

Insured Underlying
Ratings: Moody's: Aaa Moody's: A3
S&P: AAA S&P: A+
Fitch: AAA Fitch: A
(See "RATINGS")

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2008 Series B Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") (ii) interest on the 2008 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the 2008 Series B Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

\$113,450,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(OAKLAND ADMINISTRATION BUILDINGS)
2008 SERIES B

Dated: Date of Delivery

Due: August 1, as shown on inside cover

The Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B (the "2008 Series B Bonds"), are being sold, issued and delivered by the Oakland Joint Powers Financing Authority (the "Authority") to (i) refund all of the Authority's outstanding Lease Revenue Bonds (Oakland Administration Buildings) 2004 Series A-1 (Auction Rate Securities) and 2004 Series A-2 (Auction Rate Securities) (together, the "Prior Bonds"); (ii) fund a Reserve Fund and (iii) pay certain costs associated with the issuance of the 2008 Series B Bonds, including the payment of certain interest rate swap termination payments. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." The 2008 Series B Bonds will mature and bear interest as set forth on the inside cover page.

Interest on the 2008 Series B Bonds will be payable by The Bank of New York Trust Company, N. A., as trustee (the "Trustee") on February 1 and August 1 of each year, commencing August 1, 2008. The 2008 Series B Bonds will be delivered in fully registered book-entry form only and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the 2008 Series B Bonds. Upon receipt of payments of the principal of and premium, if any, and interest on the 2008 Series B Bonds, DTC will remit such principal, premium, if any, and interest to its participants (as described herein) for subsequent disbursement to the beneficial owners of the 2008 Series B Bonds. Purchasers of the 2008 Series B Bonds will not receive physical bonds representing their interests in the 2008 Series B Bonds purchased. See APPENDIX F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM." The 2008 Series B Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The 2008 Series B Bonds are subject to optional and extraordinary redemption prior to maturity as described herein. See "THE 2008 SERIES B BONDS—Redemption Provisions."

The 2008 Series B Bonds are payable from Revenues consisting primarily of Base Rental Payments to be made by the City to the Authority for the sublease of certain real property and improvements thereon under an Amended and Restated Sublease, dated as of April 1, 2008 (the "Sublease"), by and between the Authority and the City. The City covenants in the Sublease to take such action as may be necessary to include Base Rental Payments and Additional Payments due under the Sublease in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES B BONDS." The Base Rental Payments are subject to abatement as described herein. See "RISK FACTORS."

THE 2008 SERIES B BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE FROM AND SECURED SOLELY BY THE PROCEEDS, REVENUES AND AMOUNTS PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BASE RENTAL PAYMENTS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2008 SERIES B BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2008 SERIES B BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR THE LAWS OF THE STATE OF CALIFORNIA.

This cover page contains information for general reference only. It is *not* intended to be a summary of the security or terms of the 2008 Series B Bonds. Prospective purchasers are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The scheduled payment of principal of and interest on the Bonds (other than the Bonds maturing on August 1, 2008) when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. See "BOND INSURANCE."



The 2008 Series B Bonds will be offered when, as and if issued, subject to the approval of validity by Hawkins Delafield & Wood LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by John Russo, Counsel to the Authority and City Attorney of the City of Oakland. Certain legal matters will be passed upon for the City and the Authority by Lofton & Jennings, Disclosure Counsel and for the Underwriter by Nixon Peabody, LLP, Underwriters' Counsel. It is expected that the 2008 Series B Bonds will be delivered through the facilities of DTC on or about May 1, 2008, in New York, New York, against payment therefor.

UBS Investment Bank

Banc of America Securities LLC

MATURITY SCHEDULE

\$113,450,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS
(OAKLAND ADMINISTRATION BUILDINGS)
2008 SERIES B

Base CUSIP No.[†]: 67227W

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP No.[†]</u>
2008 ^{††}	\$3,745,000	3.500%	2.500%	BW4
2009	4,315,000	4.000	2.000	BX2
2010	4,455,000	2.250	100.000	BY0
2011	4,560,000	2.550	100.000	BZ7
2012	4,685,000	2.850	100.000	CA1
2013	4,825,000	3.000	100.000	CB9
2014	4,975,000	3.150	3.170	CC7
2015	5,160,000	4.000	3.320	CD5
2016	4,445,000	5.000	3.480	CF0
2016	950,000	4.500	3.480	CE3
2017	3,025,000	5.000	3.640	CH6
2017	2,635,000	4.500	3.640	CG8
2018	4,085,000	4.500	3.770	CJ2
2018	1,850,000	5.000	3.770	CK9
2019	6,230,000	5.000	3.920 ^{†††}	CL7
2020	6,545,000	5.000	4.030 ^{†††}	CM5
2021	6,885,000	5.000	4.130 ^{†††}	CN3
2022	7,235,000	5.000	4.220 ^{†††}	CP8
2023	7,605,000	5.000	4.300 ^{†††}	CQ6
2024	7,995,000	5.000	4.370 ^{†††}	CR4
2025	8,405,000	5.000	4.430 ^{†††}	CS2
2026	8,840,000	5.000	4.480 ^{†††}	CT0

[†] Copyright 2008, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. None of the Authority, the City or the Underwriters takes any responsibility for the accuracy of such CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2008 Series B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

^{††} Not insured.

^{†††} Priced to call at 100% on August 1, 2018.

OAKLAND JOINT POWERS FINANCING AUTHORITY

GOVERNING BOARD

Ronald V. Dellums

Desley Brooks	Patricia Kernighan
Jane Brunner	Nancy Nadel
Henry Chang, Jr.	Jean Quan
Ignacio De La Fuente	Larry Reid

CITY OF OAKLAND, CALIFORNIA

MAYOR AND CITY COUNCIL

Ronald V. Dellums, *Mayor*

Ignacio De La Fuente, <i>President</i>	Larry Reid, <i>Vice Mayor</i>
Desley Brooks	Patricia Kernighan
Jane Brunner	Nancy Nadel
Henry Chang, Jr.	Jean Quan

AUTHORITY AND CITY OFFICIALS

Deborah A. Edgerly, *Executive Director and City Administrator*
Cheryl A. P. Thompson, *Assistant City Administrator*
William E. Noland, *Treasurer and Director, Finance and Management Agency*
John Russo, *City Attorney*
LaTonda Simmons, *Secretary and City Clerk*
Courtney Ruby, *City Auditor*
Katano Kasaine, *Treasury Manager*

SPECIAL SERVICES

Hawkins Delafield & Wood, LLP San Francisco, California <i>Bond Counsel</i>	Lofton & Jennings San Francisco, California <i>Disclosure Counsel</i>
Public Financial Management, Inc. Los Angeles, California <i>Financial Advisor</i>	The Bank of New York Trust Company, N.A. San Francisco, California <i>Trustee</i>

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. 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 2008 Series B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth in this Official Statement has been obtained from sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. This Official Statement is submitted in connection with the sale of the 2008 Series B Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriters have provided the following sentence 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 under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “plan,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

In connection with this offering, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the 2008 Series B 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 2008 Series B Bonds to certain dealers and banks at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The 2008 Series B Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The 2008 Series B Bonds have not been registered or qualified under the securities laws of any state.

In making an investment decision investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been approved or disapproved by the Securities and Exchange Commission or any State securities commission nor has the Securities and Exchange Commission or any State securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

Assured Guaranty Corp. makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty Corp. has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty Corp. supplied by Assured Guaranty Corp. and presented under the heading “BOND INSURANCE” and APPENDIX G—“SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY.”

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OFFICIAL STATEMENT

\$113,450,000

**Oakland Joint Powers Financing Authority
Lease Revenue Refunding Bonds
(Oakland Administration Buildings)
2008 Series B**

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement. The offering of the 2008 Series B Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement, including in APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the sale and delivery by the Oakland Joint Powers Financing Authority (the “Authority”) of its Lease Revenue Refunding Bonds (Oakland Administration Buildings), 2008 Series B (the “2008 Series B Bonds”).

The 2008 Series B Bonds are being issued to (i) refund all of the Authority’s outstanding Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2004 Series A-1 (Auction Rate Securities) and 2004 Series A-2 (Auction Rate Securities) (collectively, the “Prior Bonds”) which were issued to refinance a portion of the design, construction, rehabilitation, and equipping of two buildings that are part of the administrative center of the City of Oakland, California (the “City”), (ii) fund a Reserve Fund, and (iii) pay certain costs associated with the issuance of the 2008 Series B Bonds, including the payment of certain interest rate swap termination payments. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

City of Oakland

The City was incorporated as a town in 1852 and became a charter city in 1889. The City is located in the County of Alameda, California (the “County”) across the San Francisco Bay, approximately seven miles east of San Francisco. The City contains approximately 53.8 square miles in total area and had a population estimated at 415,492 as of January 1, 2007. See “THE CITY” and APPENDIX A—“CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND.”

The Authority

The Authority is a joint exercise of powers agency organized under the laws of the State of California (the “State”) in February, 1993, with the City and the Redevelopment Agency of the City of Oakland (the “Agency”) as its two constituent members. The Authority was formed to assist in the financing and refinancing of public capital improvements, such as the Project and the Leased Property. The City and the Agency are each sometimes referred to herein as a “Member” of the Authority. See “THE AUTHORITY.”

The Leased Property

The Leased Property, as more fully described herein, includes two office buildings that are part of the administrative center of the City. The first building, comprised of a total of 185,000 square feet, provides office space for approximately 400 City employees, and includes 20,000 square feet of ground-floor leased retail space (the “Wilson Building”). The second building, comprised of a total of 246,000 square feet, provides office space for approximately 640 City employees, and includes 18,500 square feet of ground-floor leased retail space and 18,000 square feet of leased space on the upper levels (the “Dalziel Building” and together with the Wilson Building, the “Administration Buildings”). See “THE LEASED PROPERTY.”

Authority for Issuance of the 2008 Series B Bonds

The 2008 Series B Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title I of the Government Code of the State (the “Act”), and a Trust Agreement, dated as of April 1, 2008 (the “Trust Agreement”), by and between the Authority and The Bank of New York Trust Company, N.A., San Francisco, California, as trustee (the “Trustee”). The City and the Authority will enter into the Sublease (as defined below) pursuant to and in accordance with the City’s charter, Ordinance No. 12596 passed by the Oakland City Council on April 20, 2004, Resolution No. 81129 adopted by the Oakland City Council on March 18, 2008, and Resolution No. 2008-0002 adopted by the Governing Board of the Authority on March 18, 2008.

Security for the 2008 Series B Bonds

The 2008 Series B Bonds are special limited obligations of the Authority payable primarily from Revenues (as hereinafter defined) pledged therefor in the Trust Agreement, consisting primarily of certain sublease payments (the “Base Rental Payments”) payable by the City, as lessee, to the Authority, as lessor, pursuant to an Amended and Restated Sublease, dated as of April 1, 2008 (the “Sublease”), by and between the Authority and the City. The City will lease the Leased Property to the Authority pursuant to an Amended and Restated Lease, dated as of April 1, 2008 (the “Lease”), by and between the City and the Authority, and the Authority will lease the Leased Property back to the City pursuant to the Sublease. The Base Rental Payments are designed to be sufficient in both time and amount to pay, when due, the principal of and interest on the 2008 Series B Bonds. The Base Rental Payments are payable by the City from its General Fund for the right to the use and possession by the City of the Administration Buildings, the land upon which the Administration Buildings are constructed, and all other structures and fixtures thereon (collectively, the “Leased Property”). See “THE LEASED PROPERTY” and “SECURITY AND SOURCE OF PAYMENT FOR THE 2008 SERIES B BONDS.”

A Reserve Fund is established under the Trust Agreement and amounts therein are pledged to pay principal of and interest on the 2008 Series B Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2008 SERIES B BONDS—Reserve Fund.”

Bond Insurance

The scheduled payment of principal of and interest on the Bonds (other than the Bonds maturing on August 1, 2008) when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. See “BOND INSURANCE.”

Bonds Constitute Limited Obligations: Sublease Payments Not Debt

The 2008 Series B Bonds are special limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit nor the taxing power of the City, any

Member of the Authority, the State of California or any subdivision thereof is pledged for the payment of the interest on, or principal or redemption price of the 2008 Series B Bonds or for the payment of Base Rental Payments. Neither the payment of the principal or interest on the 2008 Series B Bonds nor the obligation of the City to make Base Rental Payments under the Sublease constitutes a debt, liability or obligation of the City, the State of California, any political subdivision thereof or any Member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Continuing Disclosure

The Authority and the City have covenanted for the benefit of the Owners and the beneficial owners of the 2008 Series B Bonds to provide certain financial information and operating data relating to the City and the Authority no later than nine months following the end of the City's fiscal year (presently June 30) (the "Annual Report"), commencing with the report for the 2007-08 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if deemed by the Authority or the City to be material under federal securities laws. The Annual Report will be filed by the City on behalf of both entities with each Nationally Recognized Municipal Securities Information Repository and the State Repository, if any, or with the Central Post Office, through which the City currently makes its continuing disclosure filings. The notices of material events will be filed by the City on behalf of both entities with each National Repository or the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in APPENDIX E—"FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

The Authority and the City have never failed to comply in any material respect with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Reference to Original Documents

Brief descriptions of the 2008 Series B Bonds, the Authority, the City, the Leased Property, and the Project are included in this Official Statement, together with summaries of the Trust Agreement, the Lease and the Sublease. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the 2008 Series B Bonds, the Trust Agreement, the Lease and the Sublease are qualified in their entirety by reference to the actual documents, or with respect to the 2008 Series B Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the corporate trust office of the Trustee at 550 Kearny Street, San Francisco, California 94108.

Additional Information

The City regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain periodic activity reports. Any Owner 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 the Treasury Manager, City of Oakland, Treasury Division, 150 Frank H. Ogawa Plaza, 5th Floor, Oakland, California 94612, phone: 510-238-3201.

PLAN OF REFUNDING

The Authority will apply a portion of the proceeds from the sale of the 2008 Series B Bonds, together with certain other available moneys (including funds, if any, currently held under the Prior Indenture as defined below), to refund all of the \$51,075,000 Outstanding principal amount of the Authority's Lease Revenue Refunding Bonds, 2004 Series A-1 (Auction Rate Securities) and

\$51,075,000 Outstanding principal amount of the Authority Lease Revenue Refunding Bonds, 2004 Series A-2 (Auction Rate Securities) (together, the “Prior Bonds”). The Prior Bonds will be redeemed on the date of issuance of the 2008 Series B Bonds.

DEBT SERVICE SCHEDULE

The following table presents the estimated annual debt service requirements for the 2008 Series B Bonds.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
August 1, 2008	\$3,745,000	\$1,239,932	\$4,984,932
February 1, 2009	–	2,414,326	2,414,326
August 1, 2009	4,315,000	2,414,326	6,729,326
February 1, 2010	–	2,328,026	2,328,026
August 1, 2010	4,455,000	2,328,026	6,783,026
February 1, 2011	–	2,277,908	2,277,908
August 1, 2011	4,560,000	2,277,908	6,837,908
February 1, 2012	–	2,219,768	2,219,768
August 1, 2012	4,685,000	2,219,768	6,904,768
February 1, 2013	–	2,153,006	2,153,006
August 1, 2013	4,825,000	2,153,006	6,978,006
February 1, 2014	–	2,080,631	2,080,631
August 1, 2014	4,975,000	2,080,631	7,055,631
February 1, 2015	–	2,002,275	2,002,275
August 1, 2015	5,160,000	2,002,275	7,162,275
February 1, 2016	–	1,899,075	1,899,075
August 1, 2016	5,395,000	1,899,075	7,294,075
February 1, 2017	–	1,766,575	1,766,575
August 1, 2017	5,660,000	1,766,575	7,426,575
February 1, 2018	–	1,631,663	1,631,663
August 1, 2018	5,935,000	1,631,663	7,566,663
February 1, 2019	–	1,493,500	1,493,500
August 1, 2019	6,230,000	1,493,500	7,723,500
February 1, 2020	–	1,337,750	1,337,750
August 1, 2020	6,545,000	1,337,750	7,882,750
February 1, 2021	–	1,174,125	1,174,125
August 1, 2021	6,885,000	1,174,125	8,059,125
February 1, 2022	–	1,002,000	1,002,000
August 1, 2022	7,235,000	1,002,000	8,237,000
February 1, 2023	–	821,125	821,125
August 1, 2023	7,605,000	821,125	8,426,125
February 1, 2024	–	631,000	631,000
August 1, 2024	7,995,000	631,000	8,626,000
February 1, 2025	–	431,125	431,125
August 1, 2025	8,405,000	431,125	8,836,125
February 1, 2026	–	221,000	221,000
August 1, 2026	<u>8,840,000</u>	<u>221,000</u>	<u>9,061,000</u>
TOTAL [†]	\$113,450,000	\$57,009,687	\$170,459,687

[†] Totals may not add due to independent rounding.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds, including proceeds from the sale of the 2008 Series B Bonds. See “PLAN OF REFUNDING.”

<u>Sources of Funds</u>	
Principal Amount of 2008 Series B Bonds	\$113,450,000.00
<i>Plus:</i> Net Original Issue Premium	<u>5,489,253.05</u>
TOTAL SOURCES OF FUNDS	\$118,939,253.05
 <u>Uses of Funds</u>	
Payment of Prior Bonds ⁽¹⁾	\$102,150,000.00
Deposit to Reserve Fund	9,061,350.00
Deposit to Costs of Issuance Fund ⁽²⁾	1,526,359.41
Swap Termination Payment ⁽³⁾	5,674,000.00
Underwriters’ Discount	<u>527,543.64</u>
TOTAL USES OF FUNDS	\$118,939,253.05

(1) See “PLAN OF REFUNDING.”

(2) Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor and the Trustee, printing costs, bond insurance premium, rating agency fees, and other miscellaneous costs of issuance.

(3) Amount paid in connection with two interest rate swap agreements related to the Prior Bonds.

THE 2008 SERIES B BONDS

General

The 2008 Series B Bonds will be dated the date of delivery thereof and will mature on August 1 of the years shown on the inside cover page. The 2008 Series B Bonds will be issued in fully registered form, individual purchases being made in book-entry form only, in Authorized Denominations of \$5,000 or any integral multiple thereof. Principal of and interest on the 2008 Series B Bonds are payable by the Trustee to The Depository Trust Company, New York, New York (“DTC”), as the registered Owner of the 2008 Series B Bonds, which will in turn remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the 2008 Series B Bonds. See APPENDIX F–“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption Provisions

Optional Redemption. The 2008 Series B Bonds maturing on or prior to August 1, 2018 shall not be subject to optional redemption. The 2008 Series B Bonds maturing on or after August 1, 2019 are subject to redemption on or after August 1, 2018, at the option of the Authority, from moneys deposited with the Trustee by the Authority or the City, as a whole or in part on any date at a Redemption Price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption.

Extraordinary Redemption. The 2008 Series B Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as described below, as a whole or in part by lot within each stated maturity in integral multiples of Authorized Denominations, from prepayments (from insurance or eminent domain proceeds) made by the City pursuant to the

Sublease, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the Redemption Date.

Whenever less than all of the Outstanding 2008 Series B Bonds are to be redeemed on any one date, the Trustee shall select, in accordance with written directions from the Authority, the 2008 Series B Bonds to be redeemed in part from the Outstanding 2008 Series B Bonds so that the aggregate annual principal amount of and interest on 2008 Series B Bonds which shall be payable after such Redemption Date shall be as nearly proportional as practicable to the aggregate annual principal amount of and interest on Outstanding 2008 Series B Bonds prior to such Redemption Date.

Pursuant to the Sublease and the Trust Agreement, in the event of any damage to or destruction of any part of the Leased Property covered by insurance or condemnation proceeds, the Authority, except as otherwise provided in the Sublease and the Trust Agreement and described herein, will cause such insurance or condemnation proceeds to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property. Alternatively, if the proceeds of such insurance and any amounts transferable from the Reserve Fund as allocable to the 2008 Series B Bonds to be redeemed, together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of Outstanding 2008 Series B Bonds equal to the amount of Outstanding 2008 Series B Bonds attributable to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Leased Property bears to the aggregate cost of the Leased Property), the City may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon will cause said proceeds to be used for the redemption of Outstanding 2008 Series B Bonds pursuant to the provisions of the Trust Agreement described above. Under the Trust Agreement, within 90 days from the date of the damage or destruction, the City will develop a plan to repair the Leased Property or to use the insurance or condemnation proceeds to prepay all or a portion of the Base Rental Payments. The aggregate annual amounts of Base Rental Payments which will be payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date. Insurance or condemnation proceeds will not be used for a partial redemption of the 2008 Series B Bonds unless the Base Rental Payments on the undamaged portion of the Leased Property will be sufficient to pay the initially-scheduled principal and interest on the 2008 Series B Bonds remaining unpaid after such redemption.

Procedure for and Notice of Redemption. Notice of redemption will be e-mailed (with confirmation of receipt by return e-mail or phone call) or mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of the 2008 Series B Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Each notice of redemption will state the date of such notice, the date of issue of the 2008 Series B Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2008 Series B Bonds of such maturity, to be redeemed and, in the case of 2008 Series B Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2008 Series B Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such 2008 Series B Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice will not invalidate any of the proceedings taken in connection with such redemption.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption and must, in the event there will be insufficient funds held by the Trustee on the redemption date to pay the redemption price (including premium, if any) of the 2008 Series B Bonds, rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee will mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the 2008 Series B Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2008 Series B Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such 2008 Series B Bonds will cease to accrue, and the Owners of such 2008 Series B Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

All 2008 Series B Bonds redeemed as described above will be cancelled by the Trustee and will be destroyed with a certificate of destruction furnished to the Authority upon its request and will not be reissued.

Selection of 2008 Series B Bonds for Redemption. The Authority will designate which maturities of 2008 Series B Bonds are to be redeemed. If less than all Outstanding of the same Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee will select the 2008 Series B Bonds of such maturity date to be redeemed by lot in any manner that it deems appropriate. For purposes of such selection, 2008 Series B Bonds will be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

SECURITY AND SOURCE OF PAYMENT FOR THE 2008 SERIES B BONDS

General

The 2008 Series B Bonds constitute limited obligations of the Authority, and are payable solely from and secured as to principal and interest thereon, and as to any premiums upon the redemption of any thereof, solely by (i) the Revenues, (ii) all amounts on deposit in the Revenue Fund, (iii) any other amounts (including proceeds of the sale of the 2008 Series B Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than the Rebate Fund). The 2008 Series B Bonds do not constitute an indebtedness of the Authority or the City within the meaning of any constitutional or statutory debt limitation or restriction and do not constitute obligations, nor evidence any indebtedness, of the City or of the State.

Revenues are defined in the Trust Agreement to mean (i) all Base Rental Payments paid by the City and received by the Authority pursuant to the Sublease (but not Additional Payments), and (ii) all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Sublease.

Base Rental Payments

The obligation of the City to make Base Rental Payments, when due, is a General Fund obligation of the City and does not constitute a debt of the City for which the City is obligated to pledge or levy any form of taxation or for which the City has levied or pledged any form of taxation. Base Rental Payments will be made from amounts included in the City's annual budget and appropriated therefor except to the extent payments are made from proceeds of the 2008 Series B Bonds, rental interruption insurance, the net proceeds of insurance or condemnation awards or certain other moneys held under the Trust

Agreement, including moneys held in the Reserve Fund established under the Trust Agreement. The City covenants in the Sublease to take such action as maybe necessary to include the Base Rental Payments and Additional Payments estimated by the City to be payable under the Sublease as a separate line item in its annual budget, and to make necessary annual appropriations (and to the extent necessary, supplemental appropriations) for the Base Rental Payments and Additional Payments. These appropriations will be made from the City's General Fund. See APPENDIX A—"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B—"CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007" attached hereto for information on amounts historically available in the General Fund. In the event the City's General Fund revenue sources are less than its total obligations, the City could choose to fund other City services before making Base Rental Payments. The same result could occur if State constitutional and statutory limits on expenditures become enacted prohibiting the City from appropriating and spending all of its collected taxes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

The Trustee, pursuant to the Trust Agreement and the Sublease, will receive Base Rental Payments for the benefit of the Bond Owners. The City is required under the Sublease to make Base Rental Payments from legally available funds on or before each Base Rental Due Date, being each Business Day that is at least four (4) Business Days prior to the Interest and Principal Payment Dates with respect to the 2008 Series B Bonds. The Base Rental Payments are scheduled to be sufficient to pay, when due, the principal of, redemption premium, if any, and interest on the 2008 Series B Bonds. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Sublease."

The Trustee's obligation to make such payments to Bond Owners is limited to amounts designated as principal of, redemption premium, if any, and interest on the 2008 Series B Bonds. Additional Payments due from the City under the Sublease include amounts sufficient to pay certain administrative costs, including the fees and expenses of the Trustee. Base Rental Payments and Additional Payments will be abated during any period in which by reason of any material damage, destruction or condemnation there is substantial interference with the use of the Leased Property by the City to the extent the Leased Property rendered unusable reduces the fair rental value of the Leased Property below the amount of Base Rental Payments and Additional Payments during any Rental Payment Period. See "—Abatement due to Damage or Destruction," "—Eminent Domain" and "RISK FACTORS—Abatement." The City is also responsible for repair and maintenance of the Leased Property during the term of the Sublease. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Sublease."

If the City defaults on its obligations to make Base Rental Payments with respect to the Leased Property, the Authority may (1) collect each installment of rent as it becomes due and enforce any other terms or provision of the Sublease, regardless of whether or not the City has abandoned the Leased Property, (2) terminate the Sublease or, (3) without terminating the Sublease, re-enter the Leased Property and re-let the Leased Property as the agent and for the account of the City. Due to the specialized nature of the Leased Property, no assurance can be given that the Authority will be able to re-let the Leased Property so as to provide rental income sufficient to make Base Rental Payments in a timely manner. Any suit for rent or money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "—Defaults and Remedies" below and APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Sublease."

The exercise of any rights or remedies under the Sublease do not permit acceleration of Base Rental Payments and are subject to the terms and provisions of the Trust Agreement.

Appropriations Covenant

The City has covenanted in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments as a separate line item in its annual budget and to make the necessary annual appropriations (and, to the extent necessary, supplemental appropriations) therefor. The City has agreed that the rentals and other payments provided for in the Sublease are to be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever. The Sublease provides that the covenants of the City thereunder are deemed duties imposed by law, and it further provides that it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements of the City contained in the Sublease.

The Sublease provides that the Authority and the City intend that the obligation of the City to pay Base Rental Payments and Additional Payments will constitute a current expense of the City and is not to be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor is anything contained in the Sublease intended to constitute a pledge of the general tax revenues, funds or moneys of the City. Base Rental Payments and Additional Payments due under the Sublease will be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Sublease as consideration for the use of the Leased Property. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Sublease.

Reserve Fund

A Reserve Fund is pledged to pay principal of and interest on the 2008 Series B Bonds. "Reserve Fund Requirement" is defined as of any date of calculation, an amount which shall be equal to the least of: (i) ten percent (10%) of the principal amount of the Outstanding 2008 Series B Bonds; (ii) maximum annual debt service with respect to the Outstanding 2008 Series B Bonds; or (iii) one hundred twenty-five percent (125%) of average annual debt service with respect to the Outstanding 2008 Series B Bonds. Maximum annual debt service and average annual debt service, for purposes of this definition, shall be calculated on the basis of twelve-month periods ending on August 1 of any year in which 2008 Series B Bonds are Outstanding. The Reserve Requirement for Additional Bonds may be revised in a Supplemental Trust Agreement to conform to a common or separate account in the Reserve Fund, as applicable. Upon the issuance of the 2008 Series B Bonds, \$9,061,350, which will be equal to the Reserve Fund Requirement, will be deposited into the Reserve Fund.

The Trust Agreement provides that the Authority may fund all or part of the Reserve Fund Requirement with a surety bond or insurance policy issued by a municipal bond insurer initially rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, or with or letter of credit issued or confirmed by a state or national bank, or a foreign bank with an agency or branch located in the continental United States, which initially has outstanding an issue of unsecured long term debt securities rated in at least the second highest rating category by Moody's, S&P and Fitch (disregarding rating subcategories).

Amounts on deposit in the Reserve Fund may be used solely for the purpose of funding the Interest Account or the Principal Account, in that order, in the event of any deficiency in either of such accounts on a Principal or Interest Payment Date. If the Reserve Fund Requirement is satisfied by a surety bond, insurance policy or letter of credit (a "Reserve Facility"), the Trustee will draw on such Reserve Facility in accordance with its terms, in a timely manner, to the extent necessary to fund any such deficiency in the Interest Account or the Principal Account; provided that the Trustee will apply cash and

investments, if any, in the Reserve Fund prior to a drawing on any Reserve Facility. In the event there is more than one Reserve Facility, draws on the Reserve Facilities will be made on a pro-rata basis (calculated by reference to the coverage then available under each Reserve Facility) and only after applying all available cash and investments in the Reserve Fund.

Use of the Leased Property

General. The City has covenanted in the Sublease not to install, use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Sublease. The City shall provide all permits and licenses, if any, necessary for the installation and operation of the Leased Property. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Leased Property) with all laws of the jurisdictions in which their operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, however, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Sublease.

Maintenance and Utilities. Throughout the term of the Sublease, all maintenance and repair, both ordinary and extraordinary, of the Leased Property will be the responsibility of the City, which will at all times maintain or otherwise arrange for the maintenance of the Leased Property, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and will pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof or any other cause and will pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Leased Property.

Changes to the Leased Property. Subject to the Sublease, the City will, at its own expense, have the right to remodel the Leased Property or to make additions, modifications and improvements to the Leased Property. All such additions, modifications and improvements will thereafter comprise part of the Leased Property and be subject to the provisions of the Sublease. Such additions, modifications and improvements may not in any way damage the Leased Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made pursuant to the Sublease, must be of a value which is at least equal to the value of the Leased Property immediately prior to the making of such additions, modifications and improvements.

Installation of City's Equipment. The City and any sublessee may at any time and from time to time, in their sole discretion and at their own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of such party, in which neither the Authority nor the Trustee shall have any interest, and may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in the Sublease prevents the City from purchasing items to be installed under a conditional sale or sublease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Property.

Liens. The City has covenanted in the Sublease not to grant or permit any encumbrances or liens upon the Leased Property except for Permitted Encumbrances or as expressly provided therein.

Insurance

The Sublease provides that all policies of insurance described below under “–Hazard Insurance” and “–Rental Interruption or Use and Occupancy Insurance” must be provided by an insurance company with a claims paying ability rated at least “A” by Moody’s, S&P and Fitch (or unless the alternative method of self-insurance described below is utilized). The Sublease does not require the City to maintain rental interruption insurance on the Leased Property due to loss of use and occupancy of the Leased Property caused by earthquakes, flood or terrorism. See “RISK FACTORS.”

Hazard Insurance. The Sublease provides that the City, at its own expense, will insure or have insured the Leased Property in an amount equal to the replacement cost (without deduction for depreciation) of all property constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land of said replacement cost for any one loss and except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$1,000,000 or a comparable deductible adjusted for inflation, or, in the alternative, will be in an amount and in a form sufficient, in the event of total or partial loss, to enable all 2008 Series B Bonds then Outstanding to be redeemed. The City is not required to obtain earthquake, flood or terrorism insurance on the Leased Property.

In the event of any damage to or destruction of any part of the Leased Property caused by the perils covered by such insurance, or in the event of receipt of condemnation proceeds, the Authority, except as described below, will cause the proceeds of such insurance or condemnation proceeds to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the Trustee will hold said proceeds under the Trust Agreement separate and apart from all other funds, in a special fund to be designated the “Insurance and Condemnation Fund,” to the end that such proceeds will be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, the Authority, if the proceeds of such insurance and any amounts transferable from the Reserve Fund as allocable to the 2008 Series B Bonds to be redeemed, together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of Outstanding 2008 Series B Bonds equal to the amount of Outstanding 2008 Series B Bonds attributable to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Leased Property bears to the aggregate cost of the Leased Property), may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon will cause said proceeds to be used for the redemption of Outstanding 2008 Series B Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the City will promptly apply for federal disaster aid or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake or other disaster occurring at any time. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or to redeem Outstanding 2008 Series B Bonds if such use of such disaster aid is permitted.

Liability Insurance. The Sublease also requires the City to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Sublease a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of \$5,000,000 for personal injury or death of each person and \$10,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$750,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$10,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing the insurance described above, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Sublease, there will be filed with the Trustee a certificate of an Insurance Consultant or other qualified person setting forth the details of such substitute method or plan and stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements described above and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby.

Rental Interruption or Use and Occupancy Insurance. The Sublease requires the City to procure or cause to be procured and maintain or cause to be maintained throughout the term of the Sublease, to the extent such insurance is commercially available, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Leased Property as the result of any of the hazards covered by the insurance described under “–Hazard Insurance” above, in an amount sufficient to pay Base Rental Payments hereunder for a 24-month period except that such insurance may be subject to a deductible clause of not to exceed an amount equal to 30 days of Base Rental Payments for the portion of the Leased Property damaged or destroyed. Any proceeds of such insurance and any amounts transferred from the Reserve Fund will be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Sublease attributable to such structure for a period of time during which the payment of rental under the Sublease is abated, and any proceeds of such insurance not so used will be applied as Base Rental Payments or Additional Payments, as provided in the Sublease.

The Sublease does not require the City to maintain rental interruption insurance on the Leased Property due to loss of use and occupancy of the Leased Property caused by earthquakes, flood or terrorism. See “RISK FACTORS.”

Worker’s Compensation. The Sublease requires the City to maintain worker’s compensation insurance issued by a responsible carrier authorized under the laws of the State to insure their employees against liability for compensation under the Worker’s Compensation Insurance and Safety Act, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City. Such insurance may be maintained by the City in the form of self-insurance.

Title Insurance. The Sublease requires the City to maintain throughout the term of the Sublease, title insurance on the Leased Property, in the form of a ALTA leasehold title policy in an amount equal to the aggregate principal component of unpaid Base Rental Payments, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

Abatement due to Damage or Destruction

Base Rental Payments and Additional Payments due under the Sublease will be abated during any period in which by reason of any material damage or destruction (other than by condemnation which is described in the following paragraph) there is substantial interference with the use of the Leased Property by the City to the extent the Leased Property rendered unusable reduces the fair rental value of the Leased Property below the amount of Base Rental Payments and Additional Payments during any Rental Payment Period. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Sublease will continue in full force and effect and the City has waived the benefits of California Civil Code Section 1932(2) and 1933(4), and any and all other rights to terminate the Sublease by virtue of any such damage or destruction or interference. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Trust Agreement, Base Rental Payments will not be abated as described above, but rather will be payable by the City as a special obligation payable solely from said funds and accounts.

Eminent Domain

If the whole of the Leased Property or so much thereof as to render the remainder unusable for the purposes for which it was used by the City is taken under the power or threat of eminent domain, the term of the Sublease will cease as of the day that possession is taken. If less than the whole of the Leased Property is taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Sublease will continue in full force and effect as to such remainder, and in such event there shall be a partial abatement of the rental due under the Sublease in an amount equivalent to the amount by which the annual payments of principal of and interest on the 2008 Series B Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding 2008 Series B Bonds. So long as any of the 2008 Series B Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof will be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Sublease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, will be paid to the City. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Sublease—Prepayment."

The City has covenanted in the Sublease that it will not take the Authority's interest in the Leased Property under the power or threat of eminent domain unless the City prepays all Base Rental Payments pursuant to the Sublease. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Sublease—Prepayment."

Ability to Sell or Dispose of Certain Portions of the Leased Property

Subject to certain conditions, the City may request the Authority to sell, exchange or otherwise transfer, convey or dispose of any part of the Leased Property, and release said part of the Leased Property from the Sublease if (i) in the opinion of the City the property so sold or exchanged is no longer required or useful in connection with the operation of the Leased Property, and (ii) the consideration to be

received from the property is of a value substantially equal to the value of the property to be released or the property is being replaced with property which has fair rental value at least equal to the Base Rental Payments. See APPENDIX C--“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS--Sublease--Option to Purchase; Sale or Disposition of Leased Property.”

Defaults and Remedies

Events of default under the Sublease include: (1) failure of the City to pay any Base Rental Payment, Additional Payment or other amount payable thereunder when the same becomes due and payable as provided in the Sublease, (2) certain events of bankruptcy with respect to the City, (3) assignment of all or part of the City’s interest in the Sublease without the prior written consent of the Authority, (4) abandonment of the Leased Property by the City, or (5) failure by the City to observe and perform any other term, covenant or condition contained in the Sublease, for a period of 30 days (or for such additional time as is reasonably required, in the discretion of the Trustee) after notice specifying such failure and requesting that it be remedied is given to the City by the Authority, the Trustee.

Upon the occurrence of an event of default, the Authority has the right, at its option, without any further demand or notice, to terminate the Sublease in the manner provided in the Sublease and to re-enter the Leased Property, or, without terminating the Sublease, to collect each installment of rent as it becomes due and enforce any other terms or provision thereof to be kept or performed by the City, regardless of whether or not the City has abandoned the Leased Property, or to exercise any and all rights of entry and re-entry upon the Leased Property. The Authority may re-let the Leased Property as the agent and for the account of the City upon such terms and conditions as the Authority may deem advisable (but only for the term of the Lease), in which event the rents received on such re-letting will be applied to the payment of Base Rental Payments in accordance with the Sublease and the Trust Agreement. In the event the Authority does not elect to terminate the Sublease as described above, the City will remain liable and has agreed to keep or perform all covenants and conditions set forth in the Sublease, if the Leased Property is not re-let, and to pay the full amount of the rent to the end of the term of the Sublease or, in the event that the Leased Property is re-let, to pay any deficiency in rent that results therefrom.

The Authority also has such other remedies as are legally available. In no event does the Authority have the right to accelerate the payment of any Base Rental Payments under the Sublease. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES B BONDS” and APPENDIX C--“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS--Sublease--Defaults and Remedies.”

Additional Bonds

The Authority may issue additional bonds under the Trust Agreement on a parity with Outstanding 2008 Series B Bonds, subject to the terms and conditions set forth therein. See APPENDIX C--“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

BOND INSURANCE

The following information is not complete and reference is made to Appendix G for a specimen of the financial guaranty insurance policy (the “Policy”) of Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”). **The Bonds maturing on August 1, 2008 are not insured and references to the “Bonds” under this caption “BOND INSURANCE” excludes such Bonds.**

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the “Insured Payments”). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

“Due for Payment” means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

“Nonpayment” means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. (“Assured Guaranty”) is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty’s business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty’s financial strength is rated “AAA” by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “AAA” by Fitch, Inc. (“Fitch”) and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp. As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (unaudited), total liabilities of \$961,967,238 (unaudited), total surplus of \$399,571,264 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$982,045,695 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2006, Assured Guaranty had total admitted assets of \$1,248,270,663 (audited), total liabilities of \$962,316,898 (audited), total surplus of \$285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of \$916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) in making such determinations.

Incorporation of Certain Documents by Reference. The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the “SEC”) on February 29, 2008); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading “BOND INSURANCE–The Insurer” shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC’s web site at <http://www.sec.gov> and at AGL’s web site at <http://www.assuredguaranty.com>, from the SEC’s Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “BOND INSURANCE.”

THE LEASED PROPERTY

Description

The Leased Property consists of two City administration buildings (the Wilson Building located at 150 Frank H. Ogawa Plaza, and the Dalziel Building located at 250 Frank H. Ogawa Plaza, together, the “Administration Buildings”), the land upon which such buildings are constructed, and all other structures and fixtures thereon. The Administration Buildings are located on two neighboring blocks, one beside and one opposite the Oakland City Hall. The Wilson Building is located on the site bound by Broadway, San Pablo Avenue, Frank H. Ogawa Plaza and Kahn Alley (the “Broadway Site”). The Dalziel Building is located on the site bound by 15th Street, Clay Street, 16th Street, San Pablo Avenue

and Frank H. Ogawa Plaza (the “Dalziel Site”). The Administration Buildings are compatible with the existing early twentieth century architecture in the area.

The Leased Property is fully handicapped accessible. Elevators and stairways connect all components of the Administration Buildings to facilitate accessibility. Public safety enhancements, including sprinklers, smoke detection and removal systems are incorporated throughout. The Leased Property meets or exceeds State and City Building Code requirements for earthquake resistance.

The Wilson Building. The centerpiece of the Wilson Building on the Broadway Site is the restored eight-story historic Broadway Building (65,000 gross square feet) with an adjacent eight-story addition completed in 1998 with a gross square footage of 120,000, for a total of 185,000 square feet. This structure provides office space for 400 City employees in eight departments, and includes 20,000 square feet of ground floor leased retail space. City departments occupying space in the Wilson Building include the Finance and Management Agency, the Fire Services Agency, the Life Enrichment Agency and the Personnel Department. Currently, a total of 5,524 square feet of retail space is leased to two business establishments located on the ground floor. A national bank occupies 3,929 square feet of space with a lease term of 10 years expiring in 2012. A coffee shop occupies 1,595 square feet of space with a lease term of 10 years expiring in 2009.

The Dalziel Building. This building consists of a six-story structure of 246,000 square feet constructed in 1998 which provides offices for 600 City employees in eight departments. This building also contains 18,500 square feet of leased ground floor retail space and an additional 18,000 square feet of leased space on the upper levels. City Departments occupying space in the Dalziel Building include the Community and Economic Development Agency, the Public Works Agency, the Budget Office and the Business Tax Department. The Oakland Municipal Credit Union leases approximately 10,000 square feet on the sixth floor.

Seismic Considerations

When the Administration Buildings were renovated and constructed, the City and the contractor retained the services of geotechnical consultants located in Oakland, California, to conduct a preliminary geotechnical evaluation of the sites on which the Administration Buildings are located and to act as geotechnical consultants to the project. According to the preliminary geotechnical evaluation report prepared for the City dated September, 1992 and the final geotechnical engineering study prepared for the contractor dated December, 1995 (collectively, the “Geotechnical Reports”), the geotechnical consultants concluded that the potential for liquefaction during a major earthquake at the sites on which the Administration Buildings are located is “very low” and, therefore, the potential damage to the Leased Property resulting from a major earthquake due to soil liquefaction is expected to be very low. See “RISK FACTORS–Seismic Risks.”

In addition to compliance with the seismic provisions of the City Building Code, the contractor was required during the renovation and construction of the Administration Buildings, to design the structures with the performance goal of being “fully operational” after an earthquake on the Hayward fault with a magnitude of 7.0 on the Richter scale. “Fully operational” is defined as the resumption of full operations within hours of a seismic event, with the expectation that some clean-up work would limit operations in some localized areas of the Leased Property. See “RISK FACTORS–Seismic Risks.”

THE CITY

The City ranges from industrialized lands bordering the Bay in the west to suburban foothills in the east. Historically the industrial heart of the Bay Area, the City has developed into a financial, commercial and governmental center. The City is the hub of an extensive transportation network which includes freeway systems 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 eighth most populous city in the State. See APPENDIX A—"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B—"CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated as of February 1, 1993, by and between the City and the Agency. The Authority is authorized pursuant to the Act to borrow money for the purpose of financing or refinancing the cost of any public capital improvement. The Authority functions as an independent entity and its policies are determined by its governing board. The governing board is comprised in its entirety of members of the City Council. The Authority has no employees and all staff work is done by the City staff or by consultants to the Authority. The current officers of the Authority are Deborah Edgerly, Executive Director, William E. Noland, Treasurer and LaTonda Simmons, Secretary.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the 2008 Series B Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the 2008 Series B Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the 2008 Series B Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the 2008 Series B Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Base Rental Payments Not City Debt; No Tax Pledge

The 2008 Series B Bonds are special limited obligations of the Authority and will be payable from and secured solely by (i) the Revenues, (ii) all amounts on deposit in the Revenue Fund, (iii) any other amounts (including proceeds of the sale of the 2008 Series B Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than the Rebate Fund). Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the Base Rental Payments or the principal or redemption price of or interest on the 2008 Series B Bonds. The Authority has no taxing power. Neither the 2008 Series B Bonds nor the obligation of the City to make Base Rental Payments under the Sublease constitutes a debt of the City, the State or any political subdivision thereof within the meaning of the Constitution or the laws of the State.

Appropriation of Base Rental Payments

The obligation of the City to make Base Rental Payments, when due, is a General Fund obligation of the City and does not constitute a debt of the City for which the City is obligated to pledge or levy any form of taxation or for which the City has levied or pledged any form of taxation. Base Rental Payments will be made from amounts included in the City's annual budget and appropriated therefor except to the extent payments are made from rental interruption insurance, the net proceeds of insurance or condemnation awards, or certain other accounts, funds or moneys held under the Trust Agreement, including the Reserve Fund established under the Trust Agreement. The obligation of the City to make Base Rental Payments is in consideration of the right of the City to the continued beneficial use and possession of the Leased Property. In the event of failure of such beneficial use and possession, the obligation of the City may be abated in whole or in part as described herein.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Sublease to pay the Base Rental Payments and Additional Payments from any source of legally available funds and the City has covenanted in the Sublease that, for so long as the Leased Property is available for its use, it will make the necessary annual appropriations (and to the extent necessary, supplemental appropriations) within its budget for the Base Rental Payments and Additional Payments. The City is currently liable and may become liable on other obligations payable from its General Fund, some of which may have a priority over the Base Rental Payments.

The City has the capacity to enter into other obligations which may be payable from its General Fund. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. The same result could occur if, because of State constitutional and statutory limits on expenditures, the City is not permitted to appropriate and spend all of its collected taxes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

The City relies on a number of revenue sources that are dependent on economic conditions and that could be reduced or eliminated by State legislation, including, among others, sales and use taxes, property taxes, and motor vehicle license fees. There can be no assurance that the State will not adopt legislation to reduce or eliminate one or more of these revenue sources. See "RISK FACTORS—Risks Involving State Budget and Legislation."

Abatement

Beneficial Use and Possession of the Leased Property. The obligation of the City under the Sublease to make Base Rental Payments is in consideration for the beneficial use and possession of the Leased Property. The obligation of the City to make Base Rental Payments (other than to the extent that funds are available in the Revenue Fund, including the Reserve Fund, or from the proceeds of rental interruption insurance, if available) may be abated in whole or in part if the City does not have full use and possession of the Leased Property. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2008 SERIES B BONDS—Abatement due to Damage or Destruction." and APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Sublease."

Damage or Destruction: Eminent Domain. If damage or destruction or eminent domain proceedings with respect to the Leased Property result in abatement or adjustment of Base Rental Payments and the resulting Base Rental Payments, together with moneys in the Reserve Fund (and in the event of damage or destruction, together with rental interruption insurance proceeds, if any), are insufficient to make all payments of principal of and interest on the 2008 Series B Bonds during the period that the Leased Property is being restored, repaired or reconstructed, then such payments of principal and interest may not be made in full and no remedy is available to the Trustee or the Owners of

the 2008 Series B Bonds under the Sublease or Trust Agreement for nonpayment under such circumstances. The City, however, is obligated under the Sublease to maintain casualty insurance. See APPENDIX C--“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS--Sublease.”

Seismic Risks

The City is in an area considered to be seismically active. During the past 150 years, the San Francisco Bay Area has experienced several major and numerous minor earthquakes. The largest was the 1906 San Francisco earthquake along the San Andreas fault with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta Earthquake with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of San Francisco. Both the San Francisco and Oakland area sustained major damage. The City experienced significant damage to several buildings within the City, especially unreinforced masonry buildings constructed prior to 1970 and prior to current building code requirements. The Leased Property does not include any unreinforced masonry buildings. Much of the damage resulting from the Loma Prieta earthquake was due to soil liquefaction. Liquefaction is a phenomenon during which loose, saturated, non-cohesive soils temporarily lose shear strength during ground shaking induced by severe earthquakes. According to the Geotechnical Reports, the liquefaction potential at the Leased Property sites is considered “very low,” and therefore, the potential damage to the Leased Property resulting from a major earthquake due to soil liquefaction is very low. See “THE LEASED PROPERTY--Seismic Considerations.” See also APPENDIX A--“CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND--OTHER FISCAL INFORMATION--Natural Hazard Risks.”

The Leased Property lies close to three major active earthquake faults (the Hayward, Calaveras and San Andreas faults) and may sustain damage as a result of an earthquake. The City is not obligated under the Sublease to provide earthquake insurance on the Leased Property. In the event of damage or destruction to the Leased Property caused by perils for which the City is not required to provide insurance under the Sublease, the City will not be obligated to repair, replace or reconstruct the Leased Property or to make Base Rental Payments with respect to any damaged portion of the Leased Property. The obligation of the City to make Base Rental Payments may be abated if the Leased Property or any improvements thereon are damaged or destroyed by hazards such as earthquakes. See APPENDIX C--“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS--Sublease.”

Risks Involving State Budget and Legislation

The State has in prior years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State.

The State of California is likely to continue to face significant budget issues for the foreseeable future. The State faces major challenges related to recent shortfalls in the budget and an ongoing structural imbalance between revenues and expenditures.

Fiscal Year 2006-07. The 2006-07 Budget Act (the “State 2006 Budget Act”) was adopted by the Legislature on June 27, 2006 and signed by the Governor on June 30, 2006. The State 2006 Budget Act assumes Fiscal Year 2006-07 revenues of \$94.4 billion and expenditures of \$101.3 billion, resulting in an operating short-fall of \$7 billion, which partly reflects the prepayment of \$2.8 billion in budgetary debt obligations, leaving the State General Fund with a year-end reserve of \$2 billion, compared to the \$9 billion year-end reserve in Fiscal Year 2005-06.

Fiscal Year 2007-08. The 2007-08 Budget Act (the “State 2007 Budget Act”) was adopted by the Legislature on August 21, 2007 and signed by the Governor on August 24, 2007. The State 2007 Budget Act assumes Fiscal Year 2007-08 revenues of \$101.2 billion and expenditures of \$102.3 billion, resulting in an operating short-fall of \$1.1 billion, leaving the State General Fund with a year-end reserve of \$4.1 billion.

The weakened economy has led to revenue shortfalls for the State. The Governor’s proposed 2008-09 budget, released on January 10, 2008, noted that “The Budget Act of 2007 projected a reserve of \$4.1 billion, the largest planned reserve in the state’s history. It also showed that the deficit would re-emerge next year with spending exceeding revenues by \$6.1 billion. Since those projections were made, the budget situation has deteriorated dramatically.” The Proposed Budget further states that changes have occurred since adoption of the State 2007 Budget Act which have “resulted in a projected shortfall of \$14.5 billion by the end of 2008-09, in the absence of any changes to state law or policy to reduce spending.” To respond to these adverse fiscal conditions, the State issued approximately \$3.2 billion of deficit retirement bonds and the Governor is taking steps to utilize reserves and has proposed cutbacks of about 10 percent in expenditures for most state-funded programs, including aid to schools.

On January 10, 2008, the Governor declared a fiscal emergency and called a special session of the Legislature, as authorized under the state Constitution pursuant to Proposition 58, to address the projected budget shortfall described in the 2008-09 Governor’s Budget and to prevent a cash shortage. On February 15, 2008, the State Legislature approved an estimated \$1.45 billion in budget solutions for 2007-08. The Legislature also has approved substantially all the cash deferring solutions proposed by the Administration.

The Governor’s budget proposals are subject to the legislative process and the final form and extent of such legislation, if adopted, cannot be predicted. The City cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the current State budget and future State budgets. These developments at the State level may, in turn, affect local governments, including the City. The State’s revenue transfers to local governments, could be reduced. The impact that current and future State fiscal shortfalls will have on the City is unknown at this time.

The City relies on a number of revenue sources that could be reduced or eliminated by State legislation, including, among others, sales and use taxes (10.3% of Fiscal Year 2007-2008 General Fund Revenues), property taxes (25.5% of Fiscal Year 2007-2008 General Fund Revenues), and VLF (0.6% of Fiscal Year 2007-2008 General Fund Revenues). There can be no assurance that the State will not adopt legislation to reduce or eliminate one or more of these revenue sources.

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State’s website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed or verified by the City and is not incorporated herein by reference.

The California State Treasurer’s Internet home page at www.treasurer.ca.gov, under the heading “Bond Information,” posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on cities in the State.

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on cities.

The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

In addition, as described under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS," a number of statutes and constitutional amendments have been adopted as measures that qualified for the ballot through California's initiative process. There can be no assurance that other initiative measures will not be adopted affecting the City's revenues.

For impact of the above referenced State actions on the City, see APPENDIX A—"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

Limitation on Enforcement of Remedies; Limited Recourse on Default

The enforcement of any remedies provided in the Sublease and Trust Agreement could prove both expensive and time consuming. Although the Sublease provides that the Authority may take possession of the Leased Property then subject to the Sublease and lease such property if there is a default by the City and the Sublease further provides that the Authority may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of such Leased Property may not be easily recoverable since they may be affixed to property not owned by the Authority and even if recovered, could be of little value to others. Furthermore, due to the essential nature to the governmental functions of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. See "THE LEASED PROPERTY."

In the event of a default under the Sublease, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Sublease. The City will only be liable for Base Rental Payments on an annual basis as they come due, and the Trustee would be required to seek separate judgments for each annual Base Rental Payment. In addition, any such suit for rent or money damages could be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The Trustee is not empowered to sell the Leased Property for the benefit of the Owners. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES B BONDS" and APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Sublease -Events of Default and Remedies." IN NO EVENT DOES THE AUTHORITY OR ANY ASSIGNEE HAVE THE RIGHT TO ACCELERATE THE PAYMENT OF ANY BASE RENTAL PAYMENTS UNDER THE SUBLEASE.

Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement and the Sublease may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the 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 from taking any steps to enforce their rights under the Sublease, and from taking any steps to collect amounts due from the City under the Sublease.

If a Bankruptcy Court were to determine that the Sublease is a lease for the purposes of the Bankruptcy Code, the City would have the right to reject (i.e., terminate) the Sublease. If the City elected to reject the Sublease, the Leased Property could be re-let for the benefit of the Owners for the remaining term of the Lease, but there can be no assurance that the Leased Property could be re-let for an amount sufficient to pay principal of and interest on the 2008 Series B Bonds or that such re-letting will not adversely affect the exclusion of interest on the 2008 Series B Bonds from federal or state income taxation. In addition the Bankruptcy Code severely limits any claim for damages suffered as a result of rejection of a lease.

Changes in Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the funds legally available to the City to make Base Rental Payments, and, consequently, having an adverse effect on the source of payment for the 2008 Series B Bonds.

Hazardous Substances

The City knows of no existing hazardous substances which require remedial action on or near the Leased Property. However, it is possible that such substances do currently or potentially exist and that the City is not aware of them. There are numerous laws which regulate the use or release of hazardous substances and the liability of an owner of property for any contamination. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the City and/or the value of the Leased Property. The City does not currently carry insurance covering the risks of hazardous substances.

Investment of Funds

The funds held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See APPENDIX C--"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS--Definitions of Certain Terms" for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law

from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or the funds and accounts held by the City could have a material adverse affect on the source of payment for the 2008 Series B Bonds and/or the financial condition of the City.

No Liability of the Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Sublease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

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 (1) ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (2) any bond 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 or (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, acquisition, equipping or leasing of school facilities approved by 55 percent of 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” (“Full Cash Value”). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or may be 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 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 reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria 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. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are “severely disabled,” to

transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

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

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in the Orange County Superior Court entitled, *County of Orange v. Orange County Assessment Appeals Board No. 3* (Case No. 00CC03385 in files of that court), and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. In 2003, the Orange County Superior Court declared the recapture practice to be unconstitutional as applied to the plaintiff taxpayer. Orange County appealed the case to the California Court of Appeals and, on March 26, 2004, the Court of Appeals reversed the Superior Court concluding that the base on which the inflation factor is calculated remains that of the valuation as shown on the fiscal year 1975-76 tax bill or, thereafter, the appraised value when purchased, newly constructed, or a change in ownership has occurred, not any reduced base resulting from a reassessment in the wake of a decline in property values. Therefore, any increases in assessed value by more than 2% in a single year after previous reduction did not necessarily violate Article XIII A. On May 6, 2004, the plaintiffs filed a petition for review of this decision with the California Supreme Court. Granting of the petition by the California Supreme Court is discretionary. The Authority is unable to predict the outcome of any such appeal or the ultimate effect, if any, any such appeal might have on assessed values in the City and on the City's property tax revenues.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or

subsequently authorized by the voters (such as the 2008 Series B Bonds), appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each government entity's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the government entity's taxpayers through tax rate or fee reductions over the following two years.

Article XIII C and Article XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. 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. The voter approval requirements of Article XIII C reduce the City's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurances can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several new 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 a charge for a property related service." All new and 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) with respect to any parcel or person exceed the proportional costs of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) 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. 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 and charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as “property related” for purposes of Article XIID), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. “Assessment,” “fee” and “charge,” are not defined in Article XIIC and it is not clear whether the definitions of these terms in Article XIID (which are generally property-related as described above) would be applied to Article XIIC. If the Article XIID definitions are not held to apply to Article XIIC, the initiative power could potentially apply to revenue sources which currently constitute a substantial portion of general fund revenues. No assurances can be given the voters if the City will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination. If upheld in full, Proposition 218 could substantially restrict the City’s ability to raise future revenues, subject to 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.

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) 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 of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988, and (g) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the “Santa Clara Case”), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote by the electorate in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote by the electorate in order for a local government or district to impose any general tax.

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* (“La Habra”). In La Habra, the court held that a public agency’s continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 1A

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State “mandates” a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has “suspended” mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A that amended the California Constitution to, among other things, reduce the State Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local government’s property, sales and vehicle license fee revenues.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a county for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). Finally, the measure prohibits the State from reducing the property tax revenues provided to a county as replacement for the local sales tax revenues redirected to the State and pledged to pay debt service on State deficit-related bonds approved by voters in March 2004.

If the State reduces the VLF rate below its current level of 0.65% of the vehicle value, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. *First*, beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. *Second*, Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. Beginning in Fiscal Year 2005-06, if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or

special districts to abide by the mandate would be suspended. In addition, Proposition 1A expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A restricts the State's authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example, the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218 and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues. The nature and impact of these measures cannot be anticipated by the City.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the 2008 Series B Bonds and certain other legal matters are subject to the approval of Hawkins Delafield & Wood LLP, San Francisco, California, Bond Counsel to the Authority. Bond Counsel expects to deliver approval opinions at the time of issuance of the 2008 Series B Bonds substantially, in the form set forth in APPENDIX D hereto, subject to the matters discussed under "TAX MATTERS."

Certain legal matters will be passed on for the Authority and the City by John Russo, Esq., Counsel to the Authority and Oakland City Attorney. Certain legal matters will be passed on for the City and the Authority by Lofton & Jennings, Disclosure Counsel and for the Underwriters by their counsel, Nixon Peabody LLP, San Francisco, California.

CONTINUING DISCLOSURE

The Authority and the City have covenanted for the benefit of the Owners and the beneficial owners of the 2008 Series B Bonds to provide certain financial information and operating data relating to the City no later than nine months following the end of the City's fiscal year (presently June 30) (the "Annual Report"), commencing with the report for the 2007-08 fiscal year, and to provide notices of the occurrence of certain enumerated events, if deemed by the Authority or the City to be material under federal securities laws. The Annual Report will be filed by the Trustee on behalf of both entities with each Nationally Recognized Municipal Securities Information Repository or with the Central Post Office through which the City currently makes its continuing disclosure filings. The notices of material events will be filed by the City on behalf of both entities with each National Repository or the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in APPENDIX E—"FORM OF CONTINUING DISCLOSURE

AGREEMENT.” These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

The Authority and the City have never failed to comply in any material respect with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2008 Series B Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2008 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and the Authority in connection with the 2008 Series B Bonds, and Bond Counsel has assumed compliance by the City and the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2008 Series B Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the 2008 Series B Bonds is exempt from personal income taxes imposed by the State of California. See “–Miscellaneous” below for a discussion of certain litigation that may relate to this State of California tax exemption.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2008 Series B Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2008 Series B Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2008 Series B Bonds in order that interest on the 2008 Series B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2008 Series B Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2008 Series B Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City and the Authority have covenanted to comply with

certain applicable requirements of the Code to assure the exclusion of interest on the 2008 Series B Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2008 Series B Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2008 Series B Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2008 Series B Bonds.

Prospective owners of the 2008 Series B Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2008 Series B Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2008 Series B Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2008 Series B Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of 2008 Series B Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 2008 Series B Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2008 Series B Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such 2008 Series B Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a 2008 Series B Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2008 Series B Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that 2008 Series B Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2008 Series B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2008 Series B Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2008 Series B Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2008 Series B Bonds under federal or state law and could affect the market price or marketability of the 2008 Series B Bonds.

Prospective purchasers should be aware that the United States Supreme Court has agreed to review *Davis v. Dep’t. of Revenue of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), cert. granted 2007 U.S. LEXIS 5914 (May 21, 2007), a decision of a Kentucky appellate court, which

held that provisions of Kentucky tax law that provided more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. California statutes provide more favorable California income tax treatment for holders of bonds issued by the State of California and its political subdivisions, including the 2008 Series B Bonds, than for bonds issued by other states and their political subdivisions. If the United States Supreme Court were to affirm the holding of the Kentucky appellate court, subsequent California judicial decisions or legislation designed to ensure the constitutionality of California tax law could, among other alternatives, adversely affect the California tax exemption of outstanding bonds, including the 2008 Series B Bonds, to the extent constitutionally permissible, or result in the exemption from California income tax of interest on certain bonds issued by other states and their political subdivisions, either of which actions could affect the market price or marketability of the 2008 Series B Bonds.

Prospective purchasers of the 2008 Series B Bonds should consult their own tax advisers regarding the foregoing matters.

UNDERWRITING

The 2008 Series B Bonds were purchased through negotiation by UBS Securities LLC and Banc of America Securities LLC (the "Underwriters") at a price of \$118,411,709.41 (which represents the principal amount of the 2008 Series B Bonds, plus an original issue premium in the amount of \$5,489,253.05, less an underwriters' discount in the amount of \$527,543.64). The purchase contract pursuant to which the Underwriters are purchasing the 2008 Series B Bonds provides that the Underwriters will purchase all of the 2008 Series B Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in such purchase contract.

FINANCIAL ADVISOR

Public Financial Management, Inc., San Francisco, California, has served as Financial Advisor to the Authority and the City with respect to the sale of the 2008 Series B Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the 2008 Series B Bonds and will receive compensation with respect to the 2008 Series B Bonds which is contingent upon the sale and delivery of the 2008 Series B Bonds.

ABSENCE OF MATERIAL LITIGATION

The Authority

At the time of delivery of and payment for the 2008 Series B Bonds, the Authority will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory authority, against the Authority affecting its existence or the titles of its officers or seeking to restrain or to enjoin the sale or delivery of the 2008 Series B Bonds, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the 2008 Series B Bonds, the Trust Agreement, the Lease, the Sublease or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2008 Series B Bonds or any action of the Authority

contemplated by any of said documents, nor, to the knowledge of the Authority, is there any basis therefor.

The City

At the time of delivery of and payment for the 2008 Series B Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory authority, against the City affecting its existence or the titles of its officers or in any way contesting or affecting the validity or enforceability of the Lease, the Sublease or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of the information in this Official Statement or any amendment or supplement thereto under the captions "INTRODUCTION," "PLAN OF REFUNDING," "THE CITY," "ABSENCE OF MATERIAL LITIGATION," and contained in APPENDIX A—"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND," APPENDIX B—"CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007," or contesting the powers of the City or its authority with respect to any action of the City contemplated by any of said documents, nor, to the knowledge of the City, is there any basis therefor.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies ("S&P") and Fitch, Inc., doing business as Fitch Ratings ("Fitch") have assigned municipal bond ratings of "Aaa," "AAA" and "AAA," respectively (other than the Bonds maturing on August 1, 2008, which are not insured), with the understanding that upon delivery of the Bonds, the Policy will be delivered by Assured Guaranty. Moody's, S&P and Fitch have assigned uninsured ratings of "A3," "A+" and "A," respectively, to the 2008 Series B Bonds. Such ratings reflect only the views of the respective rating agencies, and do not constitute a recommendation to buy, sell or hold the 2008 Series B Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York 10007-2701, telephone number: 212-553-0300; Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number: 212-208-1767; and Fitch, One State Street Plaza, New York, New York 10004, telephone number: 212-208-0500. There is no assurance that either such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of either 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 and/or the ability to trade the 2008 Series B Bonds.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or registered owners of any of the 2008 Series B Bonds. The delivery and distribution of this Official Statement have been duly authorized by the Authority.

OAKLAND JOINT POWERS FINANCING
AUTHORITY

By: /s/ Deborah Edgerly
Executive Director