Indenture" means the Indenture of Trust, dated as of May 1, 2001, by and between the Trustee and the Authority relating to the issuance of the Authority's Lease Revenue Refunding Bonds (Oakland Convention Centers), as originally executed and as it may from time to time be amended or supplemented by any Supplemental Indenture pursuant to the provisions under the Indenture.

Information Services. The term "Information Services" means Financial Information, Inc.'s "Daily Called Bonds Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250-77 Center Drive, Charlotte, North Carolina 28217, Attention: Called Bond Dept.; "Kenny S & P," 55 Water Street, New York, New York 10041, Attention: Notification

Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a written certificate of the Authority delivered to the Trustee.

Insurer. The term "Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

Joint Powers Agreement. The term "Joint Powers Agreement" means a Joint Exercise of Powers Agreement, dated as of February 1, 1993, by and between the City and the Agency, which Joint Powers Agreement creates and establishes the Authority.

Kaiser Center. The term "Kaiser Center" means the Henry J. Kaiser Convention Center and related facilities and improvements located on the Kaiser Site.

Kaiser Site. The term "Kaiser Site" means the real property parcel on which the Kaiser Center is located, more particularly described in Exhibit A to the Lease Agreement.

Lease Agreement. The term "Lease Agreement" means that certain Second Amended and Restated Lease and Sublease Agreement Relating to the Convention Centers, dated as of May 1, 2001, between the Authority, as lessor and sublessor, and the City, as lessee and sublessee, as now or hereafter amended, providing for the lease of the Facilities and the sublease of the Sites.

Lease Payment Account. The term "Lease Payment Account" means the account by that name established under and held by the Trustee pursuant to the Indenture.

Lease Payments. The term "Lease Payments" means the lease payments payable by the City for the use of the Facilities and the Sites pursuant to the Lease Agreement and as set forth in Exhibit B attached thereto.

Municipal Bond Insurance Policy. The term "Municipal Bond Insurance Policy" means the financial guaranty insurance policy issued by the Insurer insuring the payment when due of principal and interest on the Bonds as provided therein.

Net Proceeds. The term "Net Proceeds," when used with respect to any insurance or condemnation award, means the proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses incurred in the collection of such proceeds.

Outstanding. The term "Outstanding" when used with reference to the Bonds and as of any particular date means all Bonds theretofore issued except: (a) any Bond cancelled by the Trustee at or before said date, (b) any Bond in lieu of or in substitution for which another Bond shall have been issued pursuant to the Indenture, and (c) any Bond which is deemed defeased pursuant to the Indenture.

Owner. The term "Owner" or "Bond Owner" or "Owner of Bonds" or any similar term when used with respect to the Bonds, means any person who shall be the registered Owner of any Outstanding Bond; provided, however, that the Insurer shall be deemed to be the Owner of Bonds insured by the Insurer (i) at all times for the purpose of giving consent under the Indenture or initiating any action which may be taken by the Trustee under the Indenture at the request or with the consent of the Owners of a majority in aggregate principal amount of Bonds Outstanding and (ii) following an Event of Default for all

other purposes.

Payment Date. The term "Payment Date" means April 1 and October 1 of each year, commencing October 1, 2001.

Permitted Encumbrances. The term "Permitted Encumbrances" means if and to the extent permitted by law and by any policy guidelines promulgated by the City:

(i) Ad valorem taxes and assessments, if any, for the current fiscal year, or which the City may, pursuant to the Lease Agreement, permit to remain unpaid.

(ii) Easements, rights-of-way, mineral rights, drilling rights and other rights, covenants, conditions or restrictions which in the judgment of the City do not impair or impede or otherwise adversely affect the operation of the Facilities or access to the Sites or the Facilities by the Authority or its assignee.

(iii) The Amended and Restated Ground Lease, as it may be amended from time to time.

(iv) The Lease Agreement, as it may be amended from time to time.

(v) The exceptions to title set forth on Schedule I to the Lease Agreement.

(vi) The Assignment Agreement, as it may be amended from time to time.

(vii) The Warriors Practice Facility and Office Lease, dated January 1997, by and between the City, as Landlord and CCE, Inc., a California corporation, as Tenant.

Permitted Investments. The term "Permitted Investments" means any of the following:

- (1) (a) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or
(b) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
- (2) Federal Housing Administration debentures.
- (3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (a) Federal Home Loan Mortgage Corporation (FHLMC) (i) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their

principal amounts) and (ii) Senior debt obligations;

(b) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(c) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations;

(d) Federal National Mortgage Association (FNMA) (i) senior debt obligations and (ii) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(e) Student Loan Marketing Association (SLMA) senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(f) Financing Corporation (FICO) debt obligations; and

(g) Resolution Funding Corporation (REFCORP) debt obligations.

(4) Negotiable certificates of deposit of any bank the obligations of which are rated at least "A" by S&P or "A2" by Moody's.

(5) Bankers' acceptances of any bank the short-term obligations of which are rated at least "A-1" by S&P or "P-1" by Moody's.

(6) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

(7) Commercial paper rated "A-1" by S&P or "P-1" by Moody's.

(8) Money market funds rated in the top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations, including funds for which the Trustee and its affiliates provide investment advisory or other management services.

(9) "State Obligations," which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's or "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1" by S&P or "P-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P or "Aa" or better by Moody's.

(10) Repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated "A" or better by S&P and Moody's or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC); or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Authority and City.

(11) Investment agreements with a domestic or foreign bank, corporation, or financial institution the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of an insurance company, claims paying ability, of the guarantor is rated at least "A" by S&P and "A" by Moody's.

(12) Forward purchase agreements with a domestic or foreign bank, corporation, or financial institution the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of an insurance company, claims paying ability, of the guarantor is rated at least "A" by S&P and "A" by Moody's. The securities purchased pursuant to such agreement shall be limited to securities eligible under the City's Investment Policy.

(13) State of California Local Agency Investment Fund to the extent any funds to be invested therein by the Escrow Agent are subject to withdrawal by the Escrow Agent directly.

(14) Any other investment approved in writing by the City and in accordance with the City's then-current Investment Policy.

Person. The term "Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or entities, including a governmental entity or any agency or political subdivision thereof.

Principal Office. The term "Principal Office" means the corporate trust office of the Trustee designated in any notice given by the Trustee for the delivery of the Bonds for payment of the principal amount thereof. Initially, the term "Principal Office," means the office of the Trustee in Houston, Texas.

Prior Bonds. The term "Prior Bonds" means \$149,825,000 in original aggregate principal amount of CSCDA's 1992 Lease Revenue Bonds (City of Oakland Convention Centers Project), currently outstanding in the amount of \$134,300,000.

Project Costs. The term "Project Costs" means all costs of the planning, developing, financing, constructing, installing, equipping, furnishing, improving, enlarging and renovating the Sites and/or the Facilities and placing the same in service.

Project Account. The term "Project Account" means the fund by that name and authorized for establishment under the Indenture.

Redemption Fund. The term "Redemption Fund" means the fund by that name established under, and held by the Trustee pursuant to the Indenture.

Reserve Account. The term "Reserve Account" means the account by that name established under, and held by the Trustee pursuant to the Indenture.

Reserve Facility. The term "Reserve Facility" has the meaning given such term in the Indenture.

Reserve Requirement. The term "Reserve Requirement" means, as of any date of calculation (calculated on a Bond Year basis), an amount equal to the lesser of (i) 125% of the average aggregate annual Lease Payments; or (ii) the maximum aggregate annual Lease Payments; or (iii) 10% of the initial par amount of the Bonds which amount shall be the amount deposited to the Reserve Account pursuant to Section 402 hereof. On the Closing Date the Reserve Requirement for the Bonds is \$13,489,000 which is comprised of \$8,989,000 from proceeds of Bonds together with a \$4,500,000 face amount of the Reserve Facility.

Scotlan Center. The term "Scotlan Center" means the Convention Center-George P. Scotlan Memorial and related facilities and improvements located on the Scotlan Site.

Scotlan Site. The term "Scotlan Site" means the real property parcel on which the Scotlan Center is located more particularly described in Exhibit A to the Lease Agreement.

Series. The term "Series" means Bonds designated as a separate Series by a Supplemental Indenture regardless of when issued.

Sites. The term "Sites" means Kaiser Site and the Scotlan Site.

State. The term "State" means the State of California.

Supplemental Indenture. The term "Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of the Indenture.

Tax Certificate. The term "Tax Certificate" means the Tax Certificate and Agreement delivered by the Authority at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

Trustee. The term "Trustee" means The Chase Manhattan Bank, a banking corporation, or its successors in interest acting as Trustee under the Indenture.

Indenture of Trust

Pledge of Lease Payments and Moneys in Funds. The Lease Payments and all amounts on deposit with the Trustee under the Indenture, including, without limitation, in the Convention Centers Trust Fund, the Project Account, the Delivery Costs Account, the Lease Payment Account, the Reserve Account, the Net Proceeds Account and the Redemption Fund (but not including the Rebate Fund), are irrevocably pledged to the payment of principal of and interest on the Bonds subject to the provisions of the Indenture permitting application thereof for the purpose and on the terms and conditions set forth therein. The foregoing pledges shall constitute a first and exclusive lien on the Lease Payments and the foregoing funds and accounts and any moneys otherwise on deposit with the Trustee under the Indenture (other than the Rebate Fund) for the

payment of the Bonds in accordance with the terms under the Indenture.

Funds & Accounts - Convention Centers Trust Fund. There is established with the Trustee a special trust fund to be designated the "Convention Centers Trust Fund." The Trustee shall keep said Convention Centers Trust Fund separate and apart from all other funds and moneys held by it. Within the Convention Centers Trust Fund, there are authorized or established the Project Account, the Delivery Costs Account, the Lease Payment Account, the Reserve Account and the Net Proceeds Account.

Project Account. Proceeds of each Series of Bonds which are to be used to pay Project Costs shall be deposited into a fund created for such Series of Bonds which shall be designated the "Project Account" which may be held either by the City on behalf of the Authority or by the Trustee or, part by the City on behalf of the Authority and part by the Trustee, all as provided in a Supplemental Indenture. All moneys in each Project Account shall be held and disbursed as provided in the Supplemental Indenture under which such fund or funds were created. Notwithstanding this provision, no Project Account shall be required for a given Series of Bonds if all of the proceeds thereof (except those deposited into a Reserve Account or a Lease Payment Account) are spent at the time of issuance of such Series or are used to refund Bonds or otherwise the City and the Authority determine that there is no need to create a Project Account for such Series.

Delivery Costs Account. Amounts in the Delivery Costs Account shall be disbursed for Delivery Costs. Disbursements from the Delivery Costs Account shall be made by the Trustee upon receipt of a certificate requesting disbursement executed or approved by an Authorized Representative of the City. Any amounts remaining in the Delivery Costs Account shall be transferred to the Lease Payment Account.

Lease Payment Account. All Lease Payments to which the Authority may at any time be entitled under the Lease Agreement, including moneys received for the purpose of effecting a partial or complete prepayment of Lease Payments, shall be paid directly to the Trustee as assignee of the Authority under the Lease Agreement, and all such Lease Payments shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Account.

On each Payment Date, the Trustee shall withdraw from the Lease Payment Account, that amount of the Lease Payment due on such Payment Date as will be sufficient for the purpose of, and shall cause the same to be applied to, the payment of principal of and interest payments due on the Bonds on such Payment Date.

Reserve Account. The Reserve Account shall be maintained by the Trustee until the Lease Payments are paid in full pursuant to the terms of the Lease Agreement. If on any Payment Date the amounts in the Lease Payment Account are less than the Lease Payments then due, the Trustee shall transfer from the Reserve Account an amount sufficient to make up such deficiency. Moneys in the Reserve Account shall be applied as a credit against the last remaining installments of the Lease Payments any purpose set forth in the Tax Certificate. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Account or any Additional Lease Payment payable following restoration of any damage to or destruction of the Facilities, such Lease Payment shall be deposited in the Reserve Account.

The Authority may satisfy the Reserve Requirement at any time by the deposit with the Trustee for the credit of the Reserve Account of a surety bond, an insurance policy or letter of credit (the "Reserve Facility"), or any combination of a Reserve Facility and money to the Reserve Requirement.

Establishment and Application of Net Proceeds Account. Within the Convention Centers Trust Fund, there is a separate account designated the "Net Proceeds Account." Such account shall be maintained by the Trustee until the Lease Payments are paid in full pursuant to the terms of the Lease Agreement.

Any Net Proceeds received by the Trustee pursuant to the Lease Agreement shall be deposited by the Trustee in the Net Proceeds Account and shall be applied and disbursed by the Trustee in accordance with the Lease Agreement for the repair, reconstruction or replacement of the Sites of Facilities or for the prepayment of Lease Payments.

Investment of Moneys in Accounts. All moneys held by the Trustee in any of the funds or accounts established pursuant to the Indenture shall be deposited or invested in Permitted Investments maturing not later than the date on which it is anticipated that such moneys shall be required for the purposes of the Indenture. Such investments shall be made at the written directions of an Authorized Representative of the City.

All interest and other income received by the Trustee on investment of the Lease Payment Account or Redemption Fund shall be retained in the Lease Payment Account or Redemption Fund and be applied as set forth in the Indenture; provided, however, that in the event that amounts on deposit in the Reserve Account are less than the Reserve Requirement, said interest or income shall be deposited in the Reserve Account until there is on deposit in the Reserve Account an amount equal to the Reserve Requirement. All interest and other income received by the Trustee on investment of the Reserve Account shall be retained in the Reserve Account in the event that amounts on deposit in the Reserve Account are less than the Reserve Requirement. In the event that amounts then on deposit in the Reserve Account equal or exceed the Reserve Requirement, such excess shall be transferred to the Lease Payment Account. Amounts retained or deposited in the Lease Payment Account pursuant to this subsection shall be applied as a credit against the Lease Payments due from City pursuant to the Lease Agreement on the Payment Date following the date of deposit. Any interest or other income derived from investments of the Delivery Costs Account shall be deposited in the Delivery Costs Account until said account is closed pursuant to the Indenture.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Trustee under the Indenture, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture. Investments shall be valued at the lower of cost or par value.

The Trustee. The Authority and the City may, by written agreement between themselves, or the owners of a majority in aggregate principal amount of all Bonds Outstanding or, following any breach of the trust set forth in the Indenture, the Insurer may upon thirty (30) days, written notice, remove the Trustee initially a party to the Indenture and any successor thereto and may appoint a successor Trustee, provided that no Event of Default shall have occurred and be continuing. Any such successor shall be a bank or trust company acceptable to the Insurer, in good standing and doing business in California, duly authorized to exercise trust powers, having (or having a parent holding company that has) a combined capital (exclusive of borrowed capital) and surplus of at least Seventy-Five Million Dollars (\$75,000,000) and subject to supervision or examination by federal or state authority and acceptable to the Insurer.

Bonds. The Bonds constitute special obligations of the Authority payable solely from Lease

Payments paid by the City. The Bonds shall be delivered in the form of fully registered Bonds without coupons in the denomination of \$5,000 each or any whole multiple thereof. The Bonds shall be payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The Bonds shall be dated as of May 15, 2001.

Payment of Principal and Interest on Bonds. The principal of the Bonds shall be payable on October 1 in each of the years and in the amounts set forth in the Indenture. Interest on the Bonds shall be payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2001, to and including the date of principal payment or redemption, whichever is earlier. Interest on the Bonds shall be calculated based on a 360-day year of twelve (12) 30-day months and shall be payable from the Payment Date immediately preceding the date of authentication thereof, unless such date of authentication is a Payment Date, in which event interest shall be payable from such Payment Date, or unless such date of authentication is between the fifteenth day of the month preceding a Payment Date and such Payment Date, in which event interest shall be payable from such Payment Date, or unless such date of authentication is on or before September 15, 2001, in which event interest shall be payable from May 15, 2001; provided, however, that if as of the date of authentication of any Bond interest thereon is in default, such interest shall be payable from the Payment Date to which interest has previously been paid or made available for payment.

The principal of all Bonds shall be payable at the Principal Office of the Trustee. Interest on the Bonds shall be payable by check mailed on the Payment Date to the Owners thereof as shown on the Bond Register on the fifteenth day of the month preceding the Payment Date provided, however, that at the written direction filed with the Trustee on or prior to the fifteenth day of the month preceding any Payment Date by the Owner of Bonds in an aggregate principal amount of \$1,000,000 or more, interest on such Bonds shall be payable to the owner thereof by federal wire transfer initiated by the Trustee on such succeeding Payment Date to an account in the United States of America designated in such written direction. Any such written directions shall remain in effect unless and until revoked in writing by such Owner.

Additional Bonds. The Authority may by Supplemental Indenture provide for the issuance of one or more Series of Additional Bonds on a parity with the Bonds then Outstanding, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the Indenture, and subject to the following specific conditions precedent to the issuance of such Additional Bonds:

(a) The Supplemental Indenture shall require that the proceeds of the sale of such Additional Bonds shall be applied to Project Costs or for the refunding or repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds.

(b) No Event of Default shall have occurred and then be continuing.

(c) The Supplemental Indenture authorizing issuance of such Additional Bonds shall provide, if necessary, that from such proceeds or other sources, an amount shall be deposited in the Reserve Account in a sum necessary to increase the amount in the Reserve Fund to the aggregate Reserve Requirement of the Bonds and said Additional Bonds.

(d) Such Additional Bonds shall be equally and ratably secured with all other Bonds

authorized in the Indenture, without preference or priority.

(e) The Authority shall have entered into an amendment to the Lease Agreement in and by which the City obligates itself in the manner provided in the Lease Agreement to make Lease Payments at the times and in the amount sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Lease Agreement.

Payment of Principal and Interest. The Authority shall punctually pay, but only from Lease Payments and such other amounts as provided in the Indenture, the principal of, premium, if any, and interest to become due in respect of every Bond issued under the Indenture at the times and places and in the manner provided therein and in the Bonds, according to the true intent and meaning thereof.

Preservation of Lease Payments. The Authority shall not amend, modify or terminate any of the terms of the Lease Agreement, or consent to any such amendment, modification or termination, without the written consent of the Trustee.

Compliance with Indenture. The Authority shall not issue, or permit to be issued, any bonds, notes or other evidence of indebtedness, secured or payable in any manner out of the Lease Payments in any manner other than in accordance with the provisions of the Indenture and shall not suffer or permit any default to occur under the Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements under the Indenture.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Lease Payments, except the pledge and assignment created by the Indenture.

Performance of Lease Agreement. The Authority covenants and agrees with the Owners of the Bonds, to perform all obligations and duties imposed on it under the Lease Agreement to the extent so imposed.

Events of Default.

(a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or by the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the Authority within such sixty (60) day period and diligently pursued in good faith until the default is

corrected, then such event shall not be an event of default; or

(d) if an Event of Default has occurred under Section 801 of the Lease Agreement;

(e) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, 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 Authority or of the whole or any substantial part of its property; or

Action on Default. If an Event of Default occurs of which the Trustee has or is deemed to have notice the Trustee shall promptly give notice to the Insurer and to the Owner of each Bond. Upon the occurrence of an Event of Default by the City under the Lease Agreement, and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon the written direction of the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall, upon notice in writing to the Authority and the City, declare the existence of an event of default and pursue any and all remedies available at law or in equity including, without limitation, a proceeding to obtain a writ of mandamus to compel the performance of the material covenants and obligations set forth herein and in the Lease Agreement.

Amendment. The Indenture and the rights and obligations of the Owners of the Bonds may be amended in writing by agreement among all of the parties, but no such amendment shall become effective as to the Owners of Bonds then Outstanding unless and until approved by a majority in aggregate principal amount of Bonds Outstanding; provided that no such amendment shall impair the right of any Owner to receive the payment of principal of and interest on his Bond. Notwithstanding the foregoing, the Indenture and the rights and obligations provided therein may also be modified or amended at any time by a Supplemental Indenture without the consent of any Owners of the Bonds, but only (1) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or (2) in regard to matters or questions arising under the Indenture which the City or the Authority may deem necessary or desirable and not inconsistent with the provisions of the Indenture, or (3) any other change that does not materially adversely affect the interests of the Owners of the Bonds or the exclusion from income for Federal income tax purposes of the interest on the Bonds pursuant to Section 103 of the Code, or (4) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority, or (5) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute under the Indenture in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, or (6) to authorize the issuance of Additional Bonds pursuant to Sections 621 and 622. Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there shall be delivered to the Trustee an opinion of nationally recognized bond counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; provided that Authority, City and the Trustee may rely in entering into any such amendment hereof upon the opinion of counsel whose opinion is acceptable by

underwriters in the marketing of tax-exempt obligations of political subdivisions stating that the requirements of this sentence shall have been met with respect to such amendment; (iv) Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Indenture without the prior written consent of the Insurer.

Defeasance. If all outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest on all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, moneys in an amount which, together with the amounts then on deposit in the Lease Payment Account and the Reserve Account, are fully sufficient to pay all Bonds Outstanding, including all principal, premium, if any, and interest with respect thereto;

(c) by depositing with the Trustee, in trust, cash and/or direct obligations of any agency or instrumentality of the United States of America in such amount as will, together with the interest to be received thereon and moneys then on deposit in the Lease Payment Account and the Reserve Account, together with the interest to be received thereon, be fully sufficient to pay and discharge all Bonds (including all principal and interest) at or before their respective maturities;

notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the Authority, the Trustee and the City under the Indenture with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the City from deposits pursuant to paragraphs (b) through (c) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto, and that in the event of deposits pursuant to paragraphs (b) through (c) above, the Bonds shall continue to represent obligations of the Authority to pay principal thereof and interest thereon from Lease Payments received from the City pursuant to the Lease Agreement; provided, however, that in the event that the principal of and interest on any Bonds shall have been paid by the Insurer pursuant to the Municipal Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the obligations of the Authority, the Trustee and the City under the Indenture shall continue to exist and the Insurer shall be subrogated to the rights of the Owners of such Bonds.

Consent of Insurer. The Insurer's consent shall be required in addition to the consent of the Owners, when required, for the following purposes: (i) execution and delivery of any amendment, supplement or change to or modification of the Indenture or the Lease Agreement, (ii) removal of the Trustee and selection and appointment of a successor Trustee, and (iii) initiation or approval of any action not described in (i) or (ii) above which requires consent of the Bond Owners.

Lease Agreement

Agreement To Lease. In consideration of the payment by the City to the Authority or its assignee of

the Lease Payments, the Authority subleased the Sites and leased the Facilities to the City pursuant to, and on the terms and conditions set forth in, the Second Amended and Restated Lease and Sublease Agreement (the "Lease Agreement").

Term of Lease Agreement. The term of the Lease Agreement commenced as of November 1, 1992 and shall end on the earlier of (i) October 1, 2014, or (ii) the date upon which there are no Bonds Outstanding under the Indenture, unless extended or terminated earlier in accordance with the provisions of the Lease Agreement. If on October 1, 2014, the Bonds have not been paid or provision for the payment thereof has not been made, then the term of the Lease Agreement shall be extended until ten (10) days after all the Bonds have been paid or provision therefor has been made, except that in no event shall the term of the Lease Agreement be extended beyond October 1, 2019.

Lease Payments. For the right to possession and use of the Facilities and the Sites, the City shall pay to the Authority the Lease Payments set forth in Exhibit B to the Lease Agreement. In the event of the extension of the Lease Agreement beyond October 1, 2014, then the Lease Payments for each year beyond such date shall be equal to the scheduled Lease Payments for the year ending October 1, 2014.

Each Lease Payment shall be for the right to possess the Sites and the Facilities for the semiannual period commencing the second day of October or April of each calendar year and ending on the first day of the following October or April. For each semiannual rental period, the City shall make Lease Payments during said semiannual period as more particularly set forth in Exhibit B, as Exhibit B may from time to time be modified, following any prepayment of Lease Payments. In addition, in the event of damage to or destruction of the Facilities, if the City elects to repair, reconstruct or replace the Facilities as provided in Section 609(a) and the Facilities are not restored and made Usable within two years (or such shorter period of time as Net Proceeds of rental interruption insurance and moneys in the Reserve Account are available for the payment of Lease Payments), the City will pay, but only upon completion of the restoration and when the Facilities have been made Usable, additional Lease Payments in an aggregate amount necessary to replenish any deficiencies in the Reserve Account by reason of such damage or destruction of the Facilities. Such additional Lease Payments will be made in consideration of the City's right to possession and use of the restored Facilities and shall be payable in equal semiannual payments, commencing on the date for the payment of Lease Payments hereunder next occurring following restoration and repair of the Facilities, for the lesser of five years or the remaining term of the Lease Agreement, until such additional Lease Payments are paid in full.

Lease Payments for each semiannual payment period during the term of the Lease Agreement shall constitute the total amount due for said payment period and shall be paid by the City for and in consideration of the right of possession of, and the continued quiet use and enjoyment of the Sites and the Facilities (including, in the case of additional Lease Payments as described in the preceding sentence, the restored Facilities) during such payment period.

An amount equal to the Lease Payment attributable to each semiannual payment period shall be due and payable by the City not later than five (5) business days prior to each Payment Date in each year as specified in Exhibit B; provided that there shall be applied as a credit against the Lease Payment payable on such date an amount equal to the total credit that shall have been reported by the Trustee to the City pursuant to Section 411 of the Indenture. In the event that the total amount of credit exceeds the Lease Payment due on the Payment Date following said report, the amount of said excess shall be applied as a credit against subsequent Lease Payments. In addition, the amount in the Reserve Account, if any, shall be applied as a credit against the last Lease Payments due prior to the expiration of the term of the Lease

Agreement.

Should any Lease Payment be made later than the Payment Date to which such Lease Payment pertains, such Lease Payment shall bear interest at the same rate as the rate represented by the interest component of said Lease Payment from such Payment Date to the date of actual payment.

The Authority directs that the City make the Lease Payments directly to the Trustee for deposit in the Lease Payment Account.

Prepayment of Lease Payments. The principal component of Lease Payments shall be prepaid in whole on any date or in part on any Payment Date (but not in a total amount of less than \$5,000 at any one time) pro rata among maturities, without premium or penalty, at the principal amount thereof on such Payment Date, together with interest accrued to said Payment Date, from the Net Proceeds of insurance or condemnation not used for repair, reconstruction or replacement of the Facilities and deposited in the Lease Payment Account. The City has no other option to prepay Lease Payments.

Covenant to Budget and Appropriate. The City covenants to take such action as may be necessary to include all Lease Payments (other than the amount of any Lease Payment which is subject to a credit from funds deposited with the Trustee). Additional Payments and other payments required to be made under the Lease Agreement in its annual budget and annually to appropriate an amount necessary to make such Lease Payments, Additional Payments and other payments. During the term of the Lease Agreement the City will furnish to the Trustee and the Authority, a certificate stating that the final budget for such fiscal year contains an appropriation of amounts sufficient to make the Lease Payments, Additional Payments and such other payments payable during such fiscal year.

Defeasance. Notwithstanding any other provision of the Lease Agreement, the City may on any date secure the payment of all of the Lease Payments by a deposit with the Trustee of an amount sufficient to defease all the Outstanding Bonds pursuant to the Indenture. Upon such deposit, the Lease Agreement shall expire.

In the event of a deposit pursuant to this Section, all obligations of the City under the Agreement, and all security provided by the Agreement for said obligations, shall cease and terminate, excepting only the obligation of the City to pay, or cause to be paid, Additional Payments and Lease Payments from the deposit made by the City pursuant to this Section. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of the Lease Agreement.

Vesting of Facilities. During the term of the Lease Agreement, the Facilities shall be, as between the City and the Authority, the property of the Authority, but the Authority shall have no right to remove the same from the Sites without the City's prior written consent. However, upon the expiration of the term of the Lease Agreement the Authority's right, title and interest in the Facilities shall automatically, without further compensation to the Authority, vest solely in the City.

Maintenance and Utilities. As part of the consideration for the rental of the Sites and the Facilities, all improvements, maintenance and repair of the Sites and the Facilities shall be the responsibility of the City, and the City shall pay, or otherwise arrange for the payment, for all utility services supplied to the Sites and the Facilities.

Public Liability Insurance. The City shall maintain or cause to be maintained, throughout the term

of the Lease Agreement, a comprehensive general public liability insurance policy or policies against direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Sites and the Facilities. Said policy or policies for comprehensive general public liability insurance shall provide a total coverage in amounts authorized by the City's liability insurance program, and may be subject to a deductible amount in an amount not to exceed \$2,000,000, or such greater amount as may be authorized by the City's liability insurance program.

Modification of the Sites or the Facilities. The City shall, at its own expense, have the right to remodel the Sites or the Facilities or to make additions, modifications and improvements to the Sites or the Facilities. All such additions, modifications and improvements shall thereafter comprise part of the Sites and the Facilities and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Sites or the Facilities or cause them to be used for purposes other than those authorized under the provisions of state and federal law; and the Sites or the Facilities, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not less than the value of the Sites or the Facilities immediately prior to the making of such additions, modifications and improvements.

Workers' Compensation Insurance. The City shall maintain or cause to be maintained throughout the term of the Lease Agreement, Workers' Compensation Insurance or self- insurance to cover all persons employed in connection with the Facilities who are not otherwise covered as required by the Labor Code of the State of California.

Fire and Special Extended Coverage; Earthquake Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, property insurance against loss or damage to the Sites and any structures constituting any part of the Facilities by fire and lightning, with special extended coverage insurance, including vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to 100% of the replacement cost of the Sites and the Facilities.

The City from time to time shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, earthquake insurance only if, in the opinion of the City, such insurance is available at reasonable cost on the open market from reputable insurance companies.

Rental Interruption Insurance. The City shall maintain or cause to be maintained throughout the term of the Lease Agreement rental interruption or use and occupancy insurance, in an amount not less than the maximum total Lease Payments payable by the City on any four consecutive dates for payment of semiannual Lease Payments hereunder, to insure against loss of Lease Payments to the Authority or its assignee caused by any of the perils covered by the insurance required by the Lease Agreement.

Any policies of insurance delivered in satisfaction of the requirements of the Lease Agreement shall provide that all Net Proceeds thereunder shall be payable to the City and to the Trustee, as assignee of the Authority.

Application of Net Proceeds of Insurance. Any Net Proceeds of any insurance relating to an accident to or destruction of any part of the Sites or the Facilities which is collected by the City in consequence of any such accident or destruction shall be transferred to the Trustee and deposited in the Net

Proceeds Account pursuant to the Indenture and shall be applied and disbursed as set forth below:

(a) If the City determines that such Net Proceeds are to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Sites or the Facilities and that such repair, reconstruction or replacement can be completed within two years from the date of damage or destruction as evidenced by a certificate executed by an Authorized Representative of the City and filed with the Trustee, then the City shall cause such portion of the Sites or the Facilities to be repaired, reconstructed or replaced to at least the same good order, repair and condition as it existed prior to the damage or destruction, insofar as the same may be accomplished by the use of said Net Proceeds, and shall direct the Trustee to withdraw said Net Proceeds from the Net Proceeds Account from time to time and to pay such Net Proceeds to the City for the purpose of such repair, reconstruction or replacement. The City covenants that such repair, reconstruction or replacement shall be completed and the Sites or the Facilities made Usable within two years from the date of damage to or destruction of the Facilities. The City shall direct the Trustee to deposit any balance of said Net Proceeds remaining in the Net Proceeds Account and not required for such repair, reconstruction or replacement into the Lease Payment Account as a prepayment of Lease Payments. Subject to the provisions of the following two paragraphs, the City shall be obligated to continue to make Lease Payments required by the Lease Agreement notwithstanding accident to or destruction of all or a portion of the Sites or the Facilities; *provided, however*, that in the event that accident or damage to any portion of the Sites or the Facilities is such as to cause such portion not to be Usable, then such Lease Payments shall be abated, in the proportion to which the unusable portion of the Sites and the Facilities bears to all of the Sites and Facilities based upon the fair market value of the Sites and the Facilities, or to the maximum extent permitted by law, until repair of such damaged portion is completed to such an extent as to enable use thereof, except that there shall be no abatement to the extent that moneys then on deposit in the Lease Payment Account or Reserve Account or Net Proceeds of rental interruption insurance are sufficient for the making of Lease Payments when and as they become due and payable.

(b) In lieu of repair, reconstruction or replacement of the damaged or destroyed portion of the Sites or the Facilities, the City may (and, if the City shall determine that such repair, reconstruction or replacement shall not be completed within two years, the City shall) direct the Trustee to apply the Net Proceeds to the prepayment of Lease Payments, provided that, in the case where the City determines that such repair, reconstruction or replacement may be completed within two years of such damage or destruction, the City shall have determined that remaining Lease Payments will be sufficient to pay all of that portion of principal and interest remaining on Outstanding Bonds.

(c) Any Net Proceeds of rental interruption insurance required by the Lease Agreement shall be used to pay Lease Payments during any period in which abatement of Lease Payments would otherwise have occurred except for the availability of such Net Proceeds of rental interruption insurance. Such Net Proceeds shall be paid by the City to the Trustee, as assignee of the Authority, for deposit in the Lease Payment Account and applied to the payment of any Lease Payments then due and, thereafter, shall be applied as a credit against the next subsequent Lease Payments.

Title Insurance. The City shall provide, or cause to be provided, at its own expense, a title insurance policy with such endorsement so as to be payable to the Trustee (as assignee of the Authority pursuant to the Lease Agreement). Such policy shall insure the City's fee title and the Authority's leasehold

title to the Sites, the Authority's title to the Facilities and the City's subleasehold title to the Sites and leasehold title to the Facilities, subject only to Permitted Encumbrances. Said title insurance policy shall be in a principal amount equal to the aggregate unpaid principal component of Lease Payments.

All Net Proceeds received under the title insurance policy provided for by the Lease Agreement or in any condemnation proceeding undertaken by any governmental agency relating to all or a portion of the Sites or the Facilities shall be paid to the Trustee and deposited in the Net Proceeds Account and shall be applied and disbursed as set forth below:

(a) If the City determines that such title defect or condemnation has not materially affected the operation of the Sites or the Facilities or the ability of the City or its assignee to meet any of the obligations hereunder or if such Net Proceeds are insufficient to enable the City to prepay Lease Payments in full, the City shall direct the Trustee to apply such Net Proceeds as a prepayment in part of Lease Payments. Subject to the provisions the following paragraph, the City shall be obligated to continue to make Lease Payments required by the Lease Agreement notwithstanding condemnation of or a title defect relating to a portion of the Sites or the Facilities; *provided, however,* that in the event that such condemnation or defect is to such extent as to cause such portion not to be usable, then such Lease Payments shall be abated, in the proportion to which the unusable portion of the Sites and the Facilities bears to all of the Sites and the Facilities based upon the fair market value of the Sites and the Facilities, except that abatement shall not result so long as moneys then on deposit in the Lease Payment Account or Reserve Account or Net Proceeds of title insurance or condemnation are sufficient for the making of Lease Payments.

(b) If the City determines that such title defect or condemnation has materially affected the operation of the Sites or the Facilities or the ability of the City to meet any of its obligations under the Lease Agreement, or if such Net Proceeds are sufficient to enable the City to prepay Lease Payments in full the City shall direct the Trustee to treat such Net Proceeds as the prepayment of Lease Payments in full.

(c) In the event of condemnation of the Sites and the Facilities, the City shall use all efforts to assure that any award made as a result of said condemnation is sufficient to secure the payment of all of the Lease Payments.

Payment of Taxes. The City shall pay or cause to be paid all taxes, assessments, water rates, meter charges and other governmental charges, if any, that may be levied, assessed or charged upon the Sites or the Facilities.

Substitution of the Sites or the Facilities. The City may at any time and from time to time substitute other land, facilities, improvements or other property ("Substitute Property") for all or any portion of the Sites and the Facilities provided that the City satisfies all of the following requirements:

- (a) No Event of Default, or an event of default under the Indenture, shall have occurred and be continuing;
- (b) The City shall have filed with the Authority and the Trustee amended exhibits to the Lease Agreement which add thereto a description of such Substitute Property;
- (c) The City shall have certified in writing to the Authority and the Trustee that such

Substitute Property serves the public purposes of the City and constitutes property which the City is permitted to lease under its Charter and the laws of the State;

(d) The substitution of the Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement;

(e) The City shall have certified in writing to the Authority and the Trustee that the estimated fair market value, the estimated fair rental value and the useful life of the Substitute Property is at least equal to the estimated fair market value, the estimated fair rental value and useful life, respectively, of the Sites and the Facilities to be replaced;

(f) In the case of substitution of real property for any portion of the Sites and the Facilities, the City shall have delivered to the Authority and the Trustee a title insurance policy satisfying the requirements of the Lease Agreement.

If the City substitutes any Substitute Property, written notice of such substitution shall be delivered by the City to the Insurer^.

Events of Default. The following are "Events of Default" under the Lease Agreement.

(a) Failure by the City to pay any Lease Payments required to be paid under the Lease Agreement at the time specified therein and the continuation of said failure to the Business Day prior to the Payment Date to which such Lease Payment pertains; or

(b) Failure by the City to pay any Additional Payment when due and payable under the Lease Agreement, and the continuation of such failure for a period of ten (10) days; or

(c) Failure by City to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease Agreement or the Indenture, other than as referred to in clauses (a) and (b) above, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Bonds then Outstanding, unless the Authority, the Trustee or such Bond owners shall agree in writing to an extension of such time prior to its expiration; *provided, however*, if the failure stated in the notice cannot be corrected within the applicable period, the Authority, Trustee or such Bond Owners will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

(d) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the City in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the City or for any substantial part of its property, or ordering the winding up for liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) days; or

(e) The City shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in

an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the City for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of any of the foregoing.

Remedies on Default.

Upon the occurrence and continuance of any Event of Default, the Trustee may proceed to hold the City liable for the Lease Payments and other amounts payable by the City as they become due pursuant to the Lease Agreement and/or take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the Authority. Each and all of the remedies given to the Authority and Trustee under the Lease or by any law now or hereafter enacted are cumulative and the exercise of one right or remedy shall not impair the right to the Authority or Trustee to exercise any or all other remedies. **NOTWITHSTANDING ANYTHING IN THE LEASE AGREEMENT OR IN THE INDENTURE TO THE CONTRARY, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE.**

Ground Lease

Lease of the Sites. The City agrees to lease to the Authority, and the Authority takes and hires from the City, the Sites, in consideration of the rents, covenants and agreements, and upon the terms and conditions, set forth in the Second Amended and Restated Ground Lease (the "Ground Lease").

Term. The term of the Ground Lease ("Term") commenced November 1, 1992 and shall terminate on the earlier of (i) October 1, 2019 or (ii) the date upon which the Agreement shall have expired (but shall not have been terminated pursuant to Section 802(c) of the Lease Agreement).

Base Rent. The Authority has paid to the City rent ("Base Rent") in the amount of One Dollar (\$1) for the lease of the Sites during the Term.

Reversion. Upon termination of the Ground Lease, all right, title and interest of the Authority in and to the Sites shall revert to the City.

Condemnation; Damage or Destruction. In the event of damage or destruction to the Sites or any part thereof or in the event a proceeding in eminent domain or condemnation is instituted against the Sites or any part thereof, the Lease Agreement will either continue or terminate pursuant to its terms. If the Lease Agreement terminates (the City, as sublessee of the Sites and lessee of the Facilities, has the option, at its sole discretion, to exercise or not exercise any rights contained in the Lease Agreement), the Ground Lease shall also terminate and all Net Proceeds shall be allocated in accordance with the provisions of the Lease Agreement. If the Lease Agreement does not terminate, the provisions of the Lease Agreement with respect to repairs or restoration and the allocation of the Net Proceeds shall govern. Notwithstanding the foregoing, in the event that for any reason the Lease Agreement has been terminated and the Ground Lease continues, the Authority shall not be entitled to the Net Proceeds of any insurance or condemnation award or any portion thereof, and all of the same shall be the property of the City to the extent set forth in the Lease

Agreement.

Miscellaneous. The Authority shall not, directly or indirectly, create, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Sites, other than the respective rights of the Authority and the City as provided in the Ground Lease.

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APPENDIX D

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[Closing Date]

Oakland Joint Powers Financing Authority
Oakland, California

Oakland Joint Powers Financing Authority
Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the Oakland Joint Powers Financing Authority (the "Authority") of \$134,890,000 aggregate original principal amount of Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001 (the "Bonds"), issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and an indenture of trust, dated as of May 1, 2001 (the "Indenture"), between the Authority and The Chase Manhattan Bank, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In such connection, we have reviewed a Second Amended and Restated Lease and Sublease Agreement, dated as of May 1, 2001 (the "Lease Agreement"), between the Authority and the City of Oakland (the "City"); a Second Amended and Restated Ground Lease, dated as of May 1, 2001 (the "Ground Lease"), between the City and the Authority; the Indenture; the Tax Certificate of the Authority dated as of the date hereof (the "Tax Certificate"); opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Lease Agreement, the Ground Lease, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Lease Agreement, the Ground

Lease, the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Lease Agreement, the Ground Lease, the Indenture and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Lease Agreement, the Ground Lease or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Lease Payments and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Lease Agreement and the Ground Lease have been duly executed and delivered and constitute the valid and binding agreements of the parties thereto.
4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of, or interest on, the Bonds.
5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income tax. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered as of June ____, 2001, by **THE CITY OF OAKLAND**, a charter city (the "City"), in connection with the execution and delivery of the Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001 (the "Series 2001 Bonds"), dated May 15, 2001 and delivered on the date hereof, of the Oakland Joint Powers Financing Authority, a joint powers agency created pursuant to a Joint Exercise of Powers Agreement, dated as of February 1, 1993 (the "Authority") by and between the City of Oakland and the Redevelopment Agency of the City of Oakland. The City is executing this Disclosure Certificate as the "Obligated Person" in connection with the Series 2001 Bonds, as further defined and described in Section 1 below.

The City covenants and agrees as follows:

SECTION 1. Purpose of This Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City, as the "Obligated Person" under the Rule (as hereinafter defined) in connection with the Series 2001 Bonds for the benefit of the Owners and Beneficial Owners of the Series 2001 Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule (as hereinafter defined). The Series 2001 Bonds are issued and this Disclosure Certificate is delivered pursuant to the Indenture of Trust dated as of May 1, 2001 (the "Indenture") between the Authority and The Chase Manhattan Bank, Houston, Texas (the "Trustee").

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

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

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2001 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Trustee, or any successor Dissemination Agent designated in writing by the Trustee and which has filed with the Trustee a written acceptance of such designation.

"Fiscal Year" shall mean with respect to the City, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve month or fifty two week period thereafter selected by the City with notice of such selection of change in fiscal year to be provided as set forth herein.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit A to this Disclosure Certificate.

“Official Statement” means the final Official Statement relating to the Series 2001 Bonds, dated May 24, 2001.

“Participating Underwriter” shall mean any of the underwriters of the Series 2001 Bonds required to comply with the Rule in connection with offering of the Series 2001 Bonds.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” means the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City’s fiscal year (which currently is June 30) commencing with the report for the 2001-2002 Fiscal Year, provide to each Repository an Annual Report which 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 City 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. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date set forth in paragraph (a) above, the City shall provide the Annual Report to the Dissemination Agent. If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached to this Disclosure Certificate as Exhibit B.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each Repository, if any; and

(ii) file the Annual report with each Repository by the date required therefor by Section 3(a) and file any notice of a listed Event, if requested by the City, as soon as practicable following receipt from the City of such notice; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

1. The City's comprehensive audited financial report for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to 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.

2. An update to the information set forth in the following subsections and tables set forth in Appendix A of the Official Statement: "Financial Obligations," which may be updated by a tabular summary presentation of City debt outstanding and of City debt service obligations, "CITY OF OAKLAND GENERAL FUND LEASE OBLIGATIONS," "CITY OF OAKLAND DIRECT AND OVERLAPPING BONDED DEBT," "CITY OF OAKLAND ASSESSED VALUATIONS," "CITY OF OAKLAND SECURED TAX LEVY AND AMOUNTS UNCOLLECTED," "GENERAL FUND REVENUES AND EXPENDITURES," and "INSURANCE COVERAGE". The City need not update any particular table or chart included in such Sections so long as (i) the City provides updated information relating to the City generally of the type previously included in such table or chart, or (ii) such table or chart constitutes information not deemed to be operating data under the Rule.

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

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events (a "Listed Event") with respect to the Series 2001 Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of holders of the Series 2001 Bonds;
4. optional, contingent or unscheduled calls;
5. defeasances;
6. rating changes;

- Bonds;
7. adverse tax opinions or events affecting the tax-exempt status of the Series 2001
 8. unscheduled draws on the reserves reflecting financial difficulties;
 9. unscheduled draws on the credit enhancements reflecting financial difficulties;
 10. substitution of the credit or liquidity providers or their failure to perform;
 11. release, substitution or sale of property securing repayment of the Series 2001
- Bonds.

(b) The Dissemination Agent shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events, contact the City and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Dissemination Agent whether or not to report such event to the Holders of the Series 2001 Bonds. In the absence of such direction, the Dissemination Agent shall not report such event unless required to be reported by the Dissemination Agent to the Holders of the Series 2001 Bonds under the Indenture. The Dissemination Agent may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Certificate, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2001 Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The obligations of the City under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2001 Bonds. If such termination occurs prior to the final maturity date of the Series 2001 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 8. **Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), 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 Series 2001 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2001 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2001 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2001 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next 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 City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(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 9. **Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City 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 City 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 City 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 10. **Default.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Series 2001 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. **Duties, Immunities and Liabilities of Dissemination Agent.** A Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2001 Bonds.

SECTION 12. **Prior Undertakings.** The City each hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

SECTION 13. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Authority, the City, the Dissemination Agent, if any, the Participating Underwriters and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. **Effective Date.** This Disclosure Certificate shall be effective on and as of June ___, 2001.

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

If to the City:

City of Oakland
Financial Services Agency
150 Frank H. Ogawa Plaza, Suite 5330
Oakland, California 94612
Attention: Treasury Manager
Telephone: (510) 238-7375
Fax: (510) 238-2059

If to the Dissemination Agent:

The Chase Manhattan Bank
600 Travis, Suite 1150
Houston, TX 77002
Attn: Institutional Trust Services
Business (713) 216-5087
Fax (713) 216-5476

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

SECTION 16. **Counterparts.** This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Disclosure Certificate is given by the City as of the date set forth above.

THE CITY OF OAKLAND, CALIFORNIA

By: _____
Authorized Officer

EXHIBIT A

NATIONAL REPOSITORIES

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of the date of the Continuing Disclosure Certificate are as follows:

Bloomberg Municipal Repository
P.O. Box 840
Princeton, NJ 08542-0840
PHONE: (609) 279-3200
FAX: (609) 279-5962
E-mail: Munis@Bloomberg.com
Contact: Dave Campbell

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
PHONE: (201) 346-0701
FAX: (201) 947-0107
E-mail: nrmsir@dpccdata.com

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
PHONE: (212) 807-5001
OR (800) 689-8466
FAX: (212) 989-2078
E-mail: Disclosure@Muller.com
Contact: Thomas Garske

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: **THE CITY OF OAKLAND**

Name of Bond Issue: Oakland Joint Powers Financing Authority, Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001 (the "Series 2001 Bonds")

Date of Delivery: _____, 2001.

NOTICE IS HEREBY GIVEN that the City of Oakland (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust dated _____ 1, 2001 relating to the Bonds. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF OAKLAND

By: _____
Authorized Representative

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this section concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal with respect to the Series 2001 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2001 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2001 Bonds, 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 Official Statement. 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.

DTC will act as securities depository for the Series 2001 Bonds. The Series 2001 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other names as may be requested by an authorized representative of DTC. One fully-registered Series 2001 Bond certificate for each maturity will be issued for the Series 2001 Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2001 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2001 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 Series 2001 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2001 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other names as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2001 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (or any other DTC nominee) will consent or vote with respect to Series 2001 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns the consenting or voting rights of the DTC nominee to those Direct Participants to whose accounts the Series 2001 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2001 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payment date upon DTC's receipt of funds and corresponding detailed information from the Authority or the Trustee 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, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2001 Bonds at any time by giving reasonable notice to the Authority or the Trustee, or the Authority may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2001 Bond certificates are required to be printed and delivered.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Series 2001 Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of Bonds, regulations with respect to exchanges and transfers, Bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Series 2001 Bonds. Interested persons should contact the Authority or the Trustee for further information regarding such provisions of the Indenture.

APPENDIX G

**THE FINANCIAL GUARANTY INSURANCE POLICY AND THE RESERVE FUND SURETY
BOND**

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

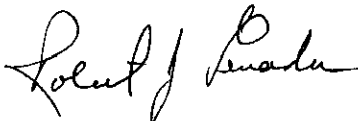
In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President




Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation



President

Secretary

Authorized Representative

SURETY BOND

Ambac Assurance Corporation

Statutory Office:
c/o CT Corporation
44 East Mifflin Street
Madison, Wisconsin 53703

Administrative Office:
One State Street Plaza
New York, New York 10004
Telephone: (212) 668-0340

Policy No. SB__BE

Ambac Assurance Corporation ("Ambac"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments which are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and which are required to be made by or on behalf of the (the "Obligor") to ___ (the "Paying Agent/Trustee") as such payments are due by the Obligor but shall not be so paid pursuant to a resolution of the City Council of the Obligor authorizing the issuance of \$ _____ (the "Obligations") of said city and providing the terms and conditions for the issuance of said Obligations (the "Resolution/Indenture/Ordinance"); provided that the amount available at any particular time to be paid to the Paying Agent under the terms hereof shall not exceed the Surety Bond Coverage, defined herein as the lesser of \$ _____ or the [Debt Service Reserve Fund Requirement for the Obligations, as that term is defined in the Resolution] (the "Reserve Requirement"). The Surety Bond Coverage shall be reduced and may be reinstated from time to time as set forth herein.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment of the Obligations.

2. Upon the later of: (i) one (1) day after receipt by the General Counsel of Ambac of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent certifying that payment due as required by the Resolution has not been made to the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the General Counsel of Ambac, Ambac will make a deposit of funds in an account with the Paying Agent or its successor, in [City/State] sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, or telegram of the executed Demand for Payment c/o the General Counsel of Ambac. If a Demand for Payment made hereunder does not, in any instance conform to the terms and conditions of this Surety Bond, Ambac shall give notice to the Paying Agent, as promptly as reasonably practicable that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by Ambac under this Surety Bond pursuant to a Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by Ambac hereunder and will be reinstated to the extent of each

reimbursement of Ambac by the Obligor pursuant to Article II of the Guaranty Agreement, dated as of the date of the Obligations, by and between Ambac and the Obligor (the "Guaranty Agreement"); provided, that in no event shall such reinstatement exceed the Surety Bond Coverage, Ambac will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Guaranty Agreement and such reinstatement shall be effective as of the date Ambac gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2. The Surety Bond Coverage shall be automatically reduced to the extent that the Reserve Requirement for the Obligations is lowered or reduced pursuant to the terms of the Resolution.

5. Any service of process on Ambac may be made to Ambac or the office of the General Counsel of Ambac and such service of process shall be valid and binding as to Ambac. During the term of its appointment, General Counsel will act as agent for the acceptance of service of process and its offices are located at One State Street Plaza, New York, New York 10004.

6. This Surety Bond is noncancelable for any reason. The term of this Surety Bond shall expire on the earlier of (i) _____ (the maturity date of the Obligations) or (ii) the date on which the Obligor, to the satisfaction of Ambac, has made all payments required to be made on the Obligations pursuant to the Resolution. The premium on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

7. This Surety Bond shall be governed by and interpreted under the laws of the State of Wisconsin, and any suit hereunder in connection with any payment may be brought only by the Paying Agent within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and Ambac has failed to make such payment or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to Ambac a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Surety Bond would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

IN WITNESS WHEREOF, Ambac has caused this Surety Bond to be executed and attested on its behalf this _____ day of _____, 200_ .

Ambac Assurance Corporation

Attest: _____
Assistant Secretary

By: _____
Vice President and
Assistant General Counsel

By: _____
[Countersignature Agent, if applicable]

Attachment 1

Surety Bond No. SB__BE

DEMAND FOR PAYMENT

, 200_

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: General Counsel

Reference is made to the Surety Bond No. SB__BE (the "Surety Bond") issued by Ambac Assurance Corporation ("Ambac"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Trustee hereby certifies that:

(a) Payment by the Obligor to the Trustee was due on ____ [a date not less than one (1) day prior to the applicable payment date for the Obligations] under the Ordinance attached hereto as Exhibit A, in an amount equal to \$ ____ (the "Amount Due"). The Amount Due is payable to the Owners of the Obligations on ____.

(b) \$ ____ has been deposited in the ____ [fund/account] from moneys paid by the Obligor or from other funds legally available to the Trustee for payment to the Owners of the Obligations, which amount is \$ ____ less than the Amount Due (the "Deficiency").

(c) The Trustee has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Trustee hereby requests that payment of the Deficiency (up to but not in excess of the Surety Bond Coverage) be made by Ambac under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond:

____ [Trustee's Account]
[Trustee]

By: _____
Its: _____

Attachment 2

Surety Bond No. SB BE

NOTICE OF REINSTATEMENT

, 200_

[Paying Agent]

[Address]

Reference is made to the Surety Bond No. SB BE (the "Surety Bond") issued by Ambac Assurance Corporation ("Ambac"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

Ambac hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$ _____, subject to a reduction as the Reserve Requirement for the Obligations is lowered or reduced pursuant to the terms of the Resolution.

AMBAC ASSURANCE CORPORATION

Attest: _____
Title: _____

By: _____
Title: _____

SPECIAL AGENT