

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND CALIFORNIA

RATINGS
MOODY'S "Aaa"
S&P "AAA"
FITCH "AAA"
(MBIA insured)
see page 22

DATED MAY 16, 2000

SUBORDINATED HOUSING SET ASIDE REVENUE BONDS \$39,395,000 SERIES 2000T (FEDERALLY TAXABLE)

DUE SEPTEMBER 1
(SEE BELOW)

This cover page is only a general summary.

Investors must read the entire Official Statement for information essential to an informed investment decision.

PURPOSES
see pages 1-3

The Redevelopment Agency of the City of Oakland will finance new and renovated housing for low-income households. The Agency will also use Bond proceeds to provide a reserve fund surety policy for the Bonds and pay costs of issuance.

THE BONDS
see pages 3-6

- *The Bonds* will pay interest on March 1 and September 1, starting September 1, 2000, and are in \$5,000 denominations and whole multiples of \$5,000.
- *The DTC book-entry system* will apply to the Bonds. The Agency has appointed a trustee – BNY Western Trust Company – to pay principal and interest on the Bonds by wire transfers to DTC. Payments to beneficial owners of the Bonds will occur through the DTC system.
- *Redemption of the Bonds* will occur if the Agency decides to prepay them (on or after September 1, 2008) and through sinking fund amortization.

**PLEDGED HOUSING
SET ASIDE TAX
REVENUES**
see pages 6-8 and 15-20

20% of the Agency's share of property taxes, which must be set aside for affordable housing purposes, will be the primary source of Bond payments. However, the housing set aside will be available to pay the Bonds only while the Agency maintains current payments on certain existing senior obligations. While the Agency has agreed not to issue any more senior bonds, it may issue more bonds which are payable from the same revenues as the Bonds and on an equal priority basis, so long as the coverage ratio of pledged revenues to debt service does not fall below 1.25 to 1.

**MBIA
BOND INSURANCE**
see page 8

The Bonds are insured. Bond payments when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation when the Agency issues the Bonds.

LIMITED LIABILITY

The Bonds are not general obligations. The Agency need only use its housing set-aside revenues, along with specified funds held by the Trustee, to pay the Bonds. No other person or government entity, including the City of Oakland, has any duty to make Bond payments. The Agency will **not** pledge any other tax revenues, property or its full faith and credit. Although the Agency receives tax revenues from the County of Alameda, the Agency has no taxing power.

**BOND AND
TAX OPINIONS**
see page 21

Orrick, Herrington & Sutcliffe LLP is bond counsel to the Agency. In bond counsel's opinion, and subject to the exceptions described under "TAX MATTERS", under existing laws, regulations, rulings and judicial decisions interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel will not render any opinion regarding federal income tax consequences with respect to the Bonds. The full text of bond counsel's proposed opinion appears in **APPENDIX E** and supersedes any other discussion of tax issues in this document. The Agency will not issue the Bonds without bond counsel's approval of their validity and satisfaction of certain other conditions.

DISCLOSURE

Foley & Lardner has advised the Underwriters in this transaction.

DELIVERY

When, as and if issued, through DTC's facilities, on or about May 16, 2000.

MATURITY SCHEDULE

\$ 1,325,000	7.390%	SERIAL MATURITY BONDS DUE SEPTEMBER 1, 2003	PRICE 100%
\$ 1,425,000	7.390%	SERIAL MATURITY BONDS DUE SEPTEMBER 1, 2004	PRICE 100%
\$ 11,160,000	7.820%	TERM BONDS DUE SEPTEMBER 1, 2010	PRICE 100%
\$ 14,065,000	7.930%	TERM BONDS DUE SEPTEMBER 1, 2015	PRICE 100%
\$ 11,420,000	8.030%	TERM BONDS DUE SEPTEMBER 1, 2018	PRICE 100%

THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
AND THE
CITY OF OAKLAND

MAYOR EDMUND G. BROWN, JR.

CITY COUNCIL
AND
MEMBERS OF THE REDEVELOPMENT AGENCY

IGNACIO DE LA FUENTE, *President and Chair*

HENRY CHANG, JR., *Vice Mayor and Vice Chair*

JANE BRUNNER

LARRY REID

NATE MILEY

JOHN RUSSO

NANCY NADEL

RICHARD SPEES



OFFICIALS

ROBERT C. BOBB, *City Manager and Agency Administrator*

DOLORES E. BLANCHARD, *Assistant City Manager*

GEORGE G. MUSGROVE, *Assistant City Manager*

CEDA FLOYD, *City Clerk and Agency Secretary*

ROLAND E. SMITH, *City Auditor*

JAYNE W. WILLIAMS, *City Attorney and Agency Counsel*

DEBORAH EDGERLY, *Director, Financial Services Agency*

JOSEPH T. YEW, JR., *Treasury Manager*

WILLIAM E. CLAGGETT, *Executive Director, Community and Economic Development Agency*

ROY L. SCHWEYER, *Director, Housing and Community Development*

WWW.OAKLANDNET.COM

SPECIAL SERVICES

BOND COUNSEL



WWW.ORRICK.COM

UNDERWRITER



WWW.BUYBONDS.COM

UNDERWRITERS' COUNSEL



ATTORNEYS AT LAW
WWW.FOLEYLARDNER.COM

TRUSTEE



BNY WESTERN TRUST COMPANY
WWW.BANKOFNY.COM

UNDERWRITER

E. J. DE LA ROSA & CO., INC.
INVESTMENT BANKERS

WWW.EJDELAROSA.COM

FISCAL CONSULTANT



HDL COREN AND CONE
WWW.HDLCOMPANIES.COM

USING THIS OFFICIAL STATEMENT

This Official Statement contains the only “official” information about the Bonds. It doesn’t offer the Bonds for sale, nor does it seek purchase offers for the Bonds. No unlawful offer, solicitation or sale may occur through this Official Statement or otherwise. This Official Statement is not a contract and provides no investment advice. Investors should consult their own advisors and legal counsel with their questions about this Official Statement, the Bonds or any related matters.

Preparation of this document

The estimates, forecasts, projections and opinions in this Official Statement are only estimates, and no one guarantees the estimated results.

The Agency and other sources have provided information for this Official Statement, with the goal of providing disclosure to investors which meets legal requirements.

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 part of, their respective responsibilities to investors 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.” Some of the people who prepared, compiled or reviewed this information had specific functions in the issue which covered some areas but not others. For example, fiscal consultants and financial staff focused on quantitative financial information, and various legal counsel focused on specific

documents or legal issues assigned to them.

Market price

The Underwriters may take steps to stabilize the market price of the Bonds at levels which are higher than the open market would otherwise establish, but the Underwriters need not do so and are free to discontinue their efforts at any time.

Limited information updates

Any part of this Official Statement may change at any time, without prior notice. Also, important information about the Agency or the City of Oakland and other relevant items may change after the date of this Official Statement. The Agency does not plan to update this Official Statement after it issues the Bonds, but it has agreed to provide annual financial reports and special disclosure about material events (see **APPENDIX F**).

All document summaries are just summaries – they aren’t complete or definitive, and they may omit relevant information. Any investor who wishes to review the full text of documents may request them from the Agency or the Trustee.

To request documents

before the Bonds are issued:

City of Oakland
FSA – Treasury Division
150 Frank Ogawa Plaza
Oakland, CA 94612

after the Bonds are issued:

BNY Western Trust Company
550 Kearny Street
Suite 600
San Francisco, CA 94108

On the internet

The Underwriters intend to arrange for an image of this document to appear online at www.emuni.com.

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APPENDIX E: PROPOSED FORM OF BOND COUNSEL OPINION

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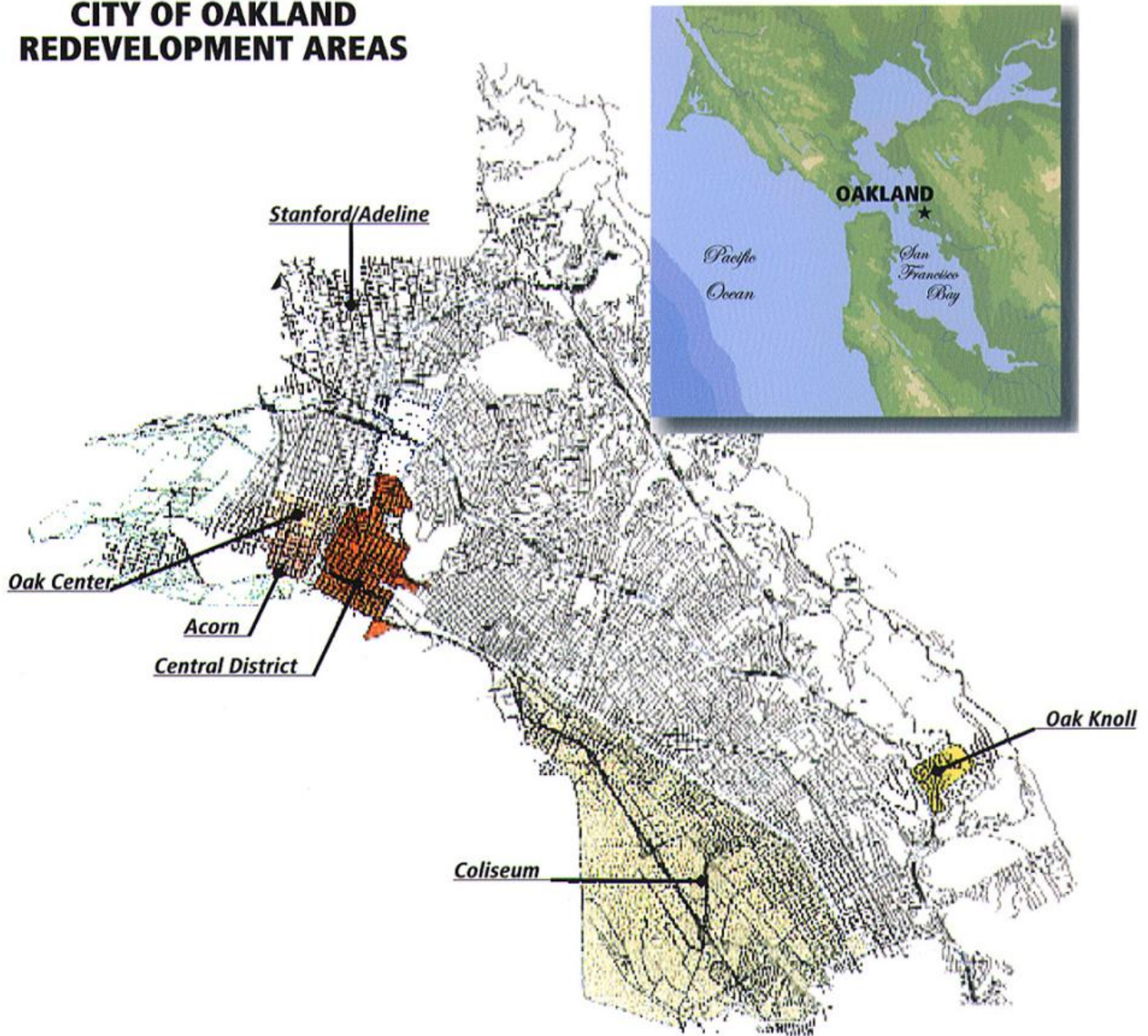
APPENDIX G: DTC BOOK ENTRY SYSTEM

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CITY OF OAKLAND REDEVELOPMENT AREAS



OAKLAND, CALIFORNIA — home to approximately 400,000 people, and northern California's leading port city. The map highlights existing redevelopment areas:

- ▶ **Central District.** A 250-city block area in the Oakland downtown area that is the largest generator of redevelopment tax revenues. It is also the City's principal transit hub, office and government center.
- ▶ **Coliseum.** At 6,500 acres, the largest project area, where the focus is on new shopping, business parks, sports and entertainment.
- ▶ **Acorn.** Approximately 25 acres west of downtown, where affordable housing and new shopping opportunities are the hallmarks of redevelopment.
- ▶ **Oak Center.** Victorian-era buildings grace a 56-block residential community.
- ▶ **Stanford/Adeline.** Improved streetscapes have added safety and quiet to this four-block area — formerly an industrial neighborhood.
- ▶ **Oak Knoll.** The newest project area established in 1998. The redevelopment plan is to improve and develop a former naval hospital site.

INTRODUCTION

This Official Statement describes the Subordinated Housing Set Aside Revenue Bonds, Series 2000T (Federally Taxable) which the Redevelopment Agency of the City of Oakland will issue. The Bonds are payable from Subordinated Housing Set Aside Revenues available to the Agency. As described in "TAX MATTERS", interest income from the Bonds is exempt from California personal income tax, but is federally taxable. Investors should not expect to exclude interest on the Bonds from gross income for federal income tax purposes.

This Official Statement will tell you about the Bonds, their security and the risks involved in an investment in the Bonds. Your investment in the Bonds will support the Agency's programs to increase and preserve the supply of affordable housing in Oakland.

Although the Agency has approved this Official Statement, it is not a substitute for competent investment advice, tailored to your specific situation.

The Agency will issue the Bonds under an Indenture with BNY Western Trust Company, the Trustee. Any proceeds of the Bonds which don't go directly into the Agency's housing programs will be used to provide a reserve fund surety bond (covering 10% of the aggregate principal amount of the Bonds) and to pay Bond issuance costs.

The Agency's role

The Oakland City Council activated the Agency in 1956, and its members also serve as the Agency board. Effective December 31, 1975, the City Council declared itself to be the Agency. While the Agency is a separate legal entity from the City of Oakland, its governance means that the Agency operates under the strong influence

of the City. Also, the City provides the Agency with most of its administrative services. Nevertheless, the Agency as issuer of the Bonds will be the only governmental entity responsible for their payment.

Limited obligations

The Bonds are limited obligations of the Agency. The Agency is required to pay principal, interest and any premium on the Bonds only from Subordinated Housing Set Aside Revenues.

Under California law, the County of Alameda pays and allocates to the Agency a portion of property tax revenues generated in the Agency's redevelopment areas. These property tax increment revenues are allocated to the Agency based on a formula described in **APPENDIX H**. The Agency estimates its fiscal year 1999/2000 tax increment revenues will total \$29,188,000, including \$5,838,000 in Subordinated Housing Set Aside Revenues. Since maximum annual debt service on the Bonds is \$4,384,358.75, the Agency estimates for each \$1.00 of Bond debt service it will have \$1.32 in available Subordinated Housing Set Aside Revenues (in other words, a coverage factor of 132%).

California law requires the Agency to set aside 20% of the property tax increment revenues in a low and moderate income housing fund. Moneys set aside in the fund are the sole source of payment for the Bonds, subject to the Agency's obligations under certain senior obligations. The Agency doesn't collect taxes itself and has no taxing power.

Because the Agency's property tax increment revenues depend on property values within its redevelopment project areas, the Agency's tax revenues fluctuate with:

- the assessed value of property in the Agency's six project areas

- the ability and willingness of property owners within the project areas to pay property taxes
- changes in California law and state budgeting which may affect allocations to redevelopment agencies.

Also, the Agency's six redevelopment project plans include limits on how much tax revenue the Agency may receive and over what periods of time; however, the Agency doesn't expect these limits to affect the payment of the Bonds (see TABLE 6).

Senior obligations of the Agency

The flow of housing set aside revenues to pay the Bonds will be subject to the Agency's higher-priority payment obligations under two existing bond issues which are secured by all of the Agency's tax increment revenues (see "SECURITY AND SOURCE OF PAYMENT – Senior Agency Obligations" for a profile of these senior obligations). The Agency has covenanted to use non-housing set aside revenues to pay those senior obligations, except to the extent it needs housing set aside revenues for this purpose. As long as the Agency keeps current on those senior obligations, any remaining housing set aside revenues – the "Subordinated Housing Set Aside Revenues" – will be available to pay the Bonds. While the Bonds are outstanding, the Agency has agreed not to issue any more senior obligations.

Additional parity obligations

The Agency may issue additional parity obligations – payable from Subordinated Housing Set Aside Revenues on the same priority as the Bonds – so long as the coverage ratio of revenue to debt service doesn't fall below 1.25 to 1 (see "ADDITIONAL AGENCY OBLIGATIONS"). The Agency may not otherwise dilute the security which the

Subordinated Housing Set Aside Revenues provide for the payment of the Bonds.

Limited role of auditors

Except for the audited financial statements of the Agency for the year ended June 30, 1999 (see APPENDIX B), this Official Statement presents unaudited financial and statistical information from Agency records and other sources. No auditor has reviewed information contained in this Official Statement except information presented in APPENDIX B. The Agency may not achieve its financial projections, and the assumptions underlying the projections may not be reliable. If the Agency's cash flow is lower than the projections, the Agency could have trouble maintaining timely payments on the Bonds.

Fiscal consultant

The Agency has engaged HdL Coren and Cone as fiscal consultant to investigate, calculate and estimate the amount of Subordinated Housing Set Aside Revenues available to the Agency. Certain of the tables and financial information in this Official Statement are based on the report of the fiscal consultant. The report is included as APPENDIX C. Among other things, it concludes that in the current fiscal year ending June 30, 2000, Subordinated Housing Set Aside Revenues will total \$5,838,000, which is 1.32 times the estimated maximum annual debt service on the Bonds.

Continuing disclosure

The Agency has agreed each year to report certain financial information and operating data within eight months after the end of the Agency's fiscal year. APPENDIX F shows the proposed form of the Agency's Continuing Disclosure Certificate and how the Agency will distribute the information.

Principal amount	\$ 39,395,000.00
TOTAL SOURCES	\$ 39,395,000.00
Project Fund (for housing programs)	\$ 38,346,359.50
Reserve Fund surety bond premium	118,000.00
Bond insurance premium	527,000.00
Costs of issuance ⁽¹⁾	250,000.00
Underwriters' discount	153,640.50
TOTAL USES	\$ 39,395,000.00

**TABLE 1:
SOURCES AND
USES OF FUNDS**

*This table shows
how the Agency
plans to raise and
spend the money.*

(1) Includes legal, consulting and trustee fees and expenses, printing and distribution costs, rating agency fees and similar items.

THE FINANCING PLAN

The Bonds will provide money for the Agency to increase, improve and preserve the supply of affordable housing for low-income households, to provide an MBIA surety reserve for the Bonds and to pay Bond issuance costs.

THE BONDS

California law and the Indenture enable the Agency to issue the Bonds, which will bear interest at the rates and mature in the amounts and on the dates shown on the front cover of this Official Statement. All Bonds are fully registered in denominations of \$5,000 each or whole multiples of \$5,000. Bond payments will go to DTC (The Depository Trust Company), and DTC will then remit the payments to its participants for disbursement to Bond investors. See "APPENDIX G – DTC BOOK-ENTRY SYSTEM".

Interest on the Bonds is payable on each March 1 and September 1, starting September 1, 2000, to the Bond owners listed on the Trustee's register as of the close of business on the Record Date (the 15th day of the month before the payment date). While Cede & Co. (DTC's nominee) is the sole registered owner of the Bonds, all interest payments will go to DTC by wire transfer of immediately available funds. If DTC's book-entry services are discontinued and paper Bonds are de-

livered, wire transfers of interest will be available to registered owners of at least \$1,000,000 of Bonds, upon written request to the Trustee before the Record Date.

Each Bond will be dated the date of first delivery of the Bonds and will bear interest (over a 360-day year of twelve 30-day months) from that date if the Trustee authenticates it no later than August 15, 2000.

If the Trustee authenticates a Bond during the period from August 15, 2000 (which is the first Record Date), to and including September 1, 2000, then that Bond will bear interest from September 1, 2000 (which is the next payment date after the Record Date). Normally, any Bonds authenticated after September 1, 2000, will bear interest from the preceding March 1 or September 1 (whichever is nearest to the authentication date). The general exception to this rule is that any Bond authenticated after a Record Date and on or before the next payment date (in calendar terms, February 16 to March 1, or August 16 to September 1), will bear interest from such March 1 or September 1. Also, any Bond in payment default will bear interest from the last date interest on the Bond was paid.

BOND REDEMPTION

The Agency must redeem Bonds before maturity under mandatory sinking fund schedules appearing on this page. The Agency may also decide to redeem Bonds in advance of any scheduled redemptions, within the parameters described below. In any redemption, the owners of redeemed Bonds must cash them in with the Trustee.

Optional redemption

Beginning September 1, 2008, the Agency may opt to redeem Bonds in part or in whole on any date, in maturities as selected by the Agency and in units of \$5,000. If the Agency fails to designate maturities, then Bonds will be redeemed proportionally among all maturities. The redemption price will be a percentage of the principal amount being redeemed plus accrued interest to the redemption date. The optional redemption dates and prices appear in TABLE 2:

**TABLE 2:
OPTIONAL REDEMPTION
DATES AND PRICES**

September 1, 2008, through February 28, 2009	101%
March 1, 2009, and later	100%

Mandatory sinking fund redemption

The Agency must redeem Bonds maturing September 1, 2010, starting September 1, 2005; Bonds maturing September 1, 2015, starting September 1, 2011; and Bonds maturing September 1, 2018, starting September 1, 2016. Installment redemption amounts and redemption dates for the Bonds appear in TABLE 3:

**TABLE 3:
MANDATORY
SINKING FUND REDEMPTION**

Bonds maturing September 1, 2010

SEPTEMBER 1	AMOUNT
2005	\$ 1,530,000
2006	\$ 1,650,000
2007	\$ 1,775,000
2008	\$ 1,915,000
2009	\$ 2,065,000
2010	\$ 2,225,000

Bonds maturing September 1, 2015

SEPTEMBER 1	AMOUNT
2011	\$ 2,400,000
2012	\$ 2,590,000
2013	\$ 2,795,000
2014	\$ 3,020,000
2015	\$ 3,260,000

Bonds maturing September 1, 2018

SEPTEMBER 1	AMOUNT
2016	\$ 3,515,000
2017	\$ 3,800,000
2018	\$ 4,105,000

Mandatory sinking fund redemption prices will equal principal plus accrued interest to the redemption date, without any premium.

Selection of Bonds for redemption

If less than all of the Outstanding Term Bonds of any maturity are to be redeemed, the Trustee will select such Bonds for redemption by lot and, for any remaining Outstanding Term Bonds of the same maturity not then being redeemed, the Trustee will specify (to the extent it is practical to do so), a reduction in any later sinking fund redemption installments so that annual debt service on such Bonds will be approximately equal.

Redemption notices

The Trustee must mail redemption notices by first-class mail to the registered owners of redeemed Bonds and to various securities depositories and information services during a 30-to-60-day window before the redemption date. All redemptions are final – even for investors who didn't receive their notice, and even if the notice had a defect. This limitation avoids questions about whether Bond redemptions are effective in these cases.

BOOK-ENTRY ONLY

While the Bonds remain under the book-entry only system, the Trustee will send notices only to DTC. Any problems from DTC through its system and on to the Bond investors won't affect the validity of the Bond redemption or any other action based on the Trustee's notice. Bond investors may need to make their own arrangements to receive redemption notices or other communications to DTC which affect them, including notice of interest payments.

If the Trustee gives a proper redemption notice and holds the money to pay the redemption price of the affected Bonds, then on the redemption date the Bonds called for redemption will become due and payable. From that date onward, no interest will accrue on the Bonds, and their owners' only right will be to receive payment of the redemption price upon surrender of those Bonds to the Trustee.

TRANSFERS AND EXCHANGES

While DTC is securities depository for the Bonds, all transfers and exchanges must occur through the DTC book-entry system described below. Otherwise, registered Bond owners may surrender and transfer their Bonds in person or by their authorized attorney at the principal corporate trust office of the Trustee in San Francisco, California. They must complete an approved transfer form and pay any taxes or governmental charges which apply to the transfer.

Initially, DTC will be securities depository for the Bonds. The Trustee will regis-

ter all Bonds in the name of Cede & Co. (DTC's partnership nominee) and provide DTC with one Bond for each maturity.

Below is a brief summary of the role of DTC in the payment of the Bonds.

APPENDIX G provides a more detailed description of the mechanics of the DTC operation.

LIMITED BOOK-ENTRY RESPONSIBILITIES

Trustee notices to DTC only

- ▶ While the Bonds are in book-entry only mode, the Trustee's redemption and other notices will go only to DTC. All redemptions and other notices will be valid whether or not DTC or a DTC Participant passes the information along.

The Agency/Trustee/Underwriters positions

- ▶ The Agency, the Trustee and the Underwriters are neither responsible nor liable for payment records or other information related to beneficial ownership. None of them will maintain or review this information.

No assurance that the system will always work

- ▶ The Agency, the Trustee and the Underwriters can't assure that DTC will distribute Bond payments to DTC Participants, or that DTC Participants or others will get payments to beneficial owners of the Bonds on time.

No paper Bonds

- ▶ The DTC system doesn't handle physical certificates representing the Bonds.
-

DEBT SERVICE

TABLE 4 on the next page shows the debt service requirements for the Bonds.

TABLE 4: ESTIMATED BOND DEBT SERVICE (Fiscal Years Ending June 30)

FYE	PRINCIPAL	INTEREST	TOTAL	FYE	PRINCIPAL	INTEREST	TOTAL
2001	---	\$ 2,460,751.35	\$ 2,460,751.35	2011	\$ 2,225,000.00	\$ 2,119,378.00	\$ 4,344,378.00
2002	---	\$ 3,108,317.50	\$ 3,108,317.50	2012	\$ 2,400,000.00	\$ 1,937,220.50	\$ 4,337,220.50
2003	---	\$ 3,108,317.50	\$ 3,108,317.50	2013	\$ 2,590,000.00	\$ 1,739,367.00	\$ 4,329,367.00
2004	\$ 1,325,000.00	\$ 3,059,358.75	\$ 4,384,358.75	2014	\$ 2,795,000.00	\$ 1,525,851.75	\$ 4,320,851.75
2005	\$ 1,425,000.00	\$ 2,957,746.25	\$ 4,382,746.25	2015	\$ 3,020,000.00	\$ 1,295,287.00	\$ 4,315,287.00
2006	\$ 1,530,000.00	\$ 2,845,269.50	\$ 4,375,269.50	2016	\$ 3,260,000.00	\$ 1,046,285.00	\$ 4,306,285.00
2007	\$ 1,650,000.00	\$ 2,720,931.50	\$ 4,370,931.50	2017	\$ 3,515,000.00	\$ 775,898.75	\$ 4,290,898.75
2008	\$ 1,775,000.00	\$ 2,587,014.00	\$ 4,362,014.00	2018	\$ 3,800,000.00	\$ 482,201.50	\$ 4,282,201.50
2009	\$ 1,915,000.00	\$ 2,442,735.00	\$ 4,357,735.00	2019	\$ 4,105,000.00	\$ 164,815.75	\$ 4,269,815.75
2010	\$ 2,065,000.00	\$ 2,287,117.00	\$ 4,352,117.00				

Note: final maturity (September 1, 2018) falls within the Agency's fiscal year ending June 30, 2019.

SECURITY AND SOURCE OF PAYMENT

The Indenture secures Bond payments with Subordinated Housing Set Aside Revenues. The Agency must keep payments current on its senior obligations before applying Subordinated Housing Set Aside Revenues to the Bonds. **TABLE 6** (page 8) shows the senior Agency obligations.

Limited obligations

The Bonds are limited obligations of the Agency. In other words, payment of principal of, and interest or premium on the Bonds are payable only from the Housing Set Aside Fund portion of the Agency's tax revenues, subject to liens of certain senior obligations. See "**Senior Obligations**". These Subordinated Housing Set Aside Revenues represent the 20% of the Agency's tax increment revenues that it must set aside for low and moderate income housing purposes.

Agency tax increment revenues

California law provides redevelopment agencies – including the Agency – with a method of financing improvements and affordable housing within certain blighted areas. Under the law, the Agency has established six redevelopment project areas within which the Agency may, among other actions,

buy, sell, lease and condemn properties for redevelopment. The property tax revenues generated by the increased property values in each redevelopment project area in excess of the property values of a "base year" established in each redevelopment plan are partially allocated by the County of Alameda to the Agency. These make up the Agency's tax increment revenues. **APPENDIX H** describes the allocation formula.

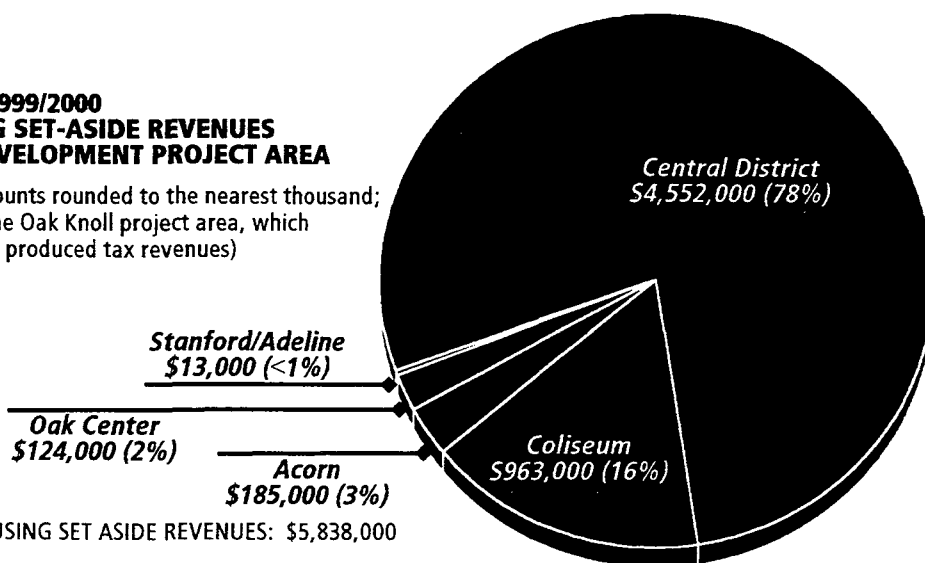
Subordinated Housing Set Aside Revenues

The Agency must set aside 20% of its total tax increment revenues in its Housing Set Aside Fund for the sole purpose of increasing, improving or preserving affordable housing supply for low and moderate income households. Moneys deposited in the fund, less what is necessary to make payments on senior obligations of the Agency, constitute the Subordinated Housing Set Aside Revenues pledged to pay principal and interest on the Bonds. **TABLE 5** (right) illustrates the relative amounts of housing set aside revenues generated in each project area as estimated for fiscal year 1999/2000.

The Agency has covenanted that, in the event the legal requirement for the 20% set aside of the tax increment revenues is changed, the Agency will continue to set aside tax increment revenues sufficient to pay debt service on the Bonds.

**TABLE 5:
FISCAL 1999/2000
HOUSING SET-ASIDE REVENUES
BY REDEVELOPMENT PROJECT AREA**

(dollar amounts rounded to the nearest thousand;
excludes the Oak Knoll project area, which
has not yet produced tax revenues)



TOTAL HOUSING SET ASIDE REVENUES: \$5,838,000

Source: HdL Coren and Cone

Reserves

The Agency will provide the Trustee with an MBIA Insurance Corporation reserve fund surety bond covering 10% of the aggregate principal amount of the Bonds. When the Trustee notifies MBIA that money available under the Indenture is not sufficient to pay Bond principal (at maturity or upon mandatory sinking fund redemption) and interest, MBIA will promptly deposit with the Trustee funds sufficient to pay the principal and interest, up to the surety bond coverage limit (initially, \$3,939,500). On the later of (a) the third day after MBIA receives a proper demand for payment on the surety bond or (b) the date the affected Bond payments are due, MBIA will deposit funds with State Street Bank and Trust Company, N.A., in New York (or its successor) for payment to the Trustee of amounts demanded and covered under the surety bond.

The surety bond coverage will decrease by the amount of any claims paid and not reimbursed to MBIA. The Agency has agreed to reimburse MBIA for such payments, with interest, within one year, but only after it has made all deposits then re-

quired under the Indenture. Until the Agency has fully reimbursed MBIA and coverage under the surety bond is reinstated, the Agency may not opt to redeem any Bonds. The Agency will pay the premium for the surety bond from proceeds of the sale of the Bonds.

Flow of funds

Under the Indenture, the Trustee will establish and maintain certain funds and accounts into which it will deposit Bond proceeds and Subordinated Housing Set Aside Revenues. All Subordinated Housing Set Aside Revenues that the Agency pays to the Trustee will be deposited in a Housing Special Fund. Amounts in the Housing Special Fund will then be transferred to the Interest Account, Principal Account, Sinking Account and Reserve Account. The summary in **APPENDIX D** provides more information about how the Trustee will handle funds under the Indenture.

Senior obligations

The Agency has pledged its entire tax increment revenues (including a portion of the housing set aside revenues) to pay the following senior obligations:

**TABLE 6:
SENIOR AGENCY OBLIGATIONS**

***Central District Redevelopment Project
Senior Tax Allocation Refunding Bonds, Series 1992***

Outstanding principal: \$77,750,000*
Interest rates: 5.40% to 6.15%
Final maturity: February 1, 2014
Maximum annual debt service: \$8,165,050

***Acorn Redevelopment Project
1988 Tax Allocation Refunding Bonds***

Outstanding principal: \$2,295,000*
Interest rates: 7.00% to 7.40%
Final maturity: May 1, 2007
Maximum annual debt service: \$402,750

* As of June 30, 1999

Under the Indenture, the Agency has covenanted that, for each fiscal year, no more than 5% of the annual debt service on the senior obligations will be paid from housing set aside revenues. However, should tax increment revenues other than the housing set aside revenues be insufficient to pay debt service on the senior obligations, the Agency must satisfy the senior obligations from housing set aside revenues before making payments on the Bonds. Tax revenues other than housing set-aside revenues would be insufficient to pay debt service on the Agency's senior obligations only if property values in the Central District project area were to decline very substantially, by more than 55% from fiscal year 1999/2000 levels (as to the 1992 bonds highlighted in TABLE 6 above). Because of the relatively small portion the Agency derives from the Acorn project area (see TABLE 5 on the previous page), even extreme declines in property values there are highly unlikely to affect the availability of Subordinated Housing Set Aside Revenues to pay the Bonds.

Additional Agency obligations

The Agency may issue more bonds or other obligations which are secured by the Subordinated Housing Set Aside Revenues on a parity with the Bonds or junior to the Bonds. When a new parity issue occurs, the

Agency must certify that the debt service coverage ratio on the Bonds and all parity bonds will remain at 1.25 to 1 or higher. The Indenture requires the determination of debt service coverage as the Subordinated Housing Set Aside Revenues (based upon the assessed valuation of taxable property in the Agency's project areas as shown on the most recently equalized assessment roll and the most recently established tax rates), in relation to the Maximum Annual Debt Service on all then Outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Subordinated Housing Set Aside Revenues. See APPENDIX D for a more detailed explanation as well as definitions of these capitalized terms. In no event may the Agency exceed the bond limits in its various redevelopment project plans. None of these limits will be exceeded through the Agency's issuance of the Bonds.

MUNICIPAL BOND INSURANCE

The Insurer – MBIA Insurance Corporation – is providing an insurance policy for the Bonds (see APPENDIX I for a specimen of the policy). The Insurer has provided the information in this section and in the next section, “ABOUT MBIA”. The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by the Agency to the Trustee of an amount equal to:

① the principal of the Bonds (either at stated maturity or upon a mandatory sinking fund redemption) and interest on the Bonds when due but not paid, excluding any acceleration due to optional redemption or default (in other words, the policy guarantees scheduled payments only); and

② the reimbursement of any such payment which is later recovered from a

Bondowner through a final judgment of a court of competent jurisdiction that such payment is an avoidable preference to the Bondowner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any redemption premium on any Bond. Under no circumstances will the Insurer's policy cover any loss relating to unscheduled Bond redemptions (whether optional or mandatory, other than mandatory sinking fund redemptions), any accelerated payments, any purchase of tendered Bonds or any Preference related to any of these items. Also, the Insurer's policy does not insure against any nonpayment of principal or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice (later confirmed in writing by registered or certified mail), or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any Bondowner the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will deposit funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor ("State Street"), sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or other proof of ownership, together with appropriate assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate appointment of the Insurer as agent for such Bond-owners in any legal proceeding related to the payment of insured amounts on the Bonds (all in form satisfactory to State Street), then State Street will disburse to such Bondowners or the

Trustee payment of the insured amounts due on the Bonds, less any amount held by the Trustee and legally available for the payment of such insured amounts.

ABOUT MBIA

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, Puerto Rico, the Northern Mariana Islands, the U.S. Virgin Islands and Guam. The Insurer has two European branches, one in France and the other in Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1998, the Insurer had admitted assets of \$6.5 billion (audited), and total capital and surplus of \$2.3 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 1999, the Insurer had admitted assets of \$7.0 billion (unaudited), total liabilities of \$4.6 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Furthermore, copies of the Insurer's year end financial statements prepared in accordance

with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is 914.237.4545.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa". Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc., and Fitch IBCA, Inc., each rates the financial strength of the Insurer "AAA".

REDEVELOPMENT AGENCY OVERVIEW

The Redevelopment Agency of the City of Oakland was activated on October 11, 1956, by action of the Oakland City Council pursuant to the California Community Redevelopment Law. The Agency is charged with the responsibility for elimination of blight in redevelopment project areas designated after a process of City Council findings and public input. There are now six redevelopment project areas.

Agency staff services are provided by the City of Oakland staff under an agreement between the Agency and the City of Oakland. Such support includes project management, real estate acquisition and disposition, relocation, engineering and planning, legal, financing and fiscal services. The key Agency and City staff working on the issuance of the Bonds and the implementation of low-income housing projects include:

Dolores E. Blanchard – Assistant City Manager since 1998; in government service County Coliseum Authority. B.A., Public

KEY OAKLAND STAFF

Assistant City Manager Dolores E. Blanchard

Finance Director Deborah J. Edgerly

Treasury Manager Joseph T. Yew, Jr.

Executive Director, Community and Economic Development Agency William E. Claggett

Director, Housing and

Community Development Roy L. Schweyer

Administration, the University of San Francisco. Formerly Budget Manager and City Treasurer (City of Palo Alto), Budget Director and Director, Budget and Finance Committee (City of Oakland). Responsible for \$850 million in annual operating, capital and redevelopment budgets.

Deborah Edgerly – Director, Financial Services Agency (City of Oakland), with a staff of 166 comprising the Accounting, Treasury, Purchasing and Parking Divisions. Formerly a Budget Analyst; later served as Revenue Manager, collecting over \$500 million annually. Previously a school teacher and employee of the U.S. Department of Defense. M.A., Public Administration.

William E. Claggett – Executive Director, Community and Economic Development Agency (City of Oakland), with a staff of 350 and an \$80 million annual budget. Responsible for economic development, redevelopment, planning and zoning, building services and housing and community development. Formerly Director of Economic Development (City of San Jose). Previously with Arthur D. Little, Inc.; managed Real Estate Research Corporation's western regional offices; Special Assistant for Public/Private Development in the Office of the Secretary of Commerce during the Carter administration.

Roy L. Schweyer – Director of Housing and Community Development (City of Oakland Community and Economic Development Agency). Formerly

Chief of Projects, responsible for all real estate development projects. Saw the completion of more than 750 market-rate and affordable housing units and the addition of more than 100,000 square feet of office space. Started several programs to address blighted commercial areas. Previously Executive Director, Community Alliance for Syndicated Housing, Inc.; raised more than \$50 million in investment capital. His "House Oakland" program spurred Fannie Mae's \$1 billion effort to increase housing investment nationwide.

Joseph T. Yew, Jr., – Treasury Manager (City of Oakland). Formerly the Executive Director of the California Debt Limit Allocation Committee on the staff of California State Treasurer Matt Fong. Previously a public finance investment banker.

REDEVELOPMENT PROJECT AREAS

The amount of tax increment revenues and, therefore, Subordinated Housing Set Aside Revenues, available to the Agency depends in large part on the increase of property values in the redevelopment project areas. Increased property development and commercial activities in the project areas and in Oakland tend to increase property values. Here are brief profiles of the six Agency redevelopment project areas and the activities in these areas.

Central District

The Central District is Oakland's downtown area. For fiscal year 1999/2000, it is projected to produce about 78% of the Agency's tax increment revenues. The project area encompasses approximately 250 city blocks of office, retail, commercial and residential uses. It contains nearly 40 major office buildings of over 30,000 square feet each, with approximately 7,400,000 total square feet of rented and rentable space. The project

area is also the focus of the City of Oakland's effort to construct high-density residential units. The downtown area is served by the Bay Area Rapid Transit system, having three stations located within its boundaries, a regional bus system and three major freeways. As of June 30, 1999, \$77,750,000 of the senior obligation bonds secured by Central District Project Area tax increment revenues were outstanding.

Below are highlights of the improvement and economic development projects recently completed or currently ongoing in the Central District Project Area:

CENTRAL DISTRICT PROJECT AREA RECENT AND FUTURE REDEVELOPMENT ACTIVITIES

- **Residential development:** nearly 2,000 units under construction or entitled for development.
- ***New office space:** nearly 1,000,000 square feet added in 1997-1999, another 1,000,000 under construction and another 2,200,000 pending entitlement approvals.
- **Retail space:** approximately 100,000 square feet of retail space under construction.
- ***University of California, Office of the President:** a new 225,000-square-foot office tower, with a 145-space Agency parking garage completed in 1999.
- **Rotunda Building:** renovation of this 240,000-square foot historic building is underway.
- **Oakland Tribune Building:** renovation of this historic building for office space is complete.
- **Hotels:** two new hotels with about 380 rooms total are entitled for development.
- **Uptown Mixed-Use Project:** developer selected.

1999-2001 project funding:

more than \$53 million for neighborhood improvements, building renovations, affordable housing, parking and other improvements in the uptown, downtown, Chinatown and lower Broadway areas.

*Government-owned portions of these projects are exempt from real property taxes.

Coliseum

At 6,500 acres, the Coliseum redevelopment project area is the geographically largest redevelopment area in Oakland.

The City of Oakland projects that the project area will produce approximately 10% of the Agency's tax increment revenues. Included within the area are roughly 3,300 acres of residential, commercial and industrial uses. The principal objective of the plan is to abate blight and blighting influences in the Coliseum area through redevelopment of vacant and underutilized properties.

Oakland is the only California city which is home to professional football, baseball and basketball teams. The Agency seeks to exploit the area's close proximity to Oakland International Airport and the Coliseum complex, which houses the Oakland A's, the Oakland Raiders and the Golden State Warriors, for retail, business parks, entertainment and recreational development opportunities. In the 1997-1999 period, the completion of the Fruitvale Station Shopping Center generated 300 jobs and 16 tenants. Current projects include phase 2 of the Fruitvale Transit Village, the construction of an aquatic fitness complex, improvement on streets leading to the Oakland International Airport and the construction of the Coliseum Shoreline Entertainment/Retail Center.

Acorn

The Acorn Redevelopment Project Area covers 25 acres west of Oakland's downtown and accounts for approximately 3% of the Agency's tax increment revenues. These revenues result mainly from renovated and new residential and commercial developments, but on a much smaller scale than in the Central District. Major activities during the 1997-1999 period include the renovation of approximately 130 units of low-income rental apartments and the construction of 38 low-income single family units. A full-service grocery store opened early this year. Future activities include the renovation of an additional 150 units of low-income rental units, construction of approximately 50 more low-

income single-family units and rehabilitation of the Acorn Shopping Center.

As of June 30, 1999, \$2,295,000 of senior obligation bonds secured by tax increment revenues generated in the Acorn project area were outstanding.

Oak Center

This project area is a 56-block residential community in West Oakland, adjacent to downtown and the Acorn project area, mainly composed of Victorian structures. Many of these structures have been rehabilitated, and others have been demolished and replaced with new development. This project area is projected to produce about 2% of the Agency's tax increment revenues in fiscal year 1999/2000.

Stanford/Adeline

This project area includes an area of four blocks in North Oakland. The major purpose of the redevelopment plan is to realign certain streets, create open space from former industrial sites and develop new housing.

Oak Knoll

This newest project area is the former site of the Oak Knoll Naval Medical Center, a naval hospital. The principal purpose of the project plan is to improve the project area for residential and retail development. The Agency is pursuing a reuse plan to develop the site.

Project areas summary information

TABLE 7 (right) provides plan limitation and other summary information regarding each project area. TABLE 8 shows the total assessed values within each project area, the base year values and the incremental values as of the 1999/2000 fiscal year. TABLE 9 and TABLE 10 show the property owners with the highest taxable values in the Central District as well as in all project areas combined.

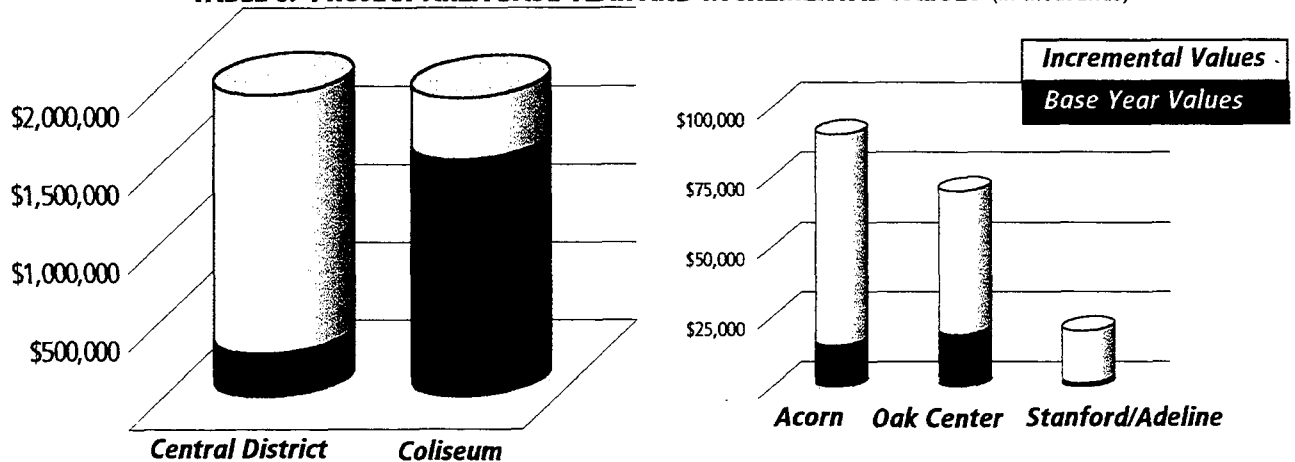
TABLE 7: PROJECT AREA PLAN SUMMARIES

PROJECT AREA	AREA SIZE	PLAN ADOPTION DATE	PLAN LIMIT TERMINATION DATES			REVENUE LIMITS (in thousands)	
			DEBT INCURRENCE	PLAN DURATION	DEBT REPAYMENT	TOTAL TAX INCREMENT	AMOUNT REMAINING ^(b)
Central District	120 acres	06/12/1969	01/01/2004	01/01/2009	01/01/2019	\$ 1,348,862	\$ 1,034,188
Coliseum ^(a)	6,500 acres	07/25/1995	07/25/2015	07/25/2025	07/25/2040	no limit	n/a
Acorn	25 acres	11/30/1961	01/01/2004	01/01/2009	01/01/2019	\$ 30,000	\$ 20,348
Stanford/Adeline	4 blocks	04/10/1973	01/01/2004	01/01/2009	01/01/2019	\$ 1,625	n/a
Oak Center	30 acres	11/30/1965	01/01/2004	01/01/2009	01/01/2019	\$ 12,572	\$ 5,774
Oak Knoll	183 acres	07/14/1998	07/14/2018	07/14/2028	07/14/2043	\$ 87,000	\$ 87,000

(a) The Coliseum plan was amended on 07/29/1997, adding territory to the Coliseum project area. The added territory will have time limits of 07/29/2017 for debt incurrence, 07/29/2027 for plan duration and 07/29/2042 for debt repayment.

(b) Although available records for years prior to 1986 do not enable the Agency to make precise calculations, the Agency's estimates enable it to predict that neither the Central District plan limit nor the Acorn plan limit will be reached during the term of either redevelopment plan.

Source: Redevelopment Agency of the City of Oakland

TABLE 8: PROJECT AREA BASE YEAR AND INCREMENTAL VALUES (in thousands)

Includes both secured and unsecured assessed values; excludes Oak Knoll, which has no property tax increment yet.

Source: HdL Coren and Cone

TABLE 9: TEN HIGHEST TAXABLE PROPERTY VALUES (CENTRAL DISTRICT PROJECT AREA)

PROPERTY OWNER (number of parcels in parentheses)	SECURED ASSESSED VALUE	TAXABLE VALUE **	% OF TOTAL VALUE		TYPE OF BUSINESS
			ASSESSED	TAXABLE	
Kaiser Foundation (3)	\$ 106,239,488	\$ 209,514,055	6.65%	10.87%	Commercial
Oakland City Center LLC (9)	169,998,605	169,998,605	10.64%	8.82%	Commercial
Prentiss Properties Acquisition* (4)	79,954,606	79,972,621	5.00%	4.15%	Commercial
Clorox Company(3)	76,977,963	76,977,963	4.82%	3.99%	Industrial
Webster Street Partners Limited (3)	52,950,000	53,558,319	3.31%	2.78%	Commercial
Pacific Renaissance Associates II * (122)	35,516,003	35,516,003	2.22%	1.84%	Commercial
Westmark Lake Merritt, Inc. (4)	30,454,820	30,454,820	1.91%	1.58%	Commercial
Louis Kaliski, Inc. (1)	29,679,717	29,679,717	1.86%	1.54%	Commercial
Sparknight (3)	27,227,968	27,227,968	1.70%	1.41%	Commercial
Myron Zimmerman (3)	26,092,417	26,092,417	1.63%	1.35%	Commercial
TOP VALUE TOTALS (155)	\$ 635,091,587	\$ 738,992,488	39.74%	38.33%	
PROJECT AREA TOTALS	\$ 1,598,003,991	\$ 1,928,069,615			

* Owners have appealed their assessed values (see TABLE 11 on page 15).

** Includes taxable personal property (secured and unsecured assessed value).

Source: HdL Coren and Cone

TABLE 10: TEN HIGHEST TAXABLE PROPERTY VALUES (ALL PROJECT AREAS COMBINED)

PROPERTY OWNER (number of parcels in parentheses)	SECURED ASSESSED VALUE	TAXABLE VALUE **	% OF TOTAL VALUE		TYPE OF BUSINESS
			ASSESSED	TAXABLE	
Kaiser Foundation (3)	\$ 106,239,488	\$ 209,514,055	6.65%	10.87%	Commercial
Oakland City Center LLC (9)	169,998,605	169,998,605	10.64%	8.82%	Commercial
Prentiss Properties Acquisition* (4)	79,954,606	79,972,621	5.00%	4.15%	Commercial
Clorox Company(3)	76,977,963	76,977,963	4.82%	3.99%	Industrial
Federal Express Corporation* (0)	0	71,335,558	3.31%	2.78%	Unsecured
Owens Illinois Glass Container Inc. (25)	70,055,236	70,055,236	2.22%	1.84%	Industrial
Oakland/Alameda Co. Coliseum (0)	0	63,752,931	1.91%	1.58%	Unsecured
Webster Street Partners Limited (3)	52,950,000	53,558,319	1.86%	1.54%	Commercial
Pacific Renaissance Associates II * (122)	35,516,003	35,516,003	1.70%	1.41%	Commercial
Westmark Lake Merritt, Inc. (4)	30,454,820	30,454,820	1.63%	1.35%	Commercial
TOP VALUE TOTALS (155)	\$ 622,146,721	\$ 861,136,111	18.56%	20.65%	
PROJECT AREA TOTALS	\$ 3,352,802,302	\$ 4,169,465,413			

* Owners have appealed their assessed values (see TABLE 11 at right).

** Includes taxable personal property (secured and unsecured assessed value).

Source: HdL Coren and Cone

TABLE 10 above shows the ten highest taxable property values among all project areas combined. Six of these also appear in TABLE 9 on the previous page, which presents corresponding information for the Central District project area.

Property owner highlights

The Kaiser Foundation Health Plan, Inc., the Kaiser Foundation Hospitals and their subsidiaries own properties within the Central District project area that represent 5.02% of total taxable values in the Agency's six project areas combined. The Kaiser Foundation maintains its headquarters administrative offices in Oakland and rents commercial office space in property it owns. The Kaiser Foundation is part of the integrated health care delivery system known as Kaiser Permanente. It reported over \$13 billion in assets, approximately 57,000 full-time employees and 10,500 full-time-equivalent physicians as of December 31, 1998. See www.kaiserpermanente.org.

Oakland City Center LLC owns the City Center development in downtown Oakland. The development is a mix of office buildings, retail stores and restaurant, totaling over one million rentable square feet. City Center LLC is a subsidiary of the Shorenstein Company (www.oaklandcitycenter.com), which owns

over 25 million square feet of office space in 16 cities around the country. The company has been owning and managing office and retail space in the San Francisco area for over 45 years, and currently is the owner of the largest amount of Class A office space in San Francisco.

Assessment appeals

If any taxpayer in a project area disagrees with the valuation assigned by the County of Alameda Assessor to its property, the taxpayer may file an appeal. Successful appeals may reduce the taxable values within the project areas and result in lower Agency tax increment revenues. (See www.co.alameda.ca.us/assessor.) TABLE 11 (right) shows a summary of the current appeals by property owners of the assessed valuations of their properties.

Beyond the effects of changes in the real estate market, the Agency has noted a significant increase in taxpayer appeals following major natural disasters such as the Loma Prieta earthquake of 1989. However, the impact of such events on taxable values is generally temporary. The Agency cannot predict the outcome of any taxpayer appeal, and in projecting future tax revenues the Agency's fiscal consultant has ignored such appeals. See TABLE 14.

TABLE 11: SECURED ASSESSMENT APPEAL SUMMARY

PROJECT AREA	APPEALS PENDING	VALUE UNDER APPEAL	OWNER'S OPINION VALUE	MAXIMUM LOSS*	% LOSS POTENTIAL	
					BY AREA	ALL AREAS
Acorn	5	\$ 22,030,034	\$ 5,932,277	\$ 16,097,857	73.07%	0.38%
Oak Center	0	0	0	0	0.00%	0.00%
Central District	139	136,333,745	100,904,946	35,428,799	25.99%	0.85%
Stanford/Adeline	1	151,939	136,000	15,939	10.49%	< 0.01%
Coliseum	7	105,382,373	52,319,612	53,062,761	50.35%	1.27%
TOTALS	152	\$ 263,898,091	\$ 159,292,835	104,605,356	39.64%	

* Maximum loss is assumed as the difference between the VALUE UNDER APPEAL and the OWNER'S OPINION VALUE.

Source: HDL Coren and Cone

TAX INCREMENT COLLECTION, HISTORY AND ESTIMATES

The Bonds are special obligations of the Agency payable from Subordinated Housing Set Aside Revenues which the Agency will receive as allocations of property tax revenues from the County of Alameda.

Property tax collection procedure

California classifies property subject to *ad valorem* taxes (property taxes) as "secured" or "unsecured." The secured classification includes property on which the tax becomes a lien on that property sufficient, in the county assessor's opinion, to secure payment of the taxes. Every tax lien on secured property has priority over all other liens arising under California law on that property, whenever the liens arise. A tax on unsecured property does not become a lien against it, but the tax may become a lien on other property of the taxpayer.

Secured and unsecured property appear separately on the assessment roll. Delinquent taxes on secured property may lead to sale of the property to the State of California for the amount of the delinquency. Delinquent taxes on unsecured property could lead to:

- a lawsuit against the taxpayer

- filing a certificate with the county clerk to obtain a judgment lien on taxpayer property
- filing a certificate of delinquency with the county recorder to obtain a lien on taxpayer property
- seizure and sale of the property.

Delinquent taxes on secured property carry a 10% penalty. A tax-defaulted property may be sold after a five-year redemption period. The property may be redeemed by payment of the delinquent taxes and penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for at least five years, the property is deeded to the State, and the county tax collector may sell it. A 10% penalty also applies to delinquent taxes on unsecured property, plus a monthly penalty of 1.5% starting on the first day of the third month after the delinquency date.

Except for property assessed by the State, property values are set each January 1, and equal installments of taxes on secured property become delinquent on the next December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31; these taxes are at the prior year's secured tax rate. State-assessed

property values are set each January 1 – the property tax lien date.

Taxable values

TABLE 12 below outlines the total taxable values of properties within the project areas over the last five fiscal years, the annual growth rates of such values, the estimated tax levy rates, and the increment values (total values less base-year values) based on which the tax increment revenues

accruing to the Agency are calculated. TABLE 13 below shows the tax increment revenues accruing to the Agency and the total Housing Set Aside Revenues. The amount of housing set aside funds is 20% of the actual revenues allocated to the Agency. See "CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS".

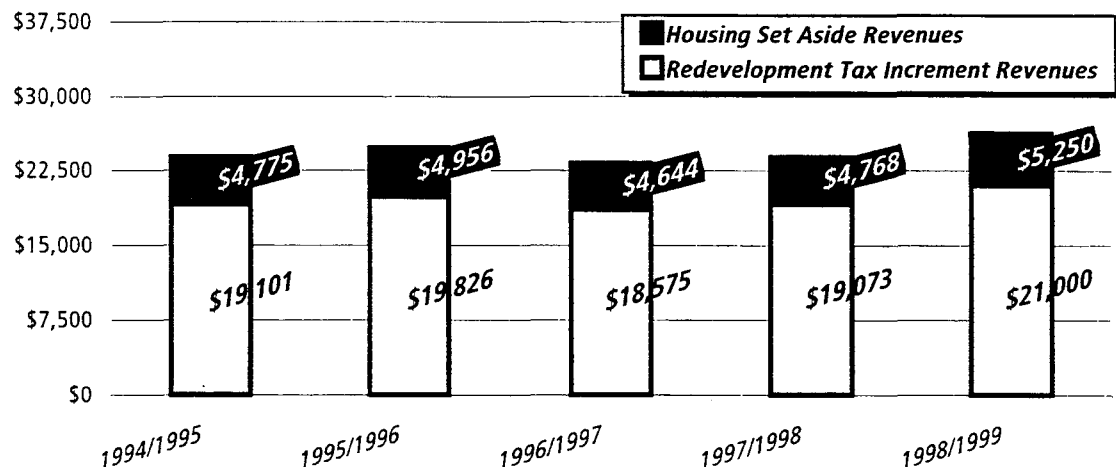
TABLE 12: TAXABLE VALUE HISTORY (ALL PROJECT AREAS)

	1994/1995	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000
Property tax rate	1.2409%	1.2634%	1.2445%	1.2933%	1.2508%	1.2780%
Total secured	\$ 1,758,030,507	\$ 1,756,862,021	\$ 2,887,321,863	\$ 2,891,020,382	\$ 3,091,302,036	\$ 3,352,802,302
Total unsecured	<u>277,922,642</u>	<u>284,146,010</u>	<u>578,282,988</u>	<u>680,030,223</u>	<u>749,372,500</u>	<u>816,663,111</u>
Total taxable values	<u>\$ 2,035,953,149</u>	<u>\$ 2,041,008,031</u>	<u>\$ 3,465,604,851</u>	<u>\$ 3,571,050,605</u>	<u>\$ 3,840,674,536</u>	<u>\$ 4,169,465,413</u>
(Less base year values*)	<u>(310,292,752)</u>	<u>(310,292,752)</u>	<u>(1,823,476,257)</u>	<u>(1,823,476,257)</u>	<u>(1,988,791,241)</u>	<u>(1,988,791,241)</u>
Incremental value	<u>\$ 1,725,660,397</u>	<u>\$ 1,730,715,279</u>	<u>\$ 1,642,128,594</u>	<u>\$ 1,747,574,348</u>	<u>\$ 1,851,883,295</u>	<u>\$ 2,180,674,172</u>
Percentage change	---	0.29%	(5.12%)	6.42%	5.97%	17.75%

*Base year adjustments reflect addition of the Coliseum project area in 1995 and amended Coliseum project area in 1997.

Source: HDL Coren and Cone

TABLE 13: TAX INCREMENT AND HOUSING SET ASIDE REVENUES HISTORY (dollars in thousands)



Source: Redevelopment Agency of the City of Oakland

TABLE 14: PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE BY FISCAL YEAR (dollars in thousands)

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Total projected property value ⁽¹⁾	\$ 4,183,485	\$ 4,272,491	\$ 4,348,598	\$ 4,426,227	\$ 4,505,408	\$ 4,586,174	\$ 4,668,554	\$ 4,752,583	\$ 4,838,291	\$ 4,925,714	\$ 5,014,886
Increment taxable value over base (base = \$1,988,791)	\$ 2,194,694	\$ 2,283,700	\$ 2,359,806	\$ 2,437,436	\$ 2,516,617	\$ 2,597,383	\$ 2,679,763	\$ 2,763,791	\$ 2,849,500	\$ 2,936,923	\$ 3,026,095
Tax increment revenues ⁽²⁾	\$ 29,188	\$ 30,107	\$ 30,976	\$ 31,861	\$ 32,763	\$ 33,681	\$ 34,617	\$ 35,571	\$ 36,542	\$ 37,532	\$ 38,540
Senior obligations debt service ⁽³⁾	\$ 8,568	\$ 8,568	\$ 8,568	\$ 8,568	\$ 8,568	\$ 8,568	\$ 8,568	\$ 8,568	\$ 8,568	\$ 8,568	\$ 8,568
Senior debt service coverage	3.41	3.51	3.62	3.72	3.82	3.93	4.04	4.15	4.26	4.38	4.50
Subordinated Housing Set Aside Revenues ⁽⁴⁾	\$ 5,838	\$ 6,021	\$ 6,195	\$ 6,372	\$ 6,553	\$ 6,736	\$ 6,923	\$ 7,114	\$ 7,308	\$ 7,506	\$ 7,708
Debt service on Bonds ⁽⁵⁾	\$ 907	\$ 3,108	\$ 3,108	\$ 4,433	\$ 4,435	\$ 4,435	\$ 4,435	\$ 4,431	\$ 4,433	\$ 4,433	\$ 4,431
Bond debt service coverage	6.44	1.94	1.99	1.44	1.48	1.52	1.56	1.61	1.65	1.69	1.74

(1) Taxable values as reported by the County of Alameda. Real property values are increased for inflation at the legal maximum rate of 2% annually. Losses in value for 154 pending appeals are not reflected in the projections.

(2) Projected tax increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters after 1988, plus unitary tax revenues and less County of Alameda administrative fees.

(3) Maximum annual debt service for the obligations appears in TABLE 6. Up to 5% of debt service on these obligations will be paid from housing set aside revenues.

(4) Subordinated Housing Set Aside Revenues calculated at 20% of gross tax increment revenues.

(5) Coverage determined by dividing revenues for each fiscal year ending June 30 by debt service in each bond year ending the following September 1.

Source: HDL Coren and Cone

ESTIMATED TAX REVENUES

TABLE 14 (left) estimates future Subordinated Housing Set Aside Revenues as 20% of projected growth in total tax revenues, assuming the maximum permitted inflation rate of 2% per year. Debt service coverage on the Bonds is also shown. The projections were prepared by the fiscal consultant to the Agency, HDL Coren and Cone. **APPENDIX C** is the report of the fiscal consultant.

Due to the difficulty of predicting the outcome of any taxpayer appeals, the fiscal consultant has made no adjustments for them in these projections.

CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS

California strictly limits property taxes. Article XIII A of the California Constitution caps the *ad valorem* tax on real property at 1% of "full cash value," but this limit doesn't apply to *ad valorem* taxes for certain "grandfathered" debt (not relevant to the Agency).

"Full cash value" means "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may increase annually for inflation at up to 2%, or fall due to a reduction in the consumer price index or comparable data, or for declining property values.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area where the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the next year.

Other tax limitations

Article XIII A became a provision of the California Constitution through a vote of Californians in the voter initiative process. Future ballot measures may further affect the Agency's ability to receive and spend money. The California Legislature may also adopt statutes which could affect the allocation of property tax revenues to and among local agencies such as the Agency. For example, the requirement to set aside

20% of all tax increment revenues for housing set aside purposes may also be changed. However, the Agency has covenanted that, in the event the legal requirement for the 20% set aside of the tax increment revenues is changed, the Agency will continue to set aside tax increment revenues sufficient to pay debt service on the Bonds.

Past voter-approved propositions and legislation that have affected the levy and allocation of property tax revenues include:

- **Article XIII B of the California Constitution:** limits the annual appropriations of the State and local governments to the level of appropriations for the prior fiscal year, as adjusted for the changes in the cost of living, population and services rendered. Subsequent legislation excluded allocation of taxes to a redevelopment agency for the purpose of paying on the Agency's indebtedness from the provisions of Article XIII B or its implementing legislation.
- **AB 1290 and AB 1342:** mandated limitations on the period of time for incurring and repaying loans, advances and indebtedness that are payable from tax increment revenues or from Subordinated Housing Set Aside Revenues. AB 1342 permitted the extensions of certain of these limits. The Agency has adopted the necessary ordinances amending project area plans to comply with these limitations.
- **Proposition 87:** a constitutional amendment requiring that all revenues generated by a tax rate increase to pay general obligation indebtedness approved by voters after January 1, 1989, go directly to the taxing entity to pay the general obligation

bonded indebtedness. Therefore, re-development agencies, such as the Agency do not receive an increase in tax increment revenues when tax rates on property in project areas are increased to pay general obligation debt. The estimated revenues and obligations of the Agency presented in this Official Statement take Proposition 87 provisions into account.

CERTAIN INVESTMENT CONSIDERATIONS

THE BONDS INVOLVE CERTAIN INVESTMENT RISKS, some of which fall outside the coverage of the Municipal Bond Insurance Policy (see "MUNICIPAL BOND INSURANCE FOR THE BONDS"). This Official Statement provides no advice about investing in the Bonds; it would be impossible to tailor any general advice to a particular investor's situation. Everyone should seek competent investment advice before deciding whether to invest in the Bonds.

This section describes some but not all of the risks, and not necessarily in order of importance or relevance. It does not repeat information presented elsewhere in this Official Statement. The Agency can provide no advice to investors about the suitability of the Bonds as an investment.

Bankruptcy and limits on remedies

Beyond the limits on remedies in the Indenture, the bankruptcy laws and other laws or equitable principles may affect the enforcement of creditors' rights generally and any remedy in particular.

No one can force a local agency – the Agency or any other governmental entity – into bankruptcy. Chapter 9 bankruptcies for public agencies are always voluntary, and usually reflect extreme and unexpected financial distress. That's why Chapter 9

bankruptcies are quite rare, and the Municipal Bond Insurance Policy has no coverage exclusion for bankruptcies. But the Agency retains the Constitutional and unwaivable right to seek protection and to reorganize under Chapter 9. While payments under the Municipal Bond Insurance Policy would not be affected, Bond-owners and the Trustee could be blocked from enforcing their rights under the Indenture.

Reduction in Subordinated Housing Set Aside Revenues

The amount of Subordinated Housing Set Aside Revenues available to pay the Bonds depends on the amount of tax increment revenues allocated to the Agency, which in turn depends on the property values in the project areas. Several factors which are beyond the control of the Agency could occur that cause a reduction in tax increment revenues and a proportional reduction in Subordinated Housing Set Aside Revenues. These factors include, but are not limited to:

- economic downturn or recession (when property values may fall and property owners may have more trouble paying taxes, leading to lower taxable values and higher delinquency rates in tax payments),
- relocation from the project areas or bankruptcy or foreclosure of one or more major property owners (also affecting property tax delinquency rates as well as taxable property values),
- successful appeals by property owners for a reduction in assessed property values (see TABLE 11 for a current summary of pending appeals),

- reduction in the general inflationary rate (in turn reducing the increase in assessed property values),
- destruction of property by natural or other disasters, such as earthquakes, fire or floods (also reducing property values, at least temporarily, and possibly affecting a property owner's ability or willingness to pay property taxes).

Oakland is in a seismically active area, where damaging earthquakes have occurred and are likely to occur from time to time. The Hayward fault line traverses the city, and scientists have predicted that eventually a major earthquake is likely to occur here, with significant damage to people and property and possibly a substantial reduction in property values. Earthquake damage is frequently uninsured, so repair efforts could require funding from federal and state agencies in order to restore property values.

Tax collection systems and procedures

Collection of the tax increment revenues and the Subordinated Housing Set Aside Revenues is dependent on the County of Alameda and its collection procedures and systems. It is also dependent on the ability and willingness of property tax owners to pay promptly when taxes are due.

The current policy of the County is to provide for distribution of redevelopment tax increment revenues to the Agency based on the property tax rolls and not upon actual collections. Although there are no plans to change the existing distribution policy, the Agency cannot give assurances that such plans will not change.

Also, the County of Alameda relies on computerized accounting and financial programs for its collection of taxes. Should

the County's computer system fail, the County may have difficulties in collecting and levying taxes and calculating interest and penalties.

Taxpayer bankruptcy

Some federal courts have decided that taxes levied on real property after its owner commences a bankruptcy proceeding aren't entitled to priority over creditors of the owner who have a prior lien on the property. This means that if owners of taxable property within the Agency's project areas file for bankruptcy, any increment which might otherwise flow to the Agency from taxes on the affected property could be interrupted or reduced. However, federal bankruptcy law generally limits this problem to bankruptcies which were filed before October 22, 1994, so the Agency doesn't expect this to be a significant problem in the future.

State financial situation

Although the State of California finances currently appear sound, the State has experienced financial difficulties in past years and has attempted to minimize its own problems by reducing funding for local agencies and by requiring redevelopment agencies to make payments for the benefit of school districts and community college districts throughout the State. If the State is unable to better address its fiscal problems in the future, further reductions in funding for local governments and/or the imposition of additional financial burdens on redevelopment agencies could result.

No assurance of market for reselling the Bonds

Nobody – not even the Underwriters – has a legal duty to make a secondary market for the Bonds, and it might never develop. If it does, there are no price guarantees, and any sales may lead to substantial investment

losses. Trading in the Bonds will probably be sporadic and limited. So, any Bond investor needs to be able to commit funds to the Bonds indefinitely, perhaps until maturity or redemption.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, bond counsel. *Bond counsel assumes no responsibility for the accuracy, completeness or fairness of this Official Statement.* The proposed form of the opinion of bond counsel appears in APPENDIX E.

TAX MATTERS

Bond counsel has prepared the information in this section, and the Agency is relying on it. Some investors may find this information highly technical and seek further explanations from their legal advisors.

Interest on the Bonds is federally taxable. Accordingly, such interest will be included from gross income for federal income tax purposes. In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel, based on an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is exempt from State of California personal income taxes. The proposed form of the opinion of Bond counsel is set forth in APPENDIX E.

The difference, if any, between the issue price of any maturity of the Bonds and the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on such Bonds which is exempt from State of Cali-

formia personal income taxes. For these purposes; the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of such Bonds is sold to the public (excluding bond houses, brokers, or similar persons, or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The original issue discount with respect to any maturity of such Bonds accrues daily over the term of maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bond to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

The Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond counsel has rendered an opinion that interest on the Bonds is exempt from California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a holder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder and the holder's other items of income or deduction. Bond counsel expresses no opinion regarding any such other tax consequences.

LEGALITY FOR INVESTMENT

The Bonds are legal investments in California for commercial and savings banks and as such are legal investments for all trust funds, and for funds of insurance companies and trust companies. The Bonds are eligible as security for deposits of public moneys in California.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Group and Fitch IBCA, Inc., have assigned their ratings of "Aaa", "AAA" and "AAA", respectively, to the Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by MBIA Insurance Corporation. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from them. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION

There is no litigation pending about the validity of the Bonds, the use of Bond proceeds, the corporate existence of the Agency or the titles of its officers or contesting or affecting the Agency's ability to receive the Subordinated Housing Set Aside Revenues or other money for Bond payments. There are some lawsuits and claims pending against the Agency. The aggregate amount of uninsured Agency liabilities and the timing of any anticipated payments of judgments which may result from suits and claims will not, in the opinion of the General Counsel of the Agency, materially affect the Agency's finances or its ability to repay the Bonds.

UNDERWRITING

The Oakland Joint Powers Financing Authority will purchase the Bonds from the Agency and immediately sell them to Stone & Youngberg LLC and E. J. De La Rosa & Co., Inc. – the Underwriters – under a Purchase Contract for the Underwriters to buy all of the Bonds for a net purchase price of \$39,241,359.50, reflecting an underwriters' discount of \$153,640.50.

From time to time, the Underwriters may change the initial public offering prices shown on the cover page of this Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than the public offering prices.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of the owners and the beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by no later than eight months following the end of the Agency's fiscal year (presently June 30) (the "Annual Report"), commencing with the report for the 1999/2000 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if deemed by the Agency to be material under federal securities laws. The Annual Report will be filed by the Trustee on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository and State Repository, if any. The notices of material events will be filed by the Trustee on behalf of the Agency with 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 F: Form of Continuing Disclosure Certificate". These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c-12(b)(5) (the "Rule"). The Agency has never failed to comply with such covenants.

A failure by the Agency to comply with the provisions of the Continuing Disclosure Certificate won't be a default under the Indenture (but Bondholders will have any available remedy at law or in equity). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability of the Bonds and an investor's ability to sell any Bond prior to its maturity.

A LAST WORD

Anything in this Official Statement involving matters of opinion or estimates – whether labeled as such or not – are just that. They're not representations of fact. They might not prove true. This Official Statement and other written or oral information are not contracts with the owners of the Bonds.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

By _____
Authorized Officer

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APPENDIX A CERTAIN INFORMATION ABOUT THE CITY OF OAKLAND

The City of Oakland is located in Alameda County on the east side of San Francisco Bay, about seven miles from San Francisco. Oakland ranges from industrialized lands bordering the Bay in the west to suburban foothills in the east. Historically the industrial heart of the Bay Area, Oakland has developed into a financial, commercial, high technology and governmental center. Oakland is also the hub of an extensive transportation network which includes a rapid transit line connecting most of the Bay Area, the conjunction of several freeways, the western terminus of major railroad and trucking firms, an international airport, as well as one of the largest container-ship ports in the United States. Oakland is the seat of government for Alameda County and is the seventh most populous city in California.

CITY GOVERNMENT

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

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

Budget process

The City's budget is developed on Generally Accepted Accounting Principles ("GAAP"), with modified accrual for governmental funds and accrual for proprietary and pension trust funds), with one exception. For budgetary purposes, outstanding commitments related to construction contracts and other purchases of goods and services are recorded as expenditures at the time such contracts or purchases are entered into (under GAAP, these obligations are recognized when goods are received or services rendered). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1. Recently, the budget cycle was changed to a two-year process in order to promote long-term decision making, to increase funding stability and to allow for greater performance evaluation. In advance of each two-year cycle, the City Manager and agency heads conduct internal budget hearings to develop budget proposals for presentation to the Mayor. Within 60 to 90 days before the end of the prior two-year cycle, the Mayor submits the proposed two-year budget to the City Council and each agency, and a formal public budget hearing is scheduled. Upon conclusion of the public hearings, the City Council may make adjustments and/or revisions. The City Council adopts the operating budget on or before June 30. It contains appropriations for all funds and two-year appropriations for the five-year Capital Improvements Program.

GEOGRAPHY

Oakland occupies about 53.8 square miles, with roughly 19 miles of coastline on the San Francisco Bay in northern California. Oakland's convenient access to mass transit, freeways, rail lines and airports; its favorable climate, environmental quality and multiple cultures; its proximity to the University of California, Berkeley and Stanford University; and its diverse employee base contribute to the cosmopolitan character of the city and have made it the center of commerce for the Bay Area.

DEMOGRAPHICS

Oakland's population has grown to nearly 400,000 people, making it the seventh largest city in California and the third largest in the Bay Area. At least 81 different languages and dialects are spoken within the city; it is the only major city to have no census tract composed of a single race. Oakland's workforce is both sizable and multi-skilled.

Between 1990 and 1998, Oakland's population increased by 7.8% or 28,800. Oakland has experienced steady population growth since 1980, and during this period the population has grown by 60,563, or 17.8%.

This chart tracks the population changes in Oakland and Alameda County from 1970 to 1999:

CITY OF OAKLAND AND ALAMEDA COUNTY POPULATION ESTIMATES

	OAKLAND	ALAMEDA COUNTY
1970	361,561	1,071,446
1980	339,300	1,105,700
1990	372,300	1,274,700
1991	378,200	1,292,900
1992	378,200	1,310,375
1993	379,700	1,326,150
1994	381,400	1,338,400
1995	381,400	1,344,150
1996	383,900	1,356,450
1997	389,700	1,381,675
1998	397,800	1,413,250
1999	399,900	1,433,375

Source: United States Department of Commerce, Bureau of the Census and State of California Department of Finance. Population estimates are as of January 1 of each listed year.

Employment

Over the past several years, Oakland's labor force and employment levels have both grown and unemployment rates have declined. The table (top right) represents the labor patterns in Oakland, in California and in the United States from 1994 through 1998, and for October 1999. The tables below and lower right show the largest employers in Oakland.

CITY OF OAKLAND LARGEST PUBLIC EMPLOYERS (as of May 1999)

PUBLIC ENTITY	FUNCTION	WORKFORCE
U.S. Government (Civilian)	Government Operations	10,576
County of Alameda	Government Operations	7,030
Oakland Unified School District	Education	5,573
State of California (excluding University of California)	Government Operations	4,430*
City of Oakland	Government Operations	4,027
Bay Area Rapid Transit	Public Transportation	2,104
East Bay Municipal Utility District	Utility/Water	1,900
Peralta Community College	Education	1,434
University of California	Education	1,100
U.S. Army	Military Service	760
Oakland Alameda County Coliseum, Inc.	Sports Stadium	700

(1) Estimate; exact number not available

Source: City of Oakland Financial Services Agency, Treasury Division

**CITY OF OAKLAND, STATE OF CALIFORNIA AND UNITED STATES
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
(1994 through 1998, and October 1999)

	LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	UNEMPLOYMENT RATE
1994				
Oakland	181,280	163,940	17,340	9.6%
California	15,450,000	14,122,100	1,327,900	8.6
United States	131,056,000	123,060,000	7,996,000	6.1
1995				
Oakland	180,540	164,290	16,290	9.0
California	15,412,200	14,202,800	1,209,400	7.8
United States	132,304,000	124,900,000	7,404,000	5.6
1996				
Oakland	180,130	166,040	14,090	7.8
California	15,568,600	14,444,400	1,124,200	7.2
United States	133,943,000	126,708,000	7,235,000	5.4
1997				
Oakland	184,580	171,780	12,800	6.9
California	15,971,800	14,965,500	1,006,300	6.3
United States	136,297,000	129,558,000	6,739,000	4.9
1998				
Oakland	186,130	174,000	12,130	6.5
California	16,329,100	15,360,600	968,500	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999				
Oakland	191,680	182,580	9,100	4.7
California	16,699,000	15,930,200	768,800	4.6
United States	139,700,000	133,900,000	5,800,000	4.1

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

CITY OF OAKLAND LARGEST PRIVATE EMPLOYERS (as of May 1999)

EMPLOYER	PRODUCT/SERVICE	WORKFORCE
Kaiser Permanente	Health Services	7,388
Summit Medical Center	Hospital Services	2,240
Southwest Airlines	Transportation	2,084
United Parcel Services	Delivery Services	2,060
Children's Hospital of Oakland	Hospital Services	1,980
United Airlines	Transportation	1,950
Fed Ex	Delivery Service	1,918
The Clorox Company	Household Products	1,340
Waste Management of Alameda County	Waste Disposal	1,130
Diocese of Oakland	Church	882

Source: City of Oakland Community and Economic Development Agency

**ECONOMIC
DEVELOPMENT**

Oakland's economic base historically has been predominantly industrial. Over the past 25 years, there have been significant gains in diversifying Oakland's economic base. While manufacturing jobs have de-

creased, commercial and service-oriented sectors have come to play a larger role in the economy. Oakland has embraced an aggressive economic development strategy surrounding five primary business clusters:

- biotechnology/healthcare
- telecommunications
- software/multimedia
- food processing
- transportation

As a result of heavy leasing activity in both the Central Business District within the Central District Redevelopment Area ("CBD") and elsewhere, the Oakland Metropolitan area experienced a complete turnaround in net absorption from one year ago. The region concluded the first quarter of 1999 with positive 432,387 square feet of net absorption compared to negative net absorption of 199,382 square feet posted for the first quarter of 1998.

According to the Cushman & Wakefield Office Market Report (First Quarter 1999), total inventory in the Oakland Metropolitan Area exceeds 21 million square feet, split nearly evenly between the CBD and the non-CBD. The overall vacancy rate for all classes of space (CBD and non-CBD) was reported at 12.5%, a 2.7% decrease from the first quarter

of 1998; the CBD overall vacancy rate was reported at 13.1%.

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

Commercial Activity

This table shows a five-year history of total taxable transactions for Oakland:

CITY OF OAKLAND TAXABLE TRANSACTIONS

	TOTAL SALES
1994	\$ 2,322,874,000
1995	2,495,567,000
1996	2,596,521,000
1997	2,767,367,000
1998	2,817,183,000

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

Construction activity

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

CITY OF OAKLAND BUILDING PERMITS AND VALUATIONS (dollars in thousands)

	PERMITS ISSUED	AUTHORIZED NEW DWELLING UNITS	VALUATIONS	
			RESIDENTIAL	NONRESIDENTIAL
1994	8,557	n/a	\$ 51,710	\$ 96,004
1995	9,692	290	47,129	132,865
1996	12,154	180	75,778	115,803
1997	12,517	213	87,625	81,131
1998	13,408	287	103,316	103,889

Source: Approved Policy Budget, 1999-2001

Military base closures

Substantially all major military facilities in Oakland and in Alameda County have been closed or downsized. These facilities represent approximately 16,000 military and

6,000 civilian jobs. Several efforts are underway to mitigate the impact of base closures, including the gradual conversion of the bases to civilian uses. Among these are

the activities of the Alameda County Economic Development Advisory Board, a consortium of public and private entities in Alameda County organized to assist regional conversion efforts, which is working with such organizations as the Bay Area Defense Conversion Action Team, the Bay Area Economic Forum, the Bay Area Regional Technology Alliance and Joint Venture Silicon Valley. Oakland and Alameda County have formed a local reuse authority (the Oakland Base Reuse Authority) under a joint powers agreement for development of comprehensive local reuse plans with respect to Naval Medical Center Oakland and the Oakland Army Base. The Port of Oakland will receive about 100 acres of waterfront property at the Naval Supply Center and is developing plans for the use of this property. A portion of the property received has been leased by the Port to private employers. Additionally, the East Bay Conversion and Reinvestment Commission has received grants from the Federal Office of Economic Adjustment to work on a pilot study on defense conversion and to provide community planning assistance. The Agency is unable to predict what the ultimate financial impact of military base closures will be. However, to date, the impact on Oakland has been far less onerous than some people anticipated, and Oakland's economy continues to thrive despite these events.

TRANSPORTATION

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

In addition to ground transportation, Oakland is home to an international airport and to one of the main sea terminals for cargo moving between the western United States and the Pacific Rim, Latin America and Europe. The Port loads and discharges more than 97% of containerized goods bound to and through the Bay Area, making it the third largest container port on the Pacific Coast, the fourth largest in the United States and among the top thirty in the world. About 72.0% of Oakland's foreign maritime trade is with Asia. The Port is currently undertaking a project to deepen the Bay's access channels, which will allow it to compete with other West Coast ports for Pacific Rim trade. Oakland International Airport (the "Airport"), operated by the Port, is a major regional center of air passenger and cargo jet operations and the second largest airport in the Bay Area. The Airport currently provides more than 70% of the Bay Area's cargo flights. In 1998, the Airport served over 9.2 million passengers and handled approximately 770,000 tons of air cargo.

EDUCATION, UTILITIES AND MEDIA

Over 170 public and private schools provide elementary, middle, special and secondary education. The Oakland Unified School Districts operates 88 schools, which includes elementary, middle and junior, high, and special education. In addition, there are a wide range of private and nonprofit elementary and secondary schools in Oakland. Seven colleges are located in Oakland, reporting enrollment of over 20,000 students. Utility services are provided by Pacific Bell, EB-MUD and Pacific Gas & Electric. Oakland has its own regional newspaper, radio stations and a Fox Network television station.

NEIGHBORHOODS

Oakland has many well-established medium-density residential neighborhoods, consisting primarily of single family homes. Oakland is also an affordable community, containing neighborhoods with price levels from low-income (22% of housing units are valued below \$100,000) to high-income (32.5% of housing units are valued above \$250,000). Of total housing units, over 38% are owner-occupied and over 55% are rented. Shopping districts such as Montclair, College Avenue, Piedmont Ave-

nue, Grand/Lakeshore Avenues and Park Boulevard form the spines for the surrounding residential areas. Oakland credits the activity in the neighborhood commercial/shopping districts with mitigating declines in its sales tax revenues after the 1989 Loma Prieta earthquake, despite temporary closure of several major downtown retail stores.

RECREATION

The quality of life in Oakland is enhanced by abundant opportunities for recreation, entertainment and culture at more than 140 parks, playgrounds, community centers and other recreational facilities operated by the City. Oakland has a moderate climate and has 64 parks within its borders, including Lake Merritt, which is located downtown. The Oakland-Alameda County Coliseum hosts concerts and other special events, and is the home to the Oakland A's baseball, Oakland Raiders football and Golden State Warriors basketball teams. In addition, a wide and diverse variety of music, dance and theater groups, both amateur and professional, perform regularly in Oakland. The Alice Arts Center is a multicultural and multidisciplinary performing arts complex that presents local, regional and national theater, dance and music productions.

APPENDIX B
AUDITED FINANCIAL STATEMENTS
OF THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

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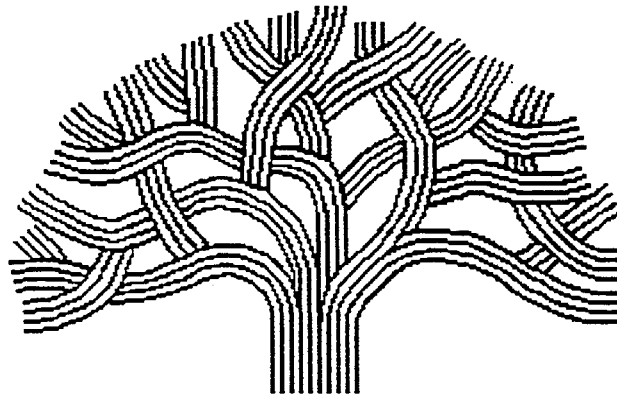
APPENDIX B

REDEVELOPMENT

AGENCY

OF THE

CITY OF OAKLAND



Financial Statements
and
Supplemental Information

Fiscal Year Ended June 30, 1999

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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June 30, 1999

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WILLIAMS, ADLEY & COMPANY, LLP
Management Consultants
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of the Redevelopment Agency
of the City of Oakland, California

We have audited the accompanying general purpose financial statements of the Redevelopment Agency of the City of Oakland (the "Agency"), a component unit of the City of Oakland, California, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Agency of the City of Oakland, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2000 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Year 2000 supplementary information on page 24 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We did not audit the information and do not express an opinion on it. Further, because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established, we were unable to apply any limited procedures. In addition, we do not provide assurance that the Agency is or will become Year 2000 compliant, that the Agency's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Agency does business are or will become Year 2000 compliant.



WILLIAMS, ADLEY & COMPANY, LLP

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Agency, taken as a whole. The supplemental financial information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

Oakland, California
January 28, 2000

Williams, Adley & Company, LLP

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REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1999

	<u>Governmental Fund Types</u>		
	<u>Capital Project</u>	<u>Debt Service</u>	<u>Redevelopment Planning Fund West Oakland/ Coliseum</u>
ASSETS			
Cash	\$ 310,208	\$ —	\$ 550,850
Restricted cash and investments with fiscal agents	12,308,754	12,016,240	—
Pooled cash and investments:			
Accrued interest receivable	—	—	1,080,661
Investments	—	—	76,448,216
Less: Other funds interests	—	—	(78,044,822)
Equity in pooled cash and investments	74,143,025	2,103,372	1,798,425
Due from the City of Oakland	19,021,315	—	418,787
Due from US Environmental Protection Agency	36,036	—	—
Direct financing lease receivable- City of Oakland	—	32,835,817	—
Accounts receivable (net of \$200,000 allowance for doubtful accounts)	31,415	—	—
Accrued interest receivable	821,127	180,558	—
Notes receivable, net	16,584,031	—	—
Property held for resale	54,687,532	21,446,577	—
Amount available in debt service fund	—	—	—
Amount to be provided for retirement of general long-term obligations	—	—	—
Capital contribution	1,000	—	—
TOTAL ASSETS	<u>\$177,944,443</u>	<u>\$ 68,582,564</u>	<u>\$ 2,252,117</u>

See accompanying notes to general purpose financial statements.

Account Group		Total (Memorandum Only)
General		
Long-Term		
Obligations		
\$ —	\$	861,058
—		24,324,994
—		1,080,661
—		76,448,216
—		(78,044,822)
—		78,044,822
—		19,440,102
—		36,036
—		32,835,817
—		31,415
—		1,001,685
—		16,584,031
—		76,134,109
14,121,550		14,121,550
226,249,572		226,249,572
—		1,000
<u>\$240,371,122</u>		<u>\$489,150,246</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1999

	<u>Governmental Fund Types</u>		
	Capital Project	Debt Service	Redevelopment Planning Fund West Oakland/ Coliseum
LIABILITIES			
Accrued debt service	\$ —	\$ 906,032	\$ —
Certificates of participation	—	—	—
Tax allocation refunding			
bonds payable	—	—	—
Advances from City of Oakland	—	—	—
Due to the City of Oakland	7,167,715	20,578,893	—
Due to the Government	168,336	—	—
Deferred revenue	47,792,568	32,835,817	407,109
Refundable deposits	202,791	—	10,899
Accrued liabilities	1,944,642	140,272	22,022
Other liabilities	<u>238,679</u>	<u>—</u>	<u>—</u>
TOTAL LIABILITIES	<u>57,514,731</u>	<u>54,461,014</u>	<u>440,030</u>
FUND BALANCES			
Fund balances:			
Reserved for debt service	—	14,121,550	—
Reserved for property			
held for resale	54,687,532	—	—
Reserved for approved capital			
projects/activities	65,742,180	—	—
Unreserved - designated for			
future capital projects/			
activities	<u>—</u>	<u>—</u>	<u>1,812,087</u>
TOTAL FUND BALANCES	<u>120,429,712</u>	<u>14,121,550</u>	<u>1,812,087</u>
TOTAL LIABILITIES AND			
FUND BALANCES	<u>\$177,944,443</u>	<u>\$ 68,582,564</u>	<u>\$2,252,117</u>

See accompanying notes to general purpose financial statements.

<u>Account Group</u> General Long-Term Obligations	Total (Memorandum Only)
\$ —	\$ 906,032
32,835,817	32,835,817
195,038,004	195,038,004
11,937,301	11,937,301
—	27,746,608
—	168,336
—	81,035,494
—	213,690
—	2,106,936
<u>560,000</u>	<u>798,679</u>
<u>240,371,122</u>	<u>352,786,897</u>
—	14,121,550
—	54,687,532
—	65,742,180
<u>—</u>	<u>1,812,087</u>
<u>—</u>	<u>136,363,349</u>
<u>\$ 240,371,122</u>	<u>\$ 489,150,246</u>

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REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES
IN FUND BALANCES - GOVERNMENTAL
FUND TYPES
June 30, 1999

	Governmental Fund Types			Totals
	Capital Project	Debt Service	Redevelopment Planning Fund West Oakland/ Coliseum	(Memorandum Only)
REVENUES				
Tax increment	\$ 25,639,706	\$ 610,326	\$ —	\$ 26,250,032
Interest on restricted cash and investments with fiscal agent	636,137	811,377	—	1,447,514
Net decrease in fair value of investments fiscal agent	—	(218,981)	—	(218,981)
Interest on pooled cash and investments	4,064,480	124,890	136,506	4,325,876
Interest on notes receivable	247,605	—	3,500	251,105
Net decrease in fair value of investments pooled	(462,734)	(11,830)	(9,399)	(483,963)
Interest and principal on direct financing lease receivables - City of Oakland	—	5,161,410	—	5,161,410
Rents and reimbursements	1,638,186	—	—	1,638,186
Grants in aid-Federal	1,195,661	—	—	1,195,661
Other	3,085,123	29,775	54,000	3,168,898
TOTAL REVENUES	<u>36,044,164</u>	<u>6,506,967</u>	<u>184,607</u>	<u>42,735,738</u>
EXPENDITURES				
Debt Service:				
Retirement of long-term debt	—	9,390,000	—	9,390,000
Interest	—	13,330,430	—	13,330,430
Operation and management of acquired property	1,066,791	—	20,646	1,087,437
Site clearance and toxics remediation	551,894	—	—	551,894
Project improvements	17,760,117	—	294,684	18,054,801
General and administrative	10,650,115	—	98,640	10,748,755
Other	4,375,383	44,489	—	4,419,872
TOTAL EXPENDITURES	<u>34,404,300</u>	<u>22,764,919</u>	<u>413,970</u>	<u>57,583,189</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,639,864</u>	<u>(16,257,952)</u>	<u>(229,363)</u>	<u>(14,847,451)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out) net	(16,916,710)	16,916,710	—	—
TOTAL OTHER FINANCING SOURCES (USES)	<u>(16,916,710)</u>	<u>16,916,710</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(15,276,846)</u>	<u>658,758</u>	<u>(229,363)</u>	<u>(14,847,451)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>135,706,558</u>	<u>13,462,792</u>	<u>2,041,450</u>	<u>151,210,800</u>
FUND BALANCES AT END OF YEAR	<u>\$120,429,712</u>	<u>\$14,121,550</u>	<u>\$1,812,087</u>	<u>\$ 136,363,349</u>

See accompanying notes to general purpose financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

(1) ACTIVITIES OF THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

The Redevelopment Agency, a component unit of the City of Oakland (the Agency), was activated on October 11, 1956, for the purpose of redeveloping certain areas of the City of Oakland (City) designated as project areas. Its principal activities are the acquisition of real property for the purpose of removing or preventing blight, providing for the construction of improvements thereon and the rehabilitation and restoration of existing properties.

In addition, the Agency finances numerous low and moderate income housing projects throughout the City of Oakland.

The principal sources of funding for the Agency's activities have been:

- Bond issues, notes and other financing sources.
- Advances, loans and grants-in-aid from the City.
- Property tax revenue attributable to increases in the assessed valuations in the associated project areas.
- Grants received from the U.S. Department of Housing and Urban Development under the Urban Renewal Program, Neighborhood Development Program and Community Development Block Grant Program (through the City of Oakland), as well as Section 312 rehabilitation loans.

Generally, funding from bond issues, notes, loans and City advances are eventually repayable from incremental property tax revenue. The Agency has entered into repayment agreements with the City or is obligated to do so under the terms of these other funding agreements. The amount of incremental property tax revenue received is dependent upon the local property tax assessments and rates, which are outside of the control of the Agency. Accordingly, the length of time that will be necessary to repay the City is not readily determinable.

The Agency currently has the following projects: Central District (which is segmented into several action areas including Chinatown; City Center and Victorian Row), Acorn, Oak Center, Stanford/Adeline, and Coliseum projects. The Oak Center and Stanford/Adeline projects are substantially complete.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1999

The Central District Redevelopment Project, the Agency's primary project, provides for the development and rehabilitation of commercial and residential structures for approximately 200 blocks of Oakland's downtown area.

The Agency also purchased the Oakland Museum from the City and leases it back under a direct financing lease.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—Fund Accounting

The accounts of the Agency are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The various funds are summarized by type in the financial statements. Fund types and the account group used by the Agency are as follows.

Governmental Fund Types

Capital Project Fund—The Agency is organized into project areas which constitute separate accounting entities within the Agency. The operations of each project area are accounted for through a Capital Project Fund. The Capital Project Fund accounts for financial resources to be used for the acquisition, construction or improvement of major capital facilities.

Debt Service Fund—The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

Redevelopment Planning Fund, West Oakland/Coliseum—The Redevelopment Planning Fund accounts for the payments that are directly associated with the proposed West Oakland project and the approved Coliseum project. The West Oakland project is currently in the planning and developmental stage. The Coliseum Area Redevelopment Plan was adopted on July 25, 1995; the costs for the planning, adoption and implementation of the project are funded from the Redevelopment Planning Fund.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

Account Group

General Long-Term Obligations Account Group—The General Long-Term Obligations Account Group is established to account for the Agency's long-term obligations expected to be financed by governmental funds.

Basis of Accounting

Modified Accrual Basis of Accounting

The modified accrual basis of accounting is followed in the governmental fund types. Revenues are recorded when susceptible to accrual, that is, both measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is expected to be liquidated with expendable available resources. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Funds for payments to be made early in the following year.

Investments

The Agency adopted Government Accounting Standards Board Statement (GASB) No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* which requires the Agency's investments to be stated at fair value. Fair value has been obtained by using market quotes as of June 30, 1999, and reflects the values as if the Agency were to liquidate the securities on that date.

Money market investments with maturities of one year or less have been stated at amortized cost as permitted by GASB 31.

Investment earnings are accrued as they become measurable and available.

Restricted Cash and Investments with Fiscal Agents

Proceeds from debt and other funds which are restricted for the payment of debt or for use in approved projects and held by fiscal agents by agreement are classified as restricted assets.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1999

Pooled Cash and Investments

Income on pooled assets is allocated to the individual fund based on the fund's average daily balance in relation to total pooled assets.

Property Held for Resale

Property held for resale and/or lease is recorded at lower of cost or estimated conveyance value, with an equal amount recorded as a reservation of fund balance.

Direct Financing Lease Receivable

The Agency accounts for its long-term direct financing leases (Debt Service Fund) on the modified accrual basis wherein the present value of the minimum lease payments is capitalized and reduced as payments are received. Capital leases are offset by deferred revenue. Revenue is recognized as payments are received.

Fund Equity

Reservations of fund balances indicate those portions of fund equity which are not available for appropriation or expenditure or which have been legally restricted to a specific use.

The Agency has reserved fund balance as follows:

Reserved for debt service—To comply with debt covenants, these monies are set aside and held by a fiscal agent for future payment of debt service principal and interest.

Reserved for property held for resale—To account for assets acquired with certain funds granted to the Agency not available for appropriation.

Reserved for approved capital projects/activities—To account for assets set aside that have been committed to a specific use by contractual agreement or Agency resolution.

Unreserved - Designated for future capital projects/activities—To reflect those amounts specifically designated for projects/activities by official action of the Agency.

Tax Increment Revenue

Tax increment revenues are recognized when measurable and available from local taxing authorities.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

Budgetary Data

The Agency operates on a project basis. Because comparison of financial results for a specific period would not be meaningful, annual budgetary data is not presented in the combined financial statements. The Agency's budgets are subject to the approval of the Agency's board. Unexpended budget appropriations are carried forward to the succeeding year.

TOTAL (MEMORANDUM ONLY) COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are presented to aggregate financial data. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Eliminations of interfund activity have not been made between fund types.

(3) TRANSACTIONS WITH THE CITY OF OAKLAND

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represent reimbursement to the City.

The City provides administrative services and materials related to the various projects, as well as advances and loans. For certain projects, as described below, the Agency has entered into repayment agreements to reimburse the City for all amounts advanced for those projects.

At June 30, 1999, the following amount was due from or to the City:

Oakland Museum direct financing lease receivable in semiannual installments ranging from \$1,940,000 to \$3,996,400 through March 15, 2012, with interest imputed at 6.44%	<u>\$ 32,835,817</u>
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REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

A summary of future minimum lease payments from the Oakland Museum direct financing lease receivable is as follows:

Year ending June 30,

2000	3,703,930
2001	3,702,380
2002	3,703,480
2003	3,700,450
2004	3,702,750
Thereafter	<u>31,285,255</u>
TOTAL FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE	49,798,245
LESS AMOUNTS REPRESENTING INTEREST	<u>(16,962,428)</u>
PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE	<u>\$ 32,835,817</u>
 Due from City of Oakland	
Reimbursements to the City for various redevelopment loans made by the City. The City will reimburse the Agency as amounts are collected on the underlying loans.	\$ 17,093,108
Various Agency advances to the City currently receivable	<u>2,346,994</u> <u>\$ 19,440,102</u>
 Due to City of Oakland	
Various City advances on Agency projects currently payable	<u>\$ 27,746,608</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

(4) CASH AND INVESTMENTS

The Agency maintains a common cash and investment pool for use by all funds. Each fund's portion of this pool is classified in the combined balance sheet as equity in pooled assets.

Agency investments are categorized by type to give an indication of the level of credit risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the Agency's custodian in the Agency's name. Category 3 includes unregistered investments with the securities held by the counter party or its trust department or agent but not in the Agency's name. The Agency had no Category 2 or 3 investments as of June 30, 1999.

At June 30, 1999, cash and investments were categorized as follows:

	Amortized Cost	Fair Value	Risk Category
Cash	\$ <u>861,058</u>	—	—
Restricted cash and investments with fiscal agents:			
Cash	\$ 10	\$ —	—
U.S. treasury	—	5,595,746	1
U.S. federal agency	—	8,759,686	1
Repurchase and other investment agreements	—	3,754,994	1
Government money market funds	<u>6,214,558</u>	—	—
	<u>\$ 6,214,568</u>	<u>\$ 18,110,426</u>	
Pooled cash and investments:			
Certificates of deposit	\$ —	\$ 131,234	1
Negotiable certificates of deposit	—	2,000,918	1
Local Agency Issue	—	5,024,300	1
U.S. federal agency	—	29,387,595	1
Medium term corporate notes	—	3,251,250	1
Money market funds	11,438,840	—	—
Local Agency Investment Fund	—	<u>25,214,079</u>	—
	<u>\$ 11,438,840</u>	<u>\$ 65,009,376</u>	

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

Money market investments with maturities of one year or less have been stated at amortized cost, as permitted by GASB 31. The amortized cost of these investments approximates fair value as of June 30, 1999.

The fair value of investments is based on quotes obtained as of June 30, 1999. The current year decreases of (\$218,981) and (\$483,963) resulting from current year changes in fair values in investment with fiscal agents and pooled investments, respectively, are reflected in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Government Fund Types.

California Government Code requires collateral for demand deposits and certificates of deposit at 110% of all deposits not covered by federal deposit insurance. Since the Agency uses only authorized public depositories, all funds deposited with financial institutions are fully insured or collateralized.

California statutes authorize Agency officials to invest pooled funds in United States bonds and obligations, guaranteed United States agency issues, bank certificates of deposit, bankers' acceptances, repurchase agreements and prime commercial paper issues.

(5) NOTES RECEIVABLE

Notes receivable consisted of advances to developers of various other Agency redevelopment projects. These advances are evidenced by a note or loan receivable at June 30, 1999, as follows:

Madrone Hotel Associates, bearing interest at 6%, through September 1, 1989, and zero interest thereafter, principal and interest due on December 31, 2000, or earlier under certain provisions of the note.	\$ 339,349
Cahon, Inc., bearing interest at 6%, through June 30, 1993, and zero interest thereafter, principal and interest due December 31, 2000 or earlier under certain provisions of the note.	1,100,000
Slim Jenkins Court Associates, bearing interest at 9%, through June 30, 1991, then 5% through December 31, 1992, and zero interest thereafter, principal and interest due December 31, 2000, or earlier under certain provisions of the note.	950,000
Pacific Renaissance Associates II, bearing interest at 10%, principal and interest due July 30, 2015.	7,000,000

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

Kennedy Tract, bearing interest at 6%, principal and interest due February 26, 2000.	253,132
Oakland Business Development Corporation-Dufwin Towers, bearing interest at 6%, principal and interest due September 8, 1999.	2,352,620
Women's Economic Agenda, bearing interest at 6%, principal and interest due August 14, 2025.	2,409,106
Innovations Homeownership, bearing interest at 6%, principal and interest due February 13, 2000.	714,067
Other notes receivable	2,353,465
Less allowance for doubtful accounts	<u>(887,708)</u>
	<u>\$ 16,584,031</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

(6) PROPERTY HELD FOR RESALE

Property held for resale at June 30, 1999, consisted of the following:

Chinatown	\$ 2,100,000
City Center	3,335,988
Housewives Market	1,610,963
Rotunda Building	1,850,000
Multi-Service Center	5,100,000
Plaza Building	612,500
Swans Market	4,425,474
Taldan Site	1,301,679
State Building	3,026,042
City Hall Annex	2,880,000
Preservation Park	6,448,160
City Center Garage West	21,446,577
America Recreation Center	250
Fox Theater	3,000,000
11th-12th Broadway & Franklin	3,153,200
US Ice Skating Rink	10,588,072
819 Clay St.	145,000
Acom Shopping Center	2,970,000
529 20th St., 1901 Telegraph Ave, 538-544 & 562-570 William St.	1,791,110
550 William St.	192,400
562-570 William St.	121,034
584 William St.	35,660
	<u>\$ 76,134,109</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

(7) LONG-TERM OBLIGATIONS

General Long-Term Obligations

The following is a summary of changes in the General Long-Term Obligations Account Group for the year ended June 30, 1999:

	Balance July 1, 1998	Additions	Retirements and Decreases	Balance June 30, 1999
Certificates of participation	\$ 33,413,025	\$1,257,792	\$1,835,000	\$ 32,835,817
Tax allocation bonds payable	191,794,273	10,758,731	7,515,000	195,038,004
General Obligation Bond	—	560,000	—	560,000
Advances from City of Oakland	<u>11,266,077</u>	<u>671,224</u>	<u>—</u>	<u>11,937,301</u>
	<u>\$ 236,473,375</u>	<u>\$13,247,747</u>	<u>\$9,350,000</u>	<u>\$240,371,122</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1999

General Long-Term Obligations consist of the following:

	Maturity	Interest Rates	Balance at June 30, 1999
CERTIFICATES OF PARTICIPATION			
Oakland Museum 1992 Series A-Serial	1996-2003	5.00%-6.00%	\$ 8,455,000
Oakland Museum 1992 Series A-Term	2005	6.25%	5,020,000
Oakland Museum 1992 Series A-Term	2012	6.00%	15,900,000
Oakland Museum 1992 Series A-Capital Appreciation	2006-2007	6.45%-6.55%	<u>3,460,817</u>
TOTAL CERTIFICATES OF PARTICIPATION			32,835,817
TAX ALLOCATION BONDS			
Acorn Refunding 1988:			
Serial bonds	1996-2000	6.70%-7.00%	220,000
Term bonds	2007	7.40%	<u>2,075,000</u>
			<u>2,295,000</u>
Central District Refunding Series 1989A:			
Serial bonds	1995-2000	6.30%-6.55%	6,760,000
Capital Appreciation Bonds	2001-2009	6.60%-6.65%	<u>22,658,004</u>
			<u>29,418,004</u>
Central District Senior Tax Allocation Refunding Series 1992:			
Serial bonds	1995-2008	4.50%-6.00%	41,840,000
Term bonds	2009-2014	5.50%-6.15%	<u>35,910,000</u>
			<u>77,750,000</u>
Central District Subordinated Tax Allocation Refunding Series 1992A			
	1996-2019	5.95%	<u>52,800,000</u>
Central District Subordinated Tax Allocation Bonds Series 1993A:			
Serial bonds	1995-2004	3.60%-4.90%	3,765,000
Term bonds	2005-2009	5.30%	4,075,000
Term bonds	2010-2013	5.00%	4,080,000
Term bonds	2014-2021	5.00%	<u>11,025,000</u>
			<u>22,945,000</u>
Central District Subordinated Tax Allocation Bonds Series 1995A:			
Serial bonds	1999	5.25%	195,000
Serial bonds	2001	5.50%	225,000
Term bonds	2008	7.20%	1,010,000
Term bonds	2015	7.50%	1,340,000
Term bonds	2021	7.60%	<u>7,060,000</u>
			<u>9,830,000</u>
TOTAL TAX ALLOCATION BONDS			195,038,004
GENERAL OBLIGATION BOND-Tribune Tower	2011	5.643%	560,000
ADVANCES FROM THE CITY OF OAKLAND			<u>11,937,301</u>
SUBTOTAL			<u>207,535,305</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS			\$ 240,371,122

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

Certificates of Participation

Oakland Museum 1992 Series A

On May 15, 1992, the Agency issued \$39,408,000 in Refunding Certificates of Participation (Certificates) with an effective interest cost of 6.442% to legally defease the Oakland Museum Certificates of Participation 1987 Series A. The Certificates were issued to finance the reacquisition of the Museum and accordingly, they are recorded in the General Long-Term Obligations Account Group.

The Agency has leased the Museum's facilities and site to the City under a lease agreement. The Agency is not obligated to make any payments in respect to the Certificates except from the payments by or on behalf of the City pursuant to the lease agreement.

Tax Allocation Bonds

Acorn Tax Allocation Refunding Bonds Series 1988

On November 1, 1988, the Acorn Refunding Bonds Series 1988 in the amount of \$3,375,000, with an average coupon rate of 11.64%, were issued by the Agency to advance refund \$2,895,000 of Acorn Tax Allocation Refunding Bonds. The bonds are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area, allocable to the Agency pursuant to Redevelopment Law. Bonds maturing in 2007 are subject to mandatory sinking fund requirements commencing May 1, 2001, and are subject to prior redemption.

Central District Tax Allocation Refunding Bonds Series 1989A

On August 1, 1989, \$92,399,000 Central District Tax Allocation Bonds Series 1989A were issued by the Agency. Proceeds of the bonds are being used by the Agency to finance projects and improvements in the Central District Redevelopment Project Area. The bonds are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area, allocable to the Agency pursuant to Redevelopment Law.

As discussed under Central District Subordinated Tax Allocation Refunding Series 1992A, the Agency refunded all of the \$51,600,000 term portion and \$2,000,000 of the serial portion of the Series 1989A bonds in July 1992.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

Central District Senior Tax Allocation Refunding Series 1992

On November 15, 1992, the Agency issued \$97,655,000 of Central District Senior Tax Allocation Refunding Series 1992 Bonds at an effective interest cost of 6.25%. The bonds were issued to defease in substance all of the Agency's Central District Tax Allocation Refunding Bonds Series 1986 in the amount of \$84,325,000. The bonds are secured by senior tax revenue of the Agency. The Series 1992 Senior Tax Allocation Bonds are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area, allocable to the Agency pursuant to Redevelopment Law.

Central District Subordinated Tax Allocation Refunding Bonds Series 1992A

On July 9, 1992, the Agency issued \$53,600,000 of Central District Subordinated Tax Allocation Refunding Bonds Series 1992A, at an interest rate of 5.95% to provide a bond equivalent yield of 6.02%. These bonds were used to refund the \$51,600,000 term bond portion and \$2,000,000 of the serial bond portion of the Agency's Central District Series 1989A bonds. These bonds are on parity with the Central District Series 1993A and Central District 1989A bonds. These bonds are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area, allocable to the Agency pursuant to Redevelopment Law.

Central District Subordinated Tax Allocation Series 1993A

On March 1, 1993, the Agency issued \$25,000,000 of Central District Series 1993A bonds. A portion of the proceeds of the bonds is intended to be used to finance the renovation and reconstruction of the Oakland City Hall and other redevelopment projects in the Central District Redevelopment Project Area. The remaining proceeds were used to establish a capitalized interest account to pay interest charges through March 1, 1995, and to establish a reserve account. The bonds are on parity with the Central District Series 1989A and Central District Subordinated Tax Allocation Refunding Series 1992A bonds, and are a limited obligation of the Agency payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area, allocable to the Agency pursuant to Redevelopment Law.

Central District Subordinated Tax Allocation Bonds Series 1995A

On August 1, 1995, the Agency issued \$10,000,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 1995A at an interest rate of 7.80%. The proceeds of the bonds are intended to be used to finance a portion of the costs of the construction, equipping, remodeling, and improving of the City Administration Facility, and costs of other redevelopment projects in the Central District Redevelopment Project Area. A portion of the proceeds was used to pay bond issuance costs, to establish a capitalized interest account to pay interest charges through

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

March 1, 1996, and to establish a capital reserve account. The bonds are on parity with the Central District Tax Allocation Refunding Bonds Series 1989A, Central District Subordinated Tax Allocation Refunding Bonds Series 1992A, and the Central District Subordinated Tax Allocation Bonds Series 1993A, and are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area, allocable to the Agency pursuant to Redevelopment Law.

General Obligation Bond

On April 15, 1998, the Tribune Tower Restoration Bond was issued by the Agency for \$600,000 at an interest rate of 5.643% which will mature on November 1, 2011. The proceeds of the bond will be used to pay a portion of the costs to restore one of Oakland's historic landmarks, The Tribune Tower. The bond constitutes a general obligation of the Agency payable from any lawfully available moneys of the Agency.

As of June 30, 1999, the bond balance was reduced to \$560,000 due to the Agency's first principal payment on June 7, 1999 in the amount of \$40,000.

Advances from City to the Redevelopment Agency

The City has made various advances to the Agency for redevelopment projects. The advances are payable principally from future tax increment revenues. \$11,937,301 of the advances bear interest at 6% per annum. The remaining advances are non-interest bearing.

Defeasance of Various Properties Debt

The following is a schedule of outstanding bonds that are defeased in substance. Cash and investments in U.S. government securities were placed in irrevocable trusts to provide for all future debt service on the old bonds. Accordingly, the assets and the corresponding liabilities are not reflected in the Agency's financial statements.

Name of Issue	Outstanding at June 30, 1999
Central District Redevelopment Tax Allocation Bonds, Series A and B	\$ <u>800,000</u>

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures. The Agency believes it is in compliance with all significant limitations and restrictions.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 1999

Annual Future Payments

The following table presents the Agency's aggregate annual amount of future payments required to amortize the outstanding debt service payments and long-term liabilities to the City of Oakland as of June 30, 1999.

Year ending June 30,	General Long-Term Obligations
2000	\$ 17,984,315
2001	17,951,279
2002	19,519,996
2003	19,389,726
2004	19,324,579
Thereafter	<u>244,261,842</u>
	338,431,737
Amounts with unspecified payment dates (advances from City of Oakland)	<u>11,937,301</u>
TOTALS	350,369,038
Less amounts representing interest	<u>(142,833,733)</u>
LIABILITY AT JUNE 30, 1999	<u>\$ 207,535,305</u>

(8) COMMITMENTS AND CONTINGENCIES

As of June 30, 1999, the Agency has entered into contractual commitments of approximately \$934,869 for materials and services relating to various projects. These commitments and future costs will be funded by currently available funds, tax increment revenue and other sources.

At June 30, 1999, the Agency was committed to fund \$5,022,855 in loans and had issued \$1,648,600 in letters of credit in connection with several low and moderate income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

The Agency is a defendant in several lawsuits arising in the normal course of business. Legal counsel estimates that the potential loss associated with these matters is no more than \$250,000. The ultimate outcome of these matters is not presently determinable. In management's opinion, these matters will not have a significant effect on the Agency's financial position.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
June 30, 1999

Year 2000 Disclosure

The Year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs must be adjusted to recognize the difference between those two years, or programs may fail or create errors.

The Agency utilizes the City of Oakland's (the City) computer systems for its financial record-keeping and reporting. The City, in 1996, conducted an assessment of its operations, which might potentially be impacted by technology issues related to the Year 2000. In order to complete a comprehensive review of all systems, a citywide task force was formed. The role of the task force was to identify all potential Year 2000 compliance issues and to develop a plan for addressing those issues in a timely manner. This included, among other things, a complete review of all embedded chip systems as well as efforts to ensure that the City's business partners and community-based organizations are also Year 2000 compliant. The necessary system modifications for the Year 2000 were completed and tested by November 30, 1999. The City also developed contingency plans to ensure continued operations should any Y2K-related problems arise after January 1, 2000.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
COMBINING BALANCE SHEET - CAPITAL PROJECT FUNDS BY ACTION AREA
June 30, 1999

	Acorn	Central District	Other Projects	Low Moderate Housing	Total
ASSETS					
Cash	\$ —	\$ 310,208	\$ —	\$ —	\$ 310,208
Restricted cash and investments with fiscal agents	—	12,308,754	—	—	12,308,754
Equity in pooled cash and investment	2,822,234	50,287,269	13,556,403	7,477,119	74,143,025
Due from the City of Oakland	—	17,474,197	—	1,547,118	19,021,315
Due from US Environmental Protection Agency	—	—	36,036	—	36,036
Accounts receivable (net of \$200,000 allowance for doubtful accounts)	30,000	1,415	—	—	31,415
Accrued interest receivable	—	464,700	43,619	312,808	821,127
Notes receivable, net	—	13,508,216	714,068	2,361,747	16,584,031
Property held for resale	2,970,000	39,631,712	12,085,820	—	54,687,532
Capital contribution	—	1,000	—	—	1,000
TOTAL ASSETS	\$ 5,822,234	\$133,987,471	\$26,435,946	\$11,698,792	\$177,944,443
LIABILITIES					
Due to the City of Oakland	\$ 2,970,367	\$ 4,153,304	\$ 29,440	\$ 14,604	\$ 7,167,715
Due to the Government	—	168,336	—	—	168,336
Deferred revenue	—	43,766,950	3,042,891	982,727	47,792,568
Refundable deposits	12,250	54,678	530	135,333	202,791
Accrued liabilities	89,543	1,078,456	362,047	414,596	1,944,642
Other liabilities	—	238,679	—	—	238,679
TOTAL LIABILITIES	3,072,160	49,460,403	3,434,908	1,547,260	57,514,731
FUND BALANCES					
Reserved for property held for resale	2,970,000	39,631,712	12,085,820	—	54,687,532
Reserved for approved capital projects/activities	(219,926)	44,895,356	10,915,218	10,151,532	65,742,180
TOTAL FUND BALANCES	2,750,074	84,527,068	23,001,038	10,151,532	120,429,712
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,822,234	\$ 133,987,471	\$26,435,946	\$11,698,792	\$177,944,443

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS BY ACTION AREA
June 30, 1999

	Acorn	Central District	Other Projects	Low Moderate Housing	Total
REVENUES					
Tax Increment	\$ 982,113	\$ 21,663,262	\$ 2,994,331	\$ —	\$ 25,639,706
Interest on restricted cash and investments with fiscal agents	—	636,137	—	—	636,137
Interest on pooled cash and investments	205,106	2,825,617	713,550	320,207	4,064,480
Interest on notes receivable	—	247,605	—	—	247,605
Net decrease in fair value of investments pooled	(13,653)	(337,909)	(73,534)	(37,638)	(462,734)
Rents and reimbursements	47,095	1,577,832	13,259	—	1,638,186
Grants in aid-Federal	—	1,195,661	—	—	1,195,661
Other	305	555,457	2,057,104	472,257	3,085,123
TOTAL REVENUES	<u>1,220,966</u>	<u>28,363,662</u>	<u>5,704,710</u>	<u>754,826</u>	<u>36,044,164</u>
EXPENDITURES					
Operation and management of acquired property	45,937	767,533	253,321	—	1,066,791
Site clearance and toxics remediation	—	—	551,894	—	551,894
Project improvements	2,194,871	9,425,940	2,649,168	3,490,138	17,760,117
General and administrative	333,711	7,120,784	1,644,597	1,551,023	10,650,115
Other	—	2,799,654	1,570,451	5,278	4,375,383
TOTAL EXPENDITURES	<u>2,574,519</u>	<u>20,113,911</u>	<u>6,669,431</u>	<u>5,046,439</u>	<u>34,404,300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,353,553)</u>	<u>8,249,751</u>	<u>(964,721)</u>	<u>(4,291,613)</u>	<u>1,639,864</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out) - net	(584,517)	(21,313,033)	(269,167)	5,250,007	(16,916,710)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(584,517)</u>	<u>(21,313,033)</u>	<u>(269,167)</u>	<u>5,250,007</u>	<u>(16,916,710)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,938,070)</u>	<u>(13,063,282)</u>	<u>(1,233,888)</u>	<u>958,394</u>	<u>(15,276,846)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>4,688,144</u>	<u>97,590,350</u>	<u>24,234,926</u>	<u>9,193,138</u>	<u>135,706,558</u>
FUND BALANCES AT END OF YEAR	<u>\$2,750,074</u>	<u>\$84,527,068</u>	<u>\$23,001,038</u>	<u>\$10,151,532</u>	<u>\$120,429,712</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
SCHEDULE OF CAPITAL PROJECT EXPENDITURES - CENTRAL DISTRICT
June 30, 1999

	City Center	Chinatown	City Hall Plaza Activities	Other	Total
EXPENDITURES					
Operation and management of acquired property	\$ —	\$ 124,296	\$ 383,800	\$ 259,437	\$ 767,533
Project improvements	114,592	—	1,330,780	7,980,568	9,425,940
General and administrative	—	217,001	790,399	6,113,384	7,120,784
Other	<u>1,024,777</u>	<u>—</u>	<u>6,150</u>	<u>1,768,727</u>	<u>2,799,654</u>
TOTAL EXPENDITURES	<u><u>\$ 1,139,369</u></u>	<u><u>\$ 341,297</u></u>	<u><u>\$ 2,511,129</u></u>	<u><u>\$ 16,122,116</u></u>	<u><u>\$ 20,113,911</u></u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
COMBINING BALANCE SHEET - DEBT SERVICE FUNDS
June 30, 1999

	Tax Allocation Debt	City-Agency Lease Financing Oakland Museum	Total
ASSETS			
Restricted cash and investments with fiscal agent	\$ 8,254,985	\$ 3,761,255	\$ 12,016,240
Equity in pooled cash and investments	2,103,372	—	2,103,372
Direct financing lease receivable - City of Oakland	—	32,835,817	32,835,817
Accrued interest receivable	111,450	69,108	180,558
Property held for resale	21,446,577	—	21,446,577
	<u>\$ 31,916,384</u>	<u>\$ 36,666,180</u>	<u>\$ 68,582,564</u>
LIABILITIES			
Due to the City of Oakland	20,578,893	—	20,578,893
Accrued debt service	830,688	75,344	906,032
Accrued liabilities	140,272	—	140,272
Deferred revenue	—	32,835,817	32,835,817
	<u>21,549,853</u>	<u>32,911,161</u>	<u>54,461,014</u>
FUND BALANCES - RESERVED FOR DEBT SERVICE			
	<u>10,366,531</u>	<u>3,755,019</u>	<u>14,121,550</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 31,916,384</u></u>	<u><u>\$ 36,666,180</u></u>	<u><u>\$ 68,582,564</u></u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - DEBT SERVICE FUNDS
June 30, 1999

	Tax Allocation Debt	City-Agency Lease Financing Oakland Museum	Total
REVENUES			
Tax increment	\$ 610,326	\$ —	\$ 610,326
Interest on restricted cash and investments with fiscal agent	565,968	245,409	811,377
Net decrease in fair value of investments fiscal agent	(218,981)	—	(218,981)
Interest on pooled cash and investments	124,890	—	124,890
Net decrease in fair value of investments pooled	(11,830)	—	(11,830)
Interest and principal on direct financing lease receivables City of Oakland	1,705,140	3,456,270	5,161,410
Other	29,775	—	29,775
TOTAL REVENUES	<u>2,805,288</u>	<u>3,701,679</u>	<u>6,506,967</u>
EXPENDITURES			
Debt Service			
Retirement of long-term debt	7,555,000	1,835,000	9,390,000
Interest	11,457,798	1,872,632	13,330,430
Other	44,489	—	44,489
TOTAL EXPENDITURES	<u>19,057,287</u>	<u>3,707,632</u>	<u>22,764,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,251,999)	(5,953)	(16,257,952)
OTHER FINANCING SOURCES			
Operating transfer in - net	16,916,710	—	16,916,710
TOTAL OTHER FINANCING SOURCES	<u>16,916,710</u>	<u>-</u>	<u>16,916,710</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	664,711	(5,953)	658,758
FUND BALANCES AT BEGINNING OF YEAR	<u>9,701,820</u>	<u>3,760,972</u>	<u>13,462,792</u>
FUND BALANCES AT END OF YEAR	<u>\$ 10,366,531</u>	<u>\$ 3,755,019</u>	<u>\$ 14,121,550</u>



WILLIAMS, ADLEY & COMPANY, LLP
Management Consultants
Certified Public Accountants

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

To the Members of the Redevelopment Agency
of the City of Oakland, California

We have audited the general purpose financial statements of the Redevelopment Agency of the City of Oakland (the "Agency") as of and for the year ended June 30, 1999, and have issued our report thereon dated January 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Agency's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



WILLIAMS, ADLEY & COMPANY, LLP

This report is intended solely for the information and use of the audit committee, management, and the State Controller, and is not intended to be, and should not be, used by anyone other than these specified parties.

Oakland, California
January 28, 2000

Williams, Adley & Company, LLP

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THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

**ACORN REDEVELOPMENT PROJECT;
OAK CENTER REDEVELOPMENT PROJECT;
CENTRAL DISTRICT REDEVELOPMENT PROJECT;
STANFORD/ADELINE REDEVELOPMENT PROJECT
AND
COLISEUM REDEVELOPMENT PROJECT AND 1998 ANNEX**

**Subordinated Housing Set Aside Revenue Bonds
Series 2000T**

**PROJECTED TAXABLE VALUES AND
ANTICIPATED TAX INCREMENT REVENUES**

April 12, 2000

I. Introduction

The Redevelopment Agency of the City of Oakland (the Agency) is proposing to issue its Subordinated Housing Set Aside Revenue Bonds, Series 2000T (the Bonds) secured by the funds generated from the Housing Set-Aside requirement of all Agency Project Areas. The Agency's Project Areas include the Acorn Redevelopment Project (Acorn), Oak Center Redevelopment Project (Oak Center), Central District Redevelopment Project (Central District), Stanford/Adeline Redevelopment Project (Stanford) and the Coliseum Redevelopment Project (Coliseum), including its 1998 Annex, (collectively, the Project Areas).

The California Community Redevelopment Law (the Law) provides for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution, authorizes the Agency to receive that portion of property tax revenue produced by such taxable value that is in excess of the taxable value within the project area at the time of the project area's adoption. The tax revenues so derived are generally referred to as Tax Increment Revenues. The Law provides that the Tax Increment Revenues may be pledged by the redevelopment agency to the repayment of agency indebtedness.

Section 33334.2 of the Law requires all redevelopment agencies to deposit 20 percent of all Tax Increment Revenues (the Set-Aside) allocated to them in a Low and Moderate Income Housing Fund. According to the Law, moneys deposited into this Fund shall be used only for the purposes of increasing, improving and preserving the community's supply of housing that is affordable to persons of very low, low and moderate income. Further, the Law defines housing affordability and qualifying amounts of income for persons considered within the low- and very low-income categories. In general, Set-Aside funds must be used to benefit low and moderate-income housing supplies within the Project Area from which the funds are derived. By making certain prescribed findings, however, the Agency may pool the Set-Aside funds from several Project Areas in order increase more effectively the appropriate types of housing opportunities.

The purpose of this Fiscal Consultant's Report is to examine the current fiscal year and project for the subsequent ten fiscal years the amount of Tax Increment Revenue to be received by the Agency from the Project Areas. From this projection the amount of Tax Increment Revenue that must be set-aside in the Low and Moderate Housing Fund will be estimated. Provisions of the Law and the Redevelopment Plans of the Project Areas determine the amount of Tax Increment Revenues that the Agency may utilize for payment of debt service. The Bonds are subordinate to debt service payments for previously issued bonds within the Central District Project Area and within the Acorn Project Area. The Bonds propose to use only the Set-Aside amounts from the Project Areas to make debt service payments. As a result of our research, we project the Set-Aside amounts for the Project Areas to be as shown in the table below (ooo's omitted):

FISCAL YEAR	ACORN	CENTRAL DISTRICT	COLISEUM AND 1998 ANNEX	OAK CENTER	STANFORD/ADELINE	TOTAL SET-ASIDE REVENUE
1999-00	185	4,552	963	124	13	5,838
2000-01	189	4,628	1,063	128	14	6,021
2001-02	192	4,707	1,151	131	14	6,195
2002-03	196	4,787	1,241	134	14	6,372
2003-04	199	4,869	1,332	138	15	6,553
2004-05	203	4,952	1,425	141	15	6,736
2005-06	207	5,037	1,519	144	15	6,923
2006-07	211	5,124	1,616	148	15	7,114
2007-08	215	5,212	1,714	151	16	7,308
2008-09	219	5,302	1,814	155	16	7,506
2009-10	223	5,394	1,916	159	17	7,708

The taxable values of property and the resulting Gross Tax Revenues that produce the Set-Aside revenues summarized above are reflected on Table 1 of each set of projections. Tax Revenues reflect the Agency's revenues after provision for fees, Housing Set-Aside and obligations that are superior to debt service. These projections are based on assumptions determined by our review of the taxable value history of the Project Areas and the property tax assessment and property tax apportionment procedures of Alameda County (the County). Future year assessed values, Gross Tax Revenues and Set-Aside are projections based upon the assumptions described in this Report, and are not guaranteed as to accuracy and this Report is not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Areas

The Oakland City Council adopted the Plan establishing the Acorn Redevelopment Project Area on November 30, 1961 and amended it by Ordinance No. 10823 on December 16, 1986 to incorporate limits on receipt of tax increment revenue. Acorn was further amended by Ordinance No. 11760 on December 20, 1994 to incorporate financial limitations required by the adoption of AB 1290. The City Council adopted the Plan establishing the Oak Center Redevelopment Project Area on November 30, 1965 and amended it by Ordinance No. 10824 on December 16, 1986 to incorporate limits on receipt of tax increment revenue. Oak Center was further amended by Ordinance No. 11761 on December 20, 1994 to incorporate financial limitations required by the adoption of AB 1290.

The City Council adopted the Plan establishing the Central District Urban Renewal Plan on June 12, 1969 and amended it by Ordinance No. 10822 on December 16, 1986 to incorporate limits on receipt of tax increment revenue. Central District was subsequently amended or supplemented by the adoption of ordinances on January 21, 1971, May 29, 1973, December 16, 1975, December 12, 1978, June 12, 1979, August 3, 1982, October 2, 1984, June 11, 1985, March 27, 1990, February 18, 1997 and October 27, 1998. Central District was amended by Ordinance No. 11762 on December 20, 1994 to incorporate financial limitations required by the adoption of AB 1290. The City Council adopted the Plan establishing the Stanford/Adeline Redevelopment Project Area on April 10, 1973 and amended it by Ordinance No. 10820 on December 16, 1986 to incorporate limits on receipt of tax increment revenue. Stanford was further amended by Ordinance No. 11763 on December 20, 1994 to incorporate financial limitations required by the adoption of AB 1290. On July 25, 1995, the City Council adopted Ordinance No. 11824 approving and adopting the Coliseum Area Redevelopment Project. Coliseum was amended by the addition of territory through the adoption of Ordinance No. 12001 on July 29, 1997.

A new Project Area was adopted by the City Council on June 30, 1998 by Resolution No. 98-34. The Oak Knoll Redevelopment Project consists of a former military base known as the Naval Medical Center, Oakland that was designated for closure by the federal Base Closure Commission. This Project Area may is not eligible to receive tax increment revenue until the 2000-01 fiscal year. The State Board of Equalization has as yet not designated the tax rate areas that will be included within this Project Area. As a result, no projection of tax increment revenue may be developed for this new Project Area.

A. Land Use

The following table illustrates the breakdown of land use in the Project Areas by assessed value for Fiscal Year 1999-00. It is based on the lien date tax roll for fiscal year 1999-00. Unsecured parcels are shown in brackets because they are, in reality, tax bills that are assigned to secured parcels already accounted for in other categories.

COMBINED PROJECT AREAS			
CATEGORY	PARCELS	ASSESSED VALUE	%
Residential	9,162	\$ 883,239,030	19.4%
Commercial	2,078	\$ 1,732,341,706	38.1%
Industrial	1,171	\$ 834,403,118	18.4%
Recreational	39	\$ 6,416,331	0.1%
Institutional	137	\$ 164,407,519	3.6%
Unknown	14	\$ 31,097,234	0.7%
Vacant	753	\$ 56,524,204	1.2%
Exempt	891	\$ 0	0.0%
Secured. Util.	[126]	\$ 11,280,520	0.3%
Unsecured	[4,282]	\$ 828,220,313	18.2%
TOTAL VALUE:	14,245	\$4,547,929,975	100.00%
	[18,653]		
EXEMPTIONS		(\$378,464,562)	
TAXABLE VALUE:		\$4,169,465,413	

B. Redevelopment Plan Limits

In accordance with the Law, redevelopment plans adopted after October 1, 1976 are required to include a limitation on the number of tax increment dollars that may be allocated to the Agency, and a time limit on the establishment of indebtedness to be repaid with tax increment. In addition, if the plan authorizes the issuance of tax allocation bonds, a limit on the amount of bonded indebtedness that may be outstanding at one time must be included. For those redevelopment plans adopted prior to October 1, 1976 that did not contain these limits, the legislative body was required to amend the redevelopment plans by ordinance not later than December 31, 1986. The amendment must include provisions to limit the number of tax increment dollars that could be allocated to the agency pursuant to the plan, to establish a time limit to create debt to be repaid with tax increment, and to limit the commencement of eminent domain. All of the Project Areas with the exception of the Coliseum Project Area and its Amendment were adopted prior to 1976.

More recent legislation, Chapter 942, Statutes of 1993, established further limits on redevelopment plans. Chapter 942 restricted the life span of redevelopment plans adopted prior to 1994. The time limit for establishing indebtedness was limited to 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever is later. The life of the existing redevelopment plans was limited to 40 years from the date of adoption or January 1, 2009, whichever is later. Finally, a redevelopment agency is restricted from paying indebtedness with tax increment beyond 10 years after its redevelopment plan expires except to fund deferred Housing Set Aside requirements and to repay indebtedness incurred prior to January 1, 1994.

Pursuant to Chapter 942, on December 20, 1994 the Agency adopted Ordinance No. 11760 for the Acorn Project Area, Ordinance No. 11761 for the Oak Center Project Area, Ordinance No. 11762 for the Central District Project Area and Ordinance No. 11763 for the Stanford/Adeline Project Area. These ordinances amended each Project's time limits to conform to the provisions of Chapter 942. The Redevelopment Plan limits described above are summarized below:

PROJECT AREA	PLAN EXPIRATION	LAST DATE TO INCUR NEW DEBT	LAST DATE TO REPAY DEBT WITH TAX INCREMENT	TAX INCREMENT LIMIT	ESTIMATED TAX INCREMENT COLLECTED TO DATE ¹
Acorn	Jan. 1, 2009	Jan. 1, 2004	Jan. 1, 2019	\$30,000,000	\$20,348,000
Oak Center	Jan. 1, 2009	Jan. 1, 2004	Jan. 1, 2019	\$12,572,000	\$5,774,000
Central District	Jan. 1, 2009	Jan. 1, 2004	Jan. 1, 2019	\$1,348,862,000	\$1,034,188,000
Stanford/Adeline	Jan. 1, 2009	Jan. 1, 2004	Jan. 1, 2019	\$1,625,000	N/A
Coliseum & 1998 Annex	July 25, 2025	July 25, 2015	July 25, 2040	No Limit	N/A
	July 29, 2027	July 29, 2017	July 29, 2042	No Limit	N/A

(1) Records on tax increment received prior to 1986 are either unavailable or unreliable, however, the information is sufficient to allow the Agency to predict that the Project Areas adopted prior to 1986 will not reach their tax increment limits during the lives of these Projects.

III. Project Area Assessed Values

A. Assessed Values

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties, which are part of the Project Areas. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous to the boundaries of the Project Areas.

The historic reported taxable values for the Project Areas were reviewed in order to ascertain the rate of taxable property valuation growth over the most recent nine fiscal years beginning with 1991-92 (see Table 3 for each Project Area).

While there has been substantial growth in each Project Area since its inception, there were years of decline or marginal growth during the mid-1990's. The Acorn Project Area has grown by \$15.2 million in assessed value since 1991-92. This is an increase of 20.2%. There have been no significantly large increases or decreases during this time and the average growth of 2.5% per year has exceeded the rate of inflation.

The Oak Center Project Area has enjoyed consistent growth since 1991-92. The growth in assessed value has totaled just below \$22.5 million. This is an increase of 47.2% over the 1991-92 values. This is an average increase of almost 6% annually. There have been no dramatic shifts in assessed value despite the economic declines that were experienced in the state during the 1990's.

The Central District Project Area has declined in value since 1991-92 by \$93.4 million. This is a loss of 4.6% of the Project Area's total value. The Project Area experienced a 14.16% decline between 1993-94 and 1994-95 primarily due to movement of assessed value to the exempt tax roll. Acquisitions of property by the Alameda County Public Facilities Corporation (\$109.9 million), the City of Oakland (\$15.7 million) and the Redevelopment Agency (\$7.7 million) led to a significant decline in value that has yet to be recovered. This Project Area has, however, experienced growth of 8.39% for 1999-00 and there is significant new development underway within its boundaries that should result in large value increases over the next several years.

The Stanford/Adeline Project Area is, by far, the smallest of the Agency's projects. It has experienced growth of just under \$1.6 million in assessed value since 1991-92. This is growth of 32.5%. The growth of value in this Project Area has exceeded the rate of growth from inflation in all but one year since 1991-92.

The newest Project Areas are the Coliseum Project Area and its 1998 Annex. The Coliseum Project Area first began to receive tax increment in 1996-97. In the four years that this Project Area has generated tax increment revenue, its incremental value has grown to \$354,128,911. This is a 23.4% increase in value over the base year value. Additionally, there is a significant amount of new development that is underway within the Project Area that should result in continued growth over the next several years. The Agency began to receive tax increment revenue from the Coliseum 1998 Annex in 1998-99. In 1999-00 valuations for the Coliseum 1998 Annex resulted in incremental value of \$41,595,065. This is growth of 25.2% over the base year value. As in the Coliseum Project Area, new development that is currently underway or planned should result in additional growth over the next several years.

The information outlined above is based on the lien date tax rolls and is illustrated on Table 3 of each Project Area projection. In addition to the lien date roll values; we have determined that substantial additional value will be added during the current fiscal year and the 2000-01 fiscal year due to transfers of ownership on parcels within the various Project Areas. These transfers of ownership have been confirmed by the recordation of grant deeds or other documentation filed with the Alameda County Recorders Office. The amounts added to the Project Areas total \$14,020,056 for 1999-00 and \$14,678,445 for 2000-01.

B. Top Ten Taxable Property Owners

A review of the top ten taxable property owners in the Project Areas for fiscal year 1999-00 was conducted. Lists of the top ten property owners for each Project Area, and the number of parcels attributed to each owner, are presented on Table 5 of each tax increment projection. The table below illustrates the values and percentage of total value within each Project Area that is attributable to the top ten taxpayers.

	ACORN	OAK CENTER	CENTRAL DISTRICT	STANFORD/ ADELINE	COLISEUM	COMBINED
SECURED VALUE	\$48,306,990	\$13,878,206	\$635,091,587	\$1,938,427	\$193,195,991	\$622,146,721
%	63.47%	20.53%	39.74%	30.24%	12.04%	18.56%
UNSEC. VALUE	\$7,966,060	\$0	\$103,900,901	\$0	\$183,422,920	\$238,989,390
%	55.16%	0.00%	31.48%	0.00%	39.06%	29.26%
TOTAL VALUE	\$56,273,050	\$13,878,206	\$738,992,488	\$1,938,427	\$376,618,911	\$861,136,111
%	62.15%	19.78%	38.33%	30.04%	18.16%	20.65%

The top property owner within the Central District Project Area is the Kaiser Foundation with a taxable value of \$209,514,055. The Kaiser Foundation is also the top property owner among the combined Project Areas. Among the numerous facilities owned by the Kaiser Foundation statewide, very few have any substantial taxable value. In most cases, the properties qualify for the state authorized welfare exemption that exempts from taxation all values related to actual hospital activities. For most Kaiser facilities, taxable value exists only on space used for offices or spaces leased for commercial uses such as a pharmacy or snack bar. The Kaiser property in the Central District consists of a large office building that is used for corporate purposes and is in no manner a hospital. As a result, this value is anticipated to remain taxable for the period of the projection.

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the property tax lien date. Prior to 1997 the lien date was March 1 for locally assessed property and January 1 for State assessed utility property. Beginning with 1997, the lien date is also January 1 for locally assessed property.

Real Property reflects the reported assessed values for secured and unsecured land and improvements. Pursuant to Article XIII A of the State Constitution the value of locally assessed Real Property may only be increased up to two percent annually to reflect inflation. The State Board of Equalization has directed the assessor to use two percent as the inflation factor for 2000. Real Property values are also permitted to increase as a result of a change

of ownership or new construction. Utility property assessed by the State Board of Equalization may be revalued annually and such assessments are not subject to the inflation limitations of Article XIII A. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual two percent limit of locally assessed Real Property.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

B. Supplemental Assessments

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment. It is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Tax Revenues by taxing entities typically follows the change of ownership by a year or more. Supplemental Revenue received by the Agency during the 1998-99 fiscal year and the Auditor Controller's estimated supplemental revenue for the 1999-00 fiscal year are shown in the table below. We have not included revenues resulting from Supplemental Assessments in our projections.

	ACORN	OAK CENTER	CENTRAL DISTRICT	STANFORD/ ADELINE	COLISEUM	COMBINED
1998-99	\$11,000	\$3,800	\$0	\$0	\$83,800	\$98,600
1999-00	(\$23,800)	\$8,500	\$642,200	\$3,600	\$923,400	\$1,553,900

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the General Levy Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate. The Override Tax Rate is that portion of the tax rate that exceeds the General Levy Tax Rate in order to pay voter-approved indebtedness or contractual obligations that existed prior the enactment of Proposition XIII. The tax rate for secured property is annually adjusted to reflect the Override Tax Rate levied for the current year. The tax rate for unsecured property is set as the previous year's tax rate on secured property.

A Constitutional amendment approved in June 1983 allows the levy of Override Tax Rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation of Override taxes to redevelopment agencies for repayment of indebtedness approved by

the voters after December 31, 1988. The Override Tax Rates typically decline each year as a result of (1) increasing property values (which would reduce the Override Rate needed to be levied to meet debt service) and (2) the eventual retirement of debt over time. Within the Project Areas, three Override Tax Rates have been approved after December 31, 1988. These tax rates are for the Oakland Unified School District, the Peralta Community College District and the City of Oakland. These portions of the Override Tax Rate have been omitted from the calculation of projected revenue.

A Tax Rate Area consists of a geographic area where the taxes on all property are levied by the same taxing entities at the same rate. The projections are based on the 1999-00 tax rates. All of the tax rate areas within the Project Areas have same tax rate with the exception of tax rate area 17-034 that is within the Coliseum Project Area. The components of the two tax rates that are applied to secured value in the Project Areas for 1999-00 are as follows:

	%	<u>Tax Rate for TRA 17-034 Only</u>	%
General Levy	1.0000	General Levy	1.0000
Oakland U.S.D. Bonds	.0030	East Bay Regional Park 1	.0088
Oakland U.S.D. EC 16090	.0035	City of Oakland	<u>.1575</u>
East Bay Regional Park 1	.0088	Total RDA Eligible Tax Rate:	1.1663
EBMUD Special District 1	.0087	<u>Non-RDA Eligible Tax Rates</u>	
City of Oakland	<u>.1575</u>	San Leandro U.S.D. Bonds	.0340
Total RDA Eligible Tax Rate:	1.1815	City of Oakland	<u>.0756</u>
<u>Non-RDA Eligible Tax Rates</u>		Total Tax Rate:	1.2759
Oakland U.S.D. Bonds	.0158		
Peralta Community College Dist.	.0051		
City of Oakland	<u>.0756</u>		
Total Tax Rate:	1.2780		

The Override Rate levied by the City of Oakland is authorized for long term funding of pension funds and has been authorized through 2026. The Override Rate levied by the East Bay Regional Parks District will not be retired until 2027 and the EBMUD Special District override rate will be retired in 2015. Override rates levied by the Oakland Unified School District prior to December 31, 1988 will be retired in 2001. We have incorporated the appropriate retirement dates of these Override Tax Rates in the projection and have assumed the combined RDA eligible portion of the override tax rates for the City of Oakland and the East Bay Regional Parks and general levy tax rate constant at \$1.1663 for the balance of our projections.

D. Allocation of Taxes

Taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County disburses Tax Increment Revenue to all redevelopment agencies in two equal installments that are typically made in December and April of each fiscal year.

In accordance with Revenue and Taxation Code Section 4701ff the County utilizes an alternative method for the distribution of tax revenue to taxing agencies known as the Teeter Plan. Under this method, the taxing entities, including redevelopment agencies in Alameda County receive 100 percent of the taxes levied on the extended tax roll subject to correc-

tion, cancellation and refunds. The tax revenues of the Agency are not subject to revenue loss due to delinquencies or gains due to redemption of unpaid taxes. Counties utilizing the Teeter Plan are required to maintain a fund in an amount determined by in the code that is to be used to cover losses that may occur as a result of property tax delinquencies. According to the Alameda County Auditor Controller's office, countywide delinquency rates for 1997-98 and 1998-99 were as follows:

		1997-98	1998-99
SECURED PROPERTY	General Levy	2.40%	2.46%
	Debt Service	3.30%	3.19%
UNSECURED PROPERTY	General Levy	2.53%	2.35%
	Debt Service	2.75%	2.30%

E. Assessment Appeals

A review of the assessment appeal records of the top twenty property owners in each project area was conducted. It was found that among these top twenty owners there were a number of assessment appeals that were pending. The complete assessment appeal records of Alameda County are not available in a format that would allow a comprehensive and accurate review of the historical levels of value reduction or denial of assessment appeals. We are, therefore, unable to develop historical averages that would predict the likely outcome of the currently pending appeals. For this reason, we have not estimated the loss that may result from the resolution of these pending appeals. The maximum loss of value that can be expected from any given appeal is a reduction in value to the owner's opinion of value. The number of appeals, the value under appeal and the owner's opinion of value for each Project Area are listed in the table below. Given the trends in appeals reductions we have observed statewide, we consider it extremely unlikely that all of the pending appeals will be allowed and even more unlikely that all allowed appeals would be reduced to the owner's opinion value.

PROJECT AREA	# OF PENDING APPEALS	VALUE UNDER APPEAL	OWNERS OPINION VALUE	MAXIMUM LOSS	PERCENTAGE LOSS
Acorn	5	\$22,030,034	\$5,932,277	\$16,097,857	73.07%
Oak Center	0	\$0	\$0	\$0	0.00%
Central District	139	\$136,333,745	\$100,904,946	\$35,428,799	25.99%
Stanford/Adeline	1	\$151,939	\$136,000	\$15,939	10.49%
Coliseum	7	\$105,382,373	\$52,319,612	\$53,062,761	50.35%
Total:	152	\$263,898,091	\$159,292,835	\$104,605,356	39.64%

F. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization (SBE), other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, tax revenues derived from unitary property that is assessed by the SBE is accumulated in a single Tax Rate Area for the County. Tax revenues are then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount

as in the previous year plus increases of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local secured and taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area. As a result the base year value of project areas was reduced by the amount of utility value that existed originally in the base year value. The County Auditor-Controller estimates that unitary revenue for 1999-00 will be remitted to the Project Areas in the amounts shown below. We have assumed that the utility tax revenue will remain constant in future years.

PROJECT AREA	EST. UNITARY REVENUE
Acorn	\$38,400
Oak Center	\$18,600
Central District	\$3,332,600
Stanford/Adeline	\$3,800
Coliseum	\$18,400
TOTAL:	\$3,411,800

V. Low and Moderate Income Housing Set-Aside

Section 33334.6 of the Law requires redevelopment agencies to set aside 20 percent of all tax increment revenues from project areas adopted prior to January 1, 1977 into a low and moderate income housing fund (the Housing Set-Aside Requirement). An agency can reduce the Housing Set-Aside Requirement if it annually makes certain prescribed determinations that are consistent with the housing element of the general plan. These findings are: (1) that no need exists in the community to improve or increase the supply of low and moderate income housing; or, (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the housing element of the community's general plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. While such findings were made by the Agency in prior years, no such findings have in recent years been made by the Agency. As a result, 20 percent of gross revenue has been projected as being set aside from each Project Area. The Bonds are to be secured by a subordinate pledge of the tax increment revenue from the Project Areas that is derived pursuant to the Housing Set-Aside Requirement. This pledge is subordinate to debt service on bonded debt that is superior to the Bonds. This projection of revenue assumes that the Housing Set-Aside Requirement will continue to be fulfilled at 20 percent of the gross tax increment revenue from the combined Project Areas.

VI. Legislation

In order to address State Budget deficits, the Legislature enacted SB614, SB844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide Education Revenue Augmentation Fund (the ERAF). The Agency was allowed to use any funds legally available and not legally obligated for

other uses, including reserve funds, bond proceeds, earned income and proceeds of land sales to satisfy this obligation, but was prohibited from using moneys in the Low and Moderate Income Housing Fund (the Housing Fund). An agency could reduce its payment due to existing indebtedness, contractual obligations and 90 percent of 1991-93 administrative costs (collectively, Existing Obligations). If an agency could not make the required payment because of its Existing Obligations, it could borrow up to 50 percent of its 1992-93 contribution to the Housing Fund. Funds borrowed in this manner are required to be repaid within ten years. The agency was, alternatively, required to obtain a loan from the city/county in order to pay the difference between what the agency paid and the total amount that was due. For agencies that did not borrow to meet any shortfall of the required payment, the county auditor-controller was required to deduct any amount due from the city/county's allocation of property taxes. The obligation applied to the agency and not to specific project areas.

In addition to the payments from redevelopment agencies the budget solutions have involved the shifting of property tax revenues from cities, counties and special districts to the ERAF. In Alameda County, this shift has been accomplished by allocating to the ERAF its share of taxes in the same manner as they are distributed to other taxing entities except for redevelopment agencies whose revenue is distributed in accordance with its incremental taxable value.

While State budgets since 1994-95 were adopted with no additional shifting of tax increment from redevelopment agencies, it is possible that the Legislature could shift property tax allocations or require redevelopment payments in some future year.

VII. Tax Sharing Agreements and Other Obligations

The Agency has not entered into tax sharing agreements within any of the Project Areas that were adopted prior to January 1, 1994.

The Coliseum Project Area and its 1998 Annex were adopted under the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994, a prescribed portion of the Agency's tax increment revenue must be shared with all taxing entities within the project area. This defined tax-sharing amount has three tiers. The first tier begins with the first year that the project area receives tax increment revenue and continues for the life of the project area. This first tier tax-sharing amount is 25 percent of the Agency's gross tax increment revenue net of the Housing Set-Aside Requirement.

The second tier begins in the eleventh year after the Agency first receives tax increment revenue. This second tier is 21 percent of the tax increment revenue, net of the Housing Set-Aside Requirement, that is derived from the growth in assessed value that is in excess of the assessed value of the project area in year ten.

The third tier begins in the 31st year after the Agency first receives tax increment revenue. This third tier is 14 percent of the tax increment revenue, net of the Housing Set-Aside Requirement that is derived from the growth in assessed value that is in excess of the assessed value of the project area in the 30th year. These three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the project area. Because the tax sharing amounts are net of the Housing Set-Aside Requirement,

making these tax sharing payments should have no impact on the amount of tax increment revenue available to pay debt service on the Bonds.

In addition to the tax sharing payments outlined above, the Agency has voluntarily agreed to share ten percent of the net tax increment revenue from the Coliseum and its 1998 Annex with the Oakland Unified School District. While the terms of this voluntary payment are somewhat vague, it is assumed in this projection that the payments are calculated as ten percent of the tax increment revenue net of the Housing Set-Aside Requirement and the statutorily mandated tax sharing payments. In addition, it is assumed that this voluntary payment is subordinate to debt service for the Bonds and for debt service on superior bonds.

VIII. Trended Taxable Value Growth

Growth in real property land and improvement values has been limited to an assumed rate of growth in real property taxable values of the two percent for 2000-01 and, thereafter, the two-percent allowed under Article XIII A of the state Constitution. Should the growth of taxable value in the Project Area be less than two percent in future years, the resultant Gross Tax Revenues would be reduced proportionately. HdL Coren & Cone make no representation that taxable values will actually grow at two percent. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property reduced due to assessment appeals based on reduced market values could increase more than two percent when real estate values increase more than two percent (see Section IV.F above).

Future unitary assessments are assumed to remain constant at their reported 1999-00 levels. Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections, or unanticipated increased or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the Alameda County Assessor's Office. General assessment practices are subject to policy changes, legislative changes, and the individual appraiser's judgment. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture provides for, among other things, the issuance, execution and delivery of the Bonds and sets forth the terms thereof, the creation of certain of the funds and accounts described in the Indenture, certain covenants of the Agency, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Indenture setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in the Official Statement. See "THE BONDS". Other provisions of the Indenture not previously discussed in the Official Statement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture. Copies of the Indenture may be obtained from the Trustee or from the Agency.

CERTAIN DEFINED TERMS

"Accreted Value" means, with respect to any Capital Appreciation Bonds, as of the date of calculation, the initial amount thereof plus the interest accrued thereon to such date of calculation, from the date of initial delivery at the approximate interest rate thereof compounded semiannually, as determined in accordance with the table of accreted values for any Capital Appreciation Bonds prepared by the Agency at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

"Acorn Redevelopment Plan" means the redevelopment plan for the Acorn Redevelopment Project of the Agency in Oakland, California, entitled "The Acorn Project Redevelopment Plan," adopted and approved by Ordinance No. 6483 C.M.S. adopted by the Council of the City of Oakland, California on November 30, 1961, as amended by the following ordinances of said Council on the dates indicated: Ordinance No. 6976 C.M.S. (April 21, 1964), Ordinance No. 7858 C.M.S. (August 1, 1968), and Ordinance No. 11760 C.M.S. (December 20, 1994), together with all further amendments thereto hereafter made in accordance with the Law.

"Additional Bonds" means all bonds of the Agency authorized and executed pursuant to and issued and delivered in accordance with Article IV of the Indenture.

"Agency" means the Redevelopment Agency of the City of Oakland, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

"Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds, if any, are redeemed from the Sinking Account, as may be scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) the principal amount of the Outstanding Serial Bonds, if any, maturing by their terms in such Bond Year, and (3) the minimum amount of such Outstanding Term Bonds required to be paid or called and redeemed in such Bond Year. Annual Debt Service will not include (a) interest on Bonds which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Bonds required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture, provided that (i) projected interest earnings on such proceeds, portion of the Bonds so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds plus such amounts, if any, deposited by the Agency in the Interest Account, are sufficient to pay the interest due on such portion of the Bonds so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Housing Set Aside Revenue cover-

age and satisfaction of the Reserve Account Requirement, are substantially similar to those for the issuance of Additional Bonds.

The foregoing shall be subject to adjustment and recalculation as follows:

(a) with respect to Capital Appreciation Bonds, the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(b) with respect to Variable Rate Bonds, the interest rate on such Variable Rate Bonds for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Variable Rate Bonds, or, (2) if available, the daily average interest rate on such Variable Rate Bonds during the thirty-six (36) months preceding the date of calculation or, (3) if such Variable Rate Bonds have not been Outstanding for such thirty-six month period, such daily average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by a rating agency then maintaining a rating on the Variable Rate Bonds in a rating category equivalent to such rating agency's rating on the Variable Rate Bonds, all as specified in a Certificate of the Agency;

(c) if such Bonds are secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), the principal payments or deposits with respect to such Bonds nominally due in the last Fiscal Year in which such Bonds mature may, at the option of the Agency, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit, and interest on such Bonds after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions; and

(d) if such Bonds are not secured by a letter of credit as described in paragraph (c) of this definition and 20% or more of the original principal of such Bonds is not due until the final stated maturity of such Bonds, such principal may, at the option of the Agency, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or twenty-five (25) years, whichever is greater assuming an interest rate equal to the rate at which the Agency could borrow for such period, as certified by a financial advisor or investment banker in a certificate delivered to the Trustee within thirty (30) days of the date of calculation.

"Average Annual Debt Service" means the average Bond Year Annual Debt Service over all Bond Years.

"Authorized Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee will be entitled to rely upon any investment directions from the Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California):

- (1) (A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"),
- (B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America,
- (C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United

States of America when such obligations are backed by the full faith and credit of the United States of America, or

(D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(A) Federal Home Loan Mortgage Corporation (FHLMC) (i) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) and (ii) Senior debt obligations.

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

(C) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations.

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

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

(F) Financing Corporation (FICO) debt obligations.

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

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

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

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

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

(8) Money market funds rated in the top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations.

(9) "State Obligations," which means:

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

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

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

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

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

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

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

(14) Any other investment approved in writing by the Agency which does not adversely affect the then-current rating on the Bonds.

"Bond Insurance Policy" means the municipal bond insurance policy or financial guaranty policy, if any, issued by the applicable Bond Insurer and guaranteeing, in whole or in part, the payment of principal of and interest on a Series of Bonds. The term "Series 2000T Bond Insur-

ance Policy" means the insurance policy issued by the Series 2000T Bond Insurer and guaranteeing the scheduled payment of principal of and interest on the Series 2000T Bonds when due.

"Bond Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the Agency to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. The term "Series 2000T Bond Insurer" means MBIA Insurance Corporation or any successor thereto or assignee thereof. For the purposes of this definition, all consents, approvals or actions required by the Bond Insurer will be unanimous action of all Bond Insurers if there is more than a single Bond Insurer.

"Bond Year" means (i) with respect to the initial Bond Year, the period extending from the date the Bonds are originally delivered to and including September 1, 2000, and (ii) thereafter, each successive twelve month period. Notwithstanding the foregoing, the term Bond Year as used in the Tax Certificate is defined in the manner set forth in the Tax Certificate.

"Bonds" means the Series 2000T Bonds and any Additional Bonds.

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

"Business Day" means any day other than a day which is not a Saturday, a Sunday, or a day on which banks located in the city where the corporate trust office of the Trustee is located are required or authorized to remain closed.

"Capital Appreciation Bonds" means any Bonds described as such when issued.

"Central District Redevelopment Plan" means the redevelopment plan for the Central District Redevelopment Project of the Agency in Oakland, California, entitled "Central District Urban Renewal Plan," adopted and approved by Ordinance No. 7987 adopted by the Council of the City of Oakland, California on June 12, 1969, as amended by the following ordinances of said Council on the dates indicated: Ordinance No. 8025 (August 26, 1969), Ordinance No. 8288 (January 21, 1971), Ordinance No. 8816 (June 5, 1973), Ordinance No. 9252 (December 23, 1975), Ordinance No. 9695 (December 12, 1978), Ordinance No. 9780 (June 12, 1979), Ordinance No. 10256 (August 3, 1982), Ordinance No. 10510 (October 2, 1984), Ordinance No. 10594 (June 11, 1985), Ordinance No. 11198 (March 27, 1990), Ordinance No. 11762 (December 20, 1994) and Ordinance No. 12090 (October 27, 1998), together with all further amendments thereto hereafter made in accordance with the Law.

"Code" means the Internal Revenue Code of 1986, and any regulations promulgated thereunder.

"Coliseum Area Redevelopment Plan" means the redevelopment plan for the Coliseum Area Redevelopment Project of the Agency in Oakland, California, entitled "The Redevelopment Plan for the Coliseum Area Redevelopment Project," adopted and approved by Ordinance No. 11824 C.M.S. adopted by the Council of the City of Oakland, California on July 25, 1995, as amended the "First Amendment to the Redevelopment Plan for the Coliseum Area Redevelopment Project" adopted and approved by Ordinance No. 12001 adopted by the Council of the City of Oakland, California on July 29, 1997, together with all further amendments thereto hereafter made in accordance with the Law.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

- a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates;
- a brief statement as to the nature and scope of the examination or investigation upon which the report is based;
- a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed by the Agency and dated the date of issuance and delivery of the Series 2000T Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or other evidences of indebtedness secured by the full faith and credit of the United States of America; and also any securities now or hereafter authorized both the interest on and principal of which are guaranteed directly by the full faith and credit of the United States of America, as and to the extent that such securities are eligible for the legal investment of Agency funds.

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Agency as its Fiscal Year in accordance with the Law and identified in writing to the Trustee.

"Indenture" means the Indenture and all Supplemental Indentures.

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

- is in fact independent and not under the domination of the Agency;
- does not have any substantial interest, direct or indirect, with the Agency; and
- is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

- is in fact independent and not under the domination of the Agency;
- does not have any substantial interest, direct or indirect, with the Agency; and
- is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

- is in fact independent and not under the domination of the Agency;
- does not have any substantial interest, direct or indirect, with the Agency; and
- is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's "Called Bond Record," 55 Water Street, New York, New York 10041; or to such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate to the Trustee in writing.

"Interest Payment Date" means each March 1 or September 1, commencing September 1, 2000, on which interest on any Bonds is scheduled to be paid.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

"Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

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

"1988 Senior Resolution" means Agency Resolution No. 88-83, adopted November 1, 1988, which amended and restated Agency Resolution No. 88-71, adopted July 26, 1988.

"1992 Senior Resolution" means Agency Resolution No. 86-30, adopted June 3, 1986, as amended and supplemented by Agency Resolution No. 92-48, adopted July 28, 1992.

"Oak Center Redevelopment Plan" means the redevelopment plan for the Oak Center Redevelopment Project of the Agency in Oakland, California, entitled "Oak Center Urban Renewal Plan," adopted and approved by Ordinance No. 7304 C.M.S. adopted by the Council of the City of Oakland, California on November 30, 1965, as amended by the following ordinance of said Council on the date indicated: Ordinance No. 11761 C.M.S. (December 20, 1994), together with all further amendments thereto hereafter made in accordance with the Law.

"Oak Knoll Redevelopment Plan" means the redevelopment plan for the Oak Knoll Redevelopment Project of the Agency in Oakland, California, entitled "Redevelopment Plan for the

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

- is in fact independent and not under the domination of the Agency;
- does not have any substantial interest, direct or indirect, with the Agency; and
- is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's "Called Bond Record," 55 Water Street, New York, New York 10041; or to such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate to the Trustee in writing.

"Interest Payment Date" means each March 1 or September 1, commencing September 1, 2000, on which interest on any Bonds is scheduled to be paid.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

"Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

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

"1988 Senior Resolution" means Agency Resolution No. 88-83, adopted November 1, 1988, which amended and restated Agency Resolution No. 88-71, adopted July 26, 1988.

"1992 Senior Resolution" means Agency Resolution No. 86-30, adopted June 3, 1986, as amended and supplemented by Agency Resolution No. 92-48, adopted July 28, 1992.

"Oak Center Redevelopment Plan" means the redevelopment plan for the Oak Center Redevelopment Project of the Agency in Oakland, California, entitled "Oak Center Urban Renewal Plan," adopted and approved by Ordinance No. 7304 C.M.S. adopted by the Council of the City of Oakland, California on November 30, 1965, as amended by the following ordinance of said Council on the date indicated: Ordinance No. 11761 C.M.S. (December 20, 1994), together with all further amendments thereto hereafter made in accordance with the Law.

"Oak Knoll Redevelopment Plan" means the redevelopment plan for the Oak Knoll Redevelopment Project of the Agency in Oakland, California, entitled "Redevelopment Plan for the

"Securities Depositories" will mean: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 277-4039 or 4190; or to such other addresses and/or such other securities depositories as the Agency may designate to the Trustee in writing.

"Senior Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on all Outstanding Senior Bonds in such Bond Year, assuming that all Outstanding Senior Serial Bonds are retired as scheduled and that all Outstanding Senior Term Bonds, if any, are redeemed from the related sinking account, as may be scheduled, (2) the principal amount of the Outstanding Senior Serial Bonds, if any, maturing by their terms in such Bond Year, (3) the minimum amount of such Outstanding Senior Term Bonds required to be paid or called and redeemed in such Bond Year, and (4) amounts, if any, required to be deposited in the reserve accounts established under the Senior Resolutions.

"Senior Bonds" means, collectively, the Redevelopment Agency of the City of Oakland Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992, issued in the original aggregate principal amount of \$97,655,000, and the Redevelopment Agency of the City of Oakland Acorn Redevelopment Project 1988 Tax Allocation Refunding Bonds issued in the original aggregate principal amount of \$3,375,000.

"Senior Resolutions" means, collectively, the 1992 Senior Resolution and the 1988 Senior Resolution.

"Serial Bonds" means Bonds for which no mandatory sinking account payments are provided.

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

"Series 2000T Bonds" means the Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Bonds, Series 2000T (Federally Taxable), authorized to be issued pursuant to Section 2.01 of the Indenture.

"Series 2000T Reserve Policy" means the municipal bond debt service reserve insurance policy issued by the Series 2000T Reserve Provider in lieu of the Agency funding the Reserve Account Requirement or any portion thereof.

"Series 2000T Reserve Provider" means MBIA Insurance Corporation.

"Sinking Account Installment" means the amount of money required by or pursuant to the Indenture to be paid by the Agency on any single date toward the retirement of any particular Term Bonds of any particular Series on or prior to their respective stated maturities.

"Sinking Account Payment Date" means any date on which Sinking Account Installments on any Series of Bonds are scheduled to be paid.

"Stanford/Adeline Redevelopment Plan" means the redevelopment plan for the Stanford/Adeline Redevelopment Project of the Agency in Oakland, California, entitled "Stanford/Adeline Redevelopment Plan," adopted and approved by Ordinance No. 8791 C.M.S. adopted by the Council of the City of Oakland, California on April 10, 1973, as amended by the following ordinances of said Council on the dates indicated: Ordinance No. 8960 C.M.S. (March 14, 1974)

and Ordinance No. 11763 C.M.S. (December 20, 1994), together with all further amendments thereto hereafter made in accordance with the Law.

"Subordinated Housing Set Aside Revenues" means, for each Bond Year, Housing Set Aside Revenues, excluding the amount, if any, of Senior Annual Debt Service paid from Housing Set Aside Revenues in accordance with the Law and the Indenture.

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

"Tax Certificate" means the Tax Certificate dated the date of the original delivery of each Series of Bonds (except any Series of Bonds which the Agency will certify to the Trustee is not intended to meet the requirements for tax exemption under the Code) relating to the requirements of certain provisions of the Code, as each such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

"Term Bonds" means Bonds that are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trustee" means such trustee as may be appointed by the Agency and acting as an independent trustee with the duties and powers provided in the Indenture, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

"2000T Housing Project" means certain low income housing projects the Agency financed in part with loans or other contributions.

"Variable Rate Bonds" means Bonds which bear interest at a variable rate of interest.

"Written Request of the Agency" means an instrument in writing signed by the Administrator of the Agency or such officer's deputy or other designee or by any other officer of the Agency duly authorized by the Agency for that purpose.

PLEDGE OF SUBORDINATED HOUSING SET ASIDE REVENUES

All the Subordinated Housing Set Aside Revenues and all money in the Housing Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee (except the Rebate Fund), are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Subordinated Housing Set Aside Revenues and such other money will not be used for any other purpose while any of the Bonds remain Outstanding; subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture. This pledge will constitute a first lien on the Subordinated Housing Set Aside Revenues and such other money for the payment of the Bonds in accordance with the terms thereof.

ESTABLISHMENT OF FUNDS AND ACCOUNTS

The funds and accounts described immediately below are created as special trust funds under the terms of the Indenture. So long as any of the Bonds remain Outstanding, the moneys in these

funds will be used for no purposes other than those required or permitted by the Indenture and the Law.

Housing Special Fund. The Indenture establishes a special fund to be known as the "Redevelopment Agency of the City of Oakland Housing Set Aside Special Fund" (the "Housing Special Fund"), which will be held in trust by the Trustee. On or before the Business Day preceding each Interest Payment Date, the Agency will transfer all Subordinated Housing Set Aside Revenues held or received by the Agency to the Trustee for deposit in the Housing Special Fund; provided that the Agency will not be obligated to deposit in the Housing Special Fund in any Bond Year an amount of Subordinated Housing Set Aside Revenues which, together with other available amounts then in the Housing Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Account and the Reserve Account in such Bond Year pursuant to the Indenture. Any Subordinated Housing Set Aside Revenues received during any Bond Year following deposit in the Housing Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Account and the Reserve Account in such Bond Year pursuant to the Indenture, will be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There will not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Housing Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Housing Special Fund and the accounts therein, will be sufficient to discharge all Outstanding Bonds as provided in the Indenture.

The Agency covenants and agrees that all Subordinated Housing Set Aside Revenues deposited in the Housing Special Fund will be accounted for through, and held in trust in the Housing Special Fund, and the Agency will have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinated Housing Set Aside Revenues will nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

All moneys in the Housing Special Fund shall be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Housing Special Fund:

- (1) Interest Account;
- (2) Principal Account;
- (3) Sinking Account; and
- (4) Reserve Account.

Interest Account. The Trustee shall set aside from the Housing Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for

the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. The Trustee shall set aside from the Housing Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date in such Bond Year. In the event that there shall be insufficient money in the Housing Special Fund to make in full all such principal payments and Sinking Account Installments required to be made pursuant to the Indenture in such Bond Year, then the money available in the Housing Special Fund shall be applied pro rata to the making of such principal payments and such Sinking Account Installments in the proportion which all such principal payments and Sinking Account Installments bear to each other.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds becoming due and payable on the Principal Payment Date in such Bond Year.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds as they shall become due and payable.

Sinking Account. The Trustee shall set aside from the Housing Special Fund and deposit in the Sinking Account an amount of money equal to the Sinking Account Installment payable on the Sinking Account Payment Date in such Bond Year. All moneys in the Sinking Account shall be used by the Trustee to redeem the Term Bonds in accordance with the Indenture.

Reserve Account. The Trustee shall set aside from the Housing Special Fund and deposit in the Reserve Account an amount of money (or other authorized deposit of security, as described by the following paragraph) equal to the Reserve Account Requirement for each Series of Bonds then Outstanding. No deposit need be made in the Reserve Account so long as there shall be on deposit therein an amount equal to the Reserve Account Requirement of each Series of Bonds then Outstanding. The Reserve Account shall be divided into subaccounts with respect to each Series of Bonds and each subaccount shall be available only for payment of the Series of Bonds to which it relates. All money in (or available to) the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series of Bonds to which such Reserve Account relates in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Bonds then Outstanding. In the event that there shall be insufficient money in the Housing Special Fund to make in full all required deposits to the subaccounts in the Reserve Account, then the money available in the Housing Special Fund shall be applied pro rata to such subaccounts in the proportion which all the Reserve Requirements for each Series bear to each other. Any amount in the Reserve Account in excess of the Reserve Account Requirement shall, upon Written Request of the Agency, be transferred by the Trustee to the Interest Account or the Principal Account, as directed by the Agency in such Written Request.

In lieu of depositing moneys in the Reserve Account, or in replacement of moneys then on deposit in the Reserve Account, the Agency, with prior written notification to S&P and Moody's, may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having, at

the time of such delivery, unsecured debt obligations rated in at least the second highest rating category (without respect to any modifier) of S&P and Moody's, in an amount, together with moneys, Authorized Investments or insurance policies or surety bonds on deposit in the Reserve Fund, equal to the Reserve Account Requirement.

In lieu of depositing moneys in the Reserve Account, or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the Agency upon delivery of an insurance policy or surety bond satisfying the requirements stated below), the Agency, with prior written notification to S&P and Moody's, may also deliver to the Trustee an insurance policy or surety bond securing an amount, together with moneys, Authorized Investments or letters of credit on deposit in the Reserve Account, no less than the Reserve Account Requirement issued by an insurance company licensed to issue insurance policies guaranteeing the timely payment of debt service on the Bonds and whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies), at the time of such delivery, are rated in at least the second highest rating category (without respect to any modifier) of S&P and Moody's.

Repayment of any draw under any such insurance policy or surety bond, and any expenses and accrued interest related to such draw, including costs incurred pursuant to the Indenture (collectively the "Policy Costs") shall commence in the first month following each such draw, and shall be paid at the time specified in the Indenture in an amount not less than one-twelfth (1/12th) of the aggregate of the Policy Costs related to such draw. If and to the extent that cash has also been deposited in the subaccount of the Reserve Account to which such policy relates, all such cash shall be used (including any investments purchased with such cash, which shall be liquidated and the proceeds thereof applied as required hereunder) prior to any drawing under the insurance policy or surety bond, and repayment of any Policy Costs shall be made prior to any replenishment of any such cash amounts.

Expense Fund. All moneys in the Expense Fund, which will be held by the Trustee, will be applied to the payment of costs and expenses incurred by the Agency in connection with the authorization, issuance and sale of Bonds and will be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by an officer or other duly authorized representative of the Agency.

Project Fund. All moneys in the Project Fund (other than moneys in a Capitalized Interest Account) will be applied to the payment of Project Costs and will be disbursed by the Trustee. All moneys in the Capitalized Interest Account will be applied to the payment of interest on the applicable Series of Bonds. On each Interest Payment Date, the Trustee will transfer to the Interest Account moneys from each Capitalized Interest Account in an amount sufficient to pay the interest due on such date with respect to the applicable Series of Bonds.

Rebate Fund. The Trustee will establish and maintain with respect to each Series of Bonds issued under the Indenture (other than any Series of Bonds which the Agency will certify to the Trustee is exempt from the requirements of Section 148 of the Code related to rebate of arbitrage earnings) a fund separate from any other fund or account established and maintained under the Indenture designated as the "Rebate Fund." Upon the written direction of the Agency, there will be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of the Inden-

ture relating to the pledge of Subordinated Housing Set Aside Revenues, the allocation of money in the Housing Special Fund, the investments of money in any fund or account and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund will be governed exclusively by the Indenture and the Tax Certificate (which is incorporated into the Indenture by reference).

INVESTMENT OF MONEYS IN FUNDS AND ACCOUNTS

Upon the Written Request of the Agency received by the Trustee at least two Business Days prior to the date of such investment, moneys in the Housing Special Fund (and each Account therein), the Expense Fund, the Project Fund and the Rebate Fund will be invested by the Trustee in Authorized Investments. In the absence of such instructions the Trustee will invest in the investments described in clause (8) of the definition of Authorized Investments. The obligations in which moneys in the Housing Special Fund, the Interest Account, the Principal Account or any Sinking Account are so invested will mature prior to the date on which such moneys are estimated to be required to be paid out under the Indenture. The obligations in which moneys in the Reserve Account are so invested will be in obligations maturing no more than five years from the date of purchase by the Trustee or on the final maturity date of the Bonds, whichever date is earlier; provided, however, that if an obligation may be redeemed at par on the Business Day prior to each Interest Payment date during which such obligation is outstanding, such obligation may have any maturity. Any interest, income or profits from the deposits or investments of all funds (except the Expense Fund and Rebate Fund) and accounts will be deposited in the Project Fund, until completion of the 2000T Housing Project, and thereafter in the Housing Special Fund. For purposes of determining the amount on deposit in any fund or account held under the Indenture, all Authorized Investments credited to such fund or account will be valued annually at the lower of cost or market (excluding accrued interest and brokerage commissions, if any). Except as otherwise provided in the Indenture, Authorized Investments representing an investment of moneys attributable to any fund or account and all investment profits or losses thereon will be deemed at all times to be a part of said fund or account. Absent negligence or willful misconduct by the Trustee, the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture.

ADDITIONAL BONDS

Conditions for the issuance of Additional Bonds. The Agency covenants that it will not issue Additional Bonds payable from the Subordinated Housing Set Aside Revenues and secured by a lien and charge upon the Subordinated Housing Set Aside Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the Indenture, unless the following specific conditions have been satisfied:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indentures, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, provided for by a Supplemental Indenture duly executed and delivered by the Agency which shall specify the following:

(i) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds

of such Additional Bonds to be applied solely for (i) the purpose of aiding in financing the Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Project, including payment of all costs incidental to or connected with such refunding;

(ii) The authorized principal amount of such Additional Bonds;

(iii) The date and the maturity date or dates of such Additional Bonds; provided that (i) Principal and Sinking Account Payment Dates may occur only on Interest Payment Dates, (ii) all such Additional Bonds of like maturity and Series shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory Sinking Account Installments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(iv) The Interest Payment Dates, which shall be on the same semiannual dates as the Interest Payment Dates for the Series 2000T Bonds; provided, that Capital Appreciation Bonds may provide for compounding of interest in lieu of payment of interest on such dates;

(v) The denomination and method of numbering of such Additional Bonds;

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

(vii) The amount and due date of each mandatory Sinking Account Installment, if any, for such Additional Bonds;

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

(ix) The amount, if any, to be deposited from the proceeds of such Additional Bonds into the Reserve Account; provided that the amount on deposit in the Reserve Account shall be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Bonds and such Additional Bonds, which amount shall be maintained in the Reserve Account;

(x) The form of such Additional Bonds; and

(c) The Subordinated Housing Set Aside Revenues (based upon the assessed valuation of taxable property in the Project Areas as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's execution and delivery of the Supplemental Indenture providing for the issuance of such Additional Bonds plus supplemental assessments for projects which have been completed and will be reflected on the tax roll for the next succeeding Fiscal Year, and projects the ownership of which has changed, all as confirmed by the appropriate officer of the County of Alameda), plus an assumed increase in Subordinated Housing Set Aside Revenues of two percent (2%) shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on all then Outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Subordinated Housing Set Aside Revenues pursuant to the Law.

(d) Refunding Bonds may be authorized and issued by the Agency without compliance with paragraph (c) above in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all of the following:

- (i) The principal or redemption price of all Outstanding Bonds to be refunded;
- (ii) All expenses incident to the calling, retiring or paying of such Outstanding Bonds and the costs of issuance of such refunding Bonds; and
- (iii) Interest on all Outstanding Bonds to be refunded to the date such Bonds will be called for redemption or paid at maturity.

The proceeds of the sale of the refunding Bonds will be applied by the Trustee according to the direction of the Agency to the retirement of the Outstanding Bonds for the refunding of which said refunding Bonds are to be issued. All Bonds purchased, redeemed or retired by use of funds received from the sale of refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of refunding Bonds, shall be forthwith cancelled and shall not be reissued.

(e) Nothing contained in the Indenture shall limit the issuance of any bonds of the Agency payable from the Subordinated Housing Set Aside Revenues and secured by a lien and charge on the Subordinated Housing Set Aside Revenues if, after the issuance and delivery of such bonds, none of the Bonds theretofore issued under the Indenture will be Outstanding nor will anything contained in the Indenture prohibit the issuance of any bonds or other indebtedness by the Agency secured by a pledge of revenues (including Subordinated Housing Set Aside Revenues) subordinate to the pledge of Subordinated Housing Set Aside Revenues securing the Bonds. The Series 2000T Bonds shall not be considered Additional Bonds under the Indenture and the issuance of the Series 2000T Bonds are not subject to the provisions of this section.

Limitation on issuance of senior bonds. The Agency covenants that so long as any Bonds are Outstanding under the Indenture, the Agency will not issue any additional bonds (other than refunding bonds) under the Senior Resolutions or other debt which is payable on a parity with the Senior Bonds and on a priority basis to the Bonds.

CERTAIN COVENANTS

Against encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinated Housing Set Aside Revenues, except as provided in the Indenture, and will not issue any obligation or security superior to or on a parity with the Bonds payable in whole or in part from the Subordinated Housing Set Aside Revenues (other than Additional Bonds).

Extension or funding of claims for interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest is extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded will not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which have not been so extended or funded.

Management and operation of Project. The Agency will manage and operate any part of the Project in a sound and business-like manner and in conformity with all valid requirements of any governmental authority relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Books and accounts; financial and Project statements. The Agency will keep proper books of record and accounts, separate from all other records and accounts of the Agency, in which complete and correct entries will be made of all transactions relating to the Project Areas. Such books of record and accounts will at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the aggregate principal amount of the Bonds then Outstanding or their representatives authorized in writing.

The Agency will prepare and file with the Trustee annually as soon as practicable, but in any event not later than the earlier of 240 days after the close of each Fiscal Year, so long as any Bonds are Outstanding, an audited financial statement relating to the Subordinated Housing Set Aside Revenues and all other funds or accounts established pursuant to the Indenture for the preceding Fiscal Year prepared by an Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year, which audited financial statement will include a statement as to the manner and extent to which the Agency and the Trustee have complied with the provisions of the Indenture as it relates to such funds. The Trustee, at the expense of the Agency, will furnish a copy of such audited financial statement to any Owner upon written request. The Trustee will provide such statements with regard to any funds held by the Trustee under the Indenture to the Agency as the Agency may reasonably require to comply with the terms of this section.

Payment of taxes and other charges. Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Areas, or upon the revenues therefrom, when the same becomes due; provided that nothing contained in the Indenture will require the Agency to make any such payments so long as the Agency in good faith contests the validity of any such taxes, service charges, assessments or other governmental charges.

Taxation of leased property. Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property will be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract provides (1) that the lessee will pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease are less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee will pay such difference to the Agency within 30 days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments will be treated as tax increment revenues.

Disposition of property in Project Areas. Except as provided below, the Agency will not authorize the disposition of any real property in the Project Areas that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plans in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such disposi-

tion, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, will (i) in the aggregate, exceed 10% of the assessed valuation of the property in the Project Areas, or (ii) cause the amount of projected Subordinated Housing Set Aside Revenues in the succeeding Fiscal Year to be less than 125% of Maximum Annual Debt Service. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Indenture, comprises more than 10% of the land area in the Project Areas, it will cause to be filed with the Trustee a Consultant's Report on the effect of such proposed disposition. If the Consultant's Report concludes that the Subordinated Housing Set Aside Revenues will not be materially reduced by such proposed disposition, the Agency may proceed with such proposed disposition. If the Consultant's Report concludes that Subordinated Housing Set Aside Revenues will be materially reduced by such proposed disposition, the Agency will not proceed with such proposed disposition unless, as a condition precedent to such proposed disposition, the Agency requires that such new owner or owners either:

- Pay to the Agency, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency as Subordinated Housing Set Aside Revenues if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment will be made within 30 days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or
- Pay to the Agency a single sum equal to the amount estimated and certified to the Agency by an Independent Redevelopment Consultant to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Bonds, less a reasonable discount value.

All such payments to the Agency in lieu of taxes will be treated as Subordinated Housing Set Aside Revenues and shall be transferred by the Agency to the Trustee to be deposited by the Trustee in the Housing Special Fund.

Amendment of Redevelopment Plans. If the Agency proposes to amend the Redevelopment Plans, it will cause to be filed with the Trustee a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that Subordinated Housing Set Aside Revenues will not be materially reduced by such proposed amendment, the Agency may adopt such amendment. If the Consultant's Report concludes that Subordinated Housing Set Aside Revenues will be materially reduced by such proposed amendment, the Agency will not adopt such proposed amendment. The Trustee will be entitled to rely upon any said Report and will have no duty to verify the information or statements set forth therein.

Subordinated Housing Set Aside Revenues. The Agency will comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinated Housing Set Aside Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Alameda County.

Tax Covenants. The Agency will not use or permit the use of any proceeds of Bonds or any funds of the Agency, directly or indirectly, to acquire any securities or obligations, and will not take or permit to be taken any other action or actions, which would cause any Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code of "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from

time to time thereunder. The Agency will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Agency will not use or permit the use of any proceeds of the Bonds or any funds of the Agency, directly or indirectly, in any manner, and will not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code. The foregoing does not apply to the Series 2000T Bonds.

RIGHTS OF BOND INSURER

The Bond Insurer will be deemed to be the sole holder of the Bonds for the purpose of exercising any right or privilege or giving any consent or direction or taking any other action that the Owners of the Bonds are entitled to take pursuant to the Indenture; provided that the rights of the Bond Insurer to exercise, consent to or direct any such actions will be suspended during any period in which the Bond Insurer is in default in its payment obligations under the Series 2000T Bond Insurance Policy (except to the extent of amounts previously paid by, and due and owing to, the Bond Insurer) and, further, such rights will be of no force or effect in the event that the Series 2000T Bond Insurance Policy is no longer in effect or the Bond Insurer provides written notice that it waives such rights.

The Bond Insurer, to the extent that it makes any payment of principal of or interest on the Bonds, will become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2000T Bond Insurance Policy. Amounts paid by the Bond Insurer under the Series 2000T Bond Insurance Policy will not be deemed paid for purposes of the Indenture and will remain outstanding and continue to be due and owing until paid by the Agency in accordance therewith.

AMENDMENT OF THE INDENTURE

The Indenture and the rights and obligations of the Agency and of the Owners may be amended at any time by a Supplemental Indenture that becomes binding when the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, and the written consent of the Bond Insurer, if any, are filed with the Trustee. No such amendment will (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Agency to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture of any Bond, without the express written consent of the Owner of such Bond, or (2) permit the creation by the Agency of any mortgage, pledge or lien upon the Subordinated Housing Set Aside Revenues superior to or on a parity with the pledge and lien created in the Indenture for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Owners may also be amended at any time, with the consent of the Bond Insurer, by a Supplemental Indenture that becomes binding upon execution, without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

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

- To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, as the Agency may deem necessary or desirable and not inconsistent with the Indenture, and which will not materially adversely affect the interest of the Owners;
- To provide for the issuance of any Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the Article in the Indenture relating to the issuance of additional bonds;
- To modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds;
- To maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes (except with respect to any Bonds that the Agency certifies to the Trustee are not intended to qualify for such exclusion);
- To the extent necessary to obtain a Bond Insurance Policy, to obtain a rating on the Bonds or in connection with satisfying all or a portion of the Reserve Account Requirement by crediting a letter of credit or Bond Insurance Policy to the Reserve Account; or
- For any other purpose that does not materially adversely affect the interests of the Owners.

DEFAULTS AND REMEDIES

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

- default is made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- default is made in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable;
- default is made by the Agency in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture or in the Bonds, and such default has continued for a period of 30 days after the Agency has been given notice in writing of such default by the Trustee; provided, however, that such default will not constitute an Event of Default under the Indenture if the Agency commences to cure such default within said 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time; or
- the Agency files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction approves a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for

the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Agency or of the whole or any substantial part of its property.

Acceleration of maturities. During the continuance of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, will, by notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same becomes immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding; provided, however, that any such declaration will be subject to the prior written consent of the Bond Insurer, if any. However, if at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered, the Agency deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of interest which would have been paid on such overdue principal on such overdue installments of principal and interest, and the expenses of the Trustee, including attorneys fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences; provided, however, that no such rescission or annulment will occur without the prior written consent of the Bond Insurer, if any. No such rescission and annulment will extend to or affect any subsequent default, or impair or exhaust any right or power consequent thereon.

Application of funds upon acceleration. All money in the funds and accounts provided for in the Indenture upon the date of the declaration of acceleration by the Trustee as provided in the Indenture, and all Subordinated Housing Set Aside Revenues thereafter received by the Agency thereunder, will be transmitted to the Trustee and applied by the Trustee in the following order:

- *first*, to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to its agents and counsel, to the payment of any other amounts then due and payable to the Trustee, including any predecessor trustee, with respect to or in connection with the Indenture, whether as compensation, reimbursement, indemnification or otherwise, and to the payment of the costs and expenses of the Owners in providing for the declaration of such event of default, including reasonable compensation to their agents and counsel; and
- *second*, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of interest which would have been paid on such overdue principal, and in case such money is insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and

principal, ratably to the aggregate of such interest, principal and interest on overdue interest and principal; provided that the amounts in each subaccount of the Reserve Account will be applied only to the payment of the Series of Bonds to which such subaccount relates.

Other remedies of Owners. Any Owner, subject to the conditions set forth in the Indenture, will have the right for the equal benefit and protection of all Owners similarly situated:

- By mandamus or other suit or proceeding at law or in equity to enforce such Owner's rights against the Agency and any of the members, officers and employees of the Agency, and to compel the Agency or any such members, officers or employees to perform and carry out their duties under the Law and their agreements with the Owners as provided in the Indenture;
- By suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or
- Upon the happening of an event of default, by a suit in equity to require the Agency and its members, officers and employees to account as the trustee of an express trust.

Bond Insurer to direct default proceedings. Notwithstanding any other provision of the Indenture, so long as a Bond Insurance Policy is in effect and the Bond Insurer is not in default in its obligations thereunder with respect to any Series of Bonds, the Bond Insurer will have the right to direct any default proceedings with respect to such Series of Bonds; provided, that if there is more than one Bond Insurer or if any Series of Bonds (or portion thereof) is not covered by a Bond Insurance Policy, then each Bond Insurer will have the right to direct default proceedings only as if it were the Owner of the Bonds which its Bond Insurance Policy covers.

DISCHARGE OF INDEBTEDNESS

If the Agency pays or causes to be paid, or there is otherwise paid, to the Owners of all Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Indenture, then the Owners of such Bonds will cease to be entitled to the pledge of Subordinated Housing Set Aside Revenues, and all covenants, agreements and other obligations of the Agency to the Owners of such Bonds under the Indenture will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute, at the Written Request of the Agency, and at its expense, and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will, after payment of amounts due the Trustee, any Bond Insurer and any reserve facility provider (including the Series 2000T Reserve Provider) under the Indenture, pay over or deliver to the Agency all money or securities held by them pursuant to the Indenture which are not required for the payment of the interest due on and the principal of such Bonds other than the moneys, if any, in the Rebate Fund.

Any Outstanding Bonds will prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there will have been deposited with or delivered to the Trustee, or another fiduciary or escrow agent, (i) either money in an amount which will be sufficient, or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the interest due and to become due on such Bonds on and prior to the

maturity date thereof or such earlier redemption date as will be irrevocably established, and the principal of and redemption premium, if any, on such Bonds (the sufficiency of such amounts to be appropriately verified by a report of an Independent Certified Public Accountant), (ii) an escrow agreement entered into by the Agency and the Trustee or other fiduciary or escrow agent, acceptable in form and substance to the applicable Bond Insurer, (iii) irrevocable instructions, in form satisfactory to the Trustee, to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (1) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or earlier redemption date upon which money is to be available for the payment of the principal of such Bonds, and (iv) an opinion of nationally recognized bond counsel to the effect that such Bonds are no longer Outstanding under the Indenture.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds that remain unclaimed for two years after the date when such Bonds or interest thereon have become due and payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds or interest thereon become due and payable, will be repaid by the Trustee to the Agency, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Bond Owners will look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee will, at the expense of the Agency, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the registration books of the Trustee, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Agency.

THE TRUSTEE

The Trustee is generally required to receive all money that the Agency is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Agency, but only prior to an Event of Default, with 30 days prior written notice, remove the Trustee; provided, that any such successor will be a bank or trust company doing business in California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the Agency, and upon receiving such notice of resignation, the Agency will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee will have been appointed and have accepted appointment within 30 days of the giving of notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor trustee appointed in connection with such resignation will give notice to the Owners of its appointment.

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APPENDIX E
PROPOSED FORM OF
BOND COUNSEL OPINION

[Closing Date]

Redevelopment Agency of the City of Oakland
Oakland, California

Redevelopment Agency of the City of Oakland
Subordinated Housing Set Aside Revenue Bonds
Series 2000T (Federally Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Oakland (the "Issuer") of \$39,395,000 aggregate principal amount of Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Bonds, Series 2000T (Federally Taxable) (the "Bonds"), issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code), as amended, and an Indenture, dated as of May 1, 2000 (the "Indenture"), between the Issuer and BNY Western Trust Company, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, an opinion of counsel to the Issuer, certificates of the Issuer, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture. We call attention to the fact that the rights and obligations under the Bonds and the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any

indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinated Housing Set Aside Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.
3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Oakland or the State of California and said City and said State are not liable for the payment thereof.

Interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F
PROPOSED FORM OF

CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND (the "Agency") in connection with the issuance of the Agency's Subordinated Housing Set Aside Revenue Bonds, Series 2000T in aggregate principal amount of \$39,395,000 (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of May 1, 2000, by and between BNY Western Trust Company, as trustee, and the Agency (the "Indenture"). The Agency covenants and agrees as follows:

1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

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

"Repository" shall mean each National Repository and each State Repository.

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

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

3. Provision of Annual Reports.

(a) The Agency shall, or shall direct the Dissemination Agent in writing to, not later than nine months after the end of the Agency's Fiscal Year (currently June 30), commencing with the report for the 1999/2000 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee (if different from the Dissemination Agent). Not later than 15 Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a

single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to the Repositories or to the Dissemination Agent an Annual Report by the date required in subsection (a), the Agency shall send a notice, or direct in writing the Dissemination Agent to send a notice, to the Municipal Securities Rulemaking Board and each State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

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

(ii) if the Dissemination Agent is other than the Agency and has been directed to file the Annual Report pursuant to Section 3(a) hereof, the Dissemination Agent shall file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

4. Content of Annual Reports. The Agency's Annual Report shall be in a format suitable for filing with each Repository and shall contain or incorporate by reference the following:

(a) audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for the preceding Fiscal Year, substantially similar to that provided in the corresponding tables and charts in the Official Statement for the Bonds:

(i) TABLE 5: HOUSING SET-ASIDE REVENUES BY REDEVELOPMENT PROJECT AREA;

(ii) TABLE 10: TEN HIGHEST TAXABLE PROPERTY VALUES (ALL PROJECT AREAS COMBINED);

(iii) TABLE 11: SECURED ASSESSMENT APPEAL SUMMARY;

- (iv) TABLE 12: TAXABLE VALUE HISTORY (ALL PROJECT AREAS);
and
(v) TABLE 13: TAX INCREMENT AND HOUSING SET ASIDE
REVENUES HISTORY.

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

In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

5. Reporting of Significant Events.

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

- (a) Principal and interest payment delinquencies.
- (b) Non-payment related defaults.
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (e) Substitution of credit or liquidity providers, or their failure to perform.
- (f) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (g) Modifications to rights of security holders.
- (h) Contingent or unscheduled bond calls.
- (i) Defeasances.
- (j) Release, substitution, or sale of property securing repayment of the securities.
- (k) Rating changes.

Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall, as soon as possible, determine if such event would be material under applicable Federal securities law. The Trustee or the Dissemination Agent shall have no role whatsoever nor any responsibility or liability for such determination.

If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

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

7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the Agency, shall not be responsible in any manner whatsoever for the format or content of any notice or Annual Report prepared by the Agency pursuant to this Disclosure Certificate. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any papers or any further act. The initial Dissemination Agent shall be BNY Western Trust Company. The Dissemination Agent may resign, with or without appointment of a successor Dissemination Agent, upon thirty days' prior notice to the Agency. The Dissemination Agent, in addition to any other compensation if the Dissemination Agent shall also be the Trustee, shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses including, but not limited to, attorneys' fees within 30 days following demand.

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

(d) If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial

statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate the Trustee may (and, subject to payment of its fees and expenses and receipt of satisfactory indemnity as set forth in the Indenture, at the request of the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including, but not limited to, the costs and expenses (including attorneys fees) (whether or not litigated) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Indenture. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent, payment of the Bonds and termination of this Disclosure Certificate pursuant to Section 6. The Dissemination Agent shall have no liability for failure to report any event or item of financial information as to which the Agency has not provided it in an information report in format suitable for filing with the Repositories. The Dissemination Agent shall have no obligation or liability whatsoever for the accuracy or completeness of

any Annual Report or report of materiality under Section 5(b) hereof and shall not be deemed to be acting in any fiduciary capacity hereunder for the Agency or for any Bond owner.

12. Fees. The Agency shall compensate and reimburse the Dissemination Agent within 30 days of receipt of an invoice for such compensation and reimbursement.

13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: May 16, 2000

REDEVELOPMENT AGENCY OF THE CITY OF
OAKLAND

By:

Finance Officer

ACKNOWLEDGED:

BNY WESTERN TRUST COMPANY,
as Dissemination Agent

By: _____

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
AND EACH STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Name of Issue: Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside
Revenue Bonds, Series 2000T (Federally Taxable)

Date of Issuance: May 16, 2000

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of May 1, 2000, by and between BNY Western Trust Company, as trustee, and the Redevelopment Agency of the City of Oakland. The Issuer anticipates that the Annual Report will be filed by
_____.

cc: Trustee

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APPENDIX G DTC BOOK ENTRY SYSTEM

DTC provided the following information. The Agency can't vouch for its accuracy or completeness. For further information, please contact DTC or view its website at www.dtc.org.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" under the same law, a member of the Federal Reserve System, a "clearing corporation" under the New York Uniform Commercial Code, and a "clearing agency" registered under Section 17a of the Securities Exchange Act of 1934.

DTC holds securities that its participants ("DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of transactions in deposited securities, such as transfers and pledges, through electronic computerized book-entry changes in DTC Participants' accounts, eliminating the need for physical movement of securities certificates.

"Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by some of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules for DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must occur by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The owner-

ship interest of each actual purchaser ("Beneficial Owner") of each Bond is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds will occur through entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners won't receive Bonds representing their ownership interests, unless the Agency stops using the book-entry system for the Bonds.

To make the system work more smoothly, all Bonds which DTC Participants deposit with DTC will be registered in the name of DTC's nominee, Cede & Co. This doesn't affect the beneficial ownership of any Bond. DTC has no idea who the Beneficial Owners of the Bonds are; its records show only the Direct Participants, who may or may not be the Beneficial Owners. The DTC Participants are responsible for keeping account of their holdings on behalf of their customers.

Notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will go through arrangements among them, subject to any legal requirement.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Usually, DTC mails an Omnibus Proxy to the issuer of the securities as soon as possible after each Record Date. The Omnibus

Proxy assigns Cede & Co.'s consenting or voting rights to Direct Participants.

Payments on the Bonds will go to DTC. DTC's practice is to credit Direct Participants' accounts on the scheduled payment date in accordance with their holdings shown on DTC's records unless DTC has reason to believe that it won't receive payment on that date. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices which apply to securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the DTC Participant and not of DTC, the Trustee or the Agency, subject to any legal requirements. The Trustee is responsible for sending Bond payments to DTC. DTC is responsible for disbursing those payments to Direct Participants. Both Direct Participants and Indirect Participants are responsible for disbursing payments to the Beneficial Owners.

DTC may discontinue providing its services as securities depository for the Bonds at any time by giving reasonable notice to the Trustee and the Agency. If the Agency doesn't replace DTC with another securities depository, or if the Agency opts to remove the Bonds from the DTC system, the Agency must arrange for printed Bonds.

The foregoing description is based solely on the Agency's understanding of information provided by DTC. Only DTC can vouch for that information. Beneficial Owners should rely only on information they may obtain from DTC or DTC Participants. The Agency understands that the current "Rules" for DTC are on file with the Securities and Exchange Commission and that the current "Procedures" for DTC are on file with DTC.

APPENDIX H TAX ALLOCATION FORMULA

Housing Set-Aside Revenues is defined in the Indenture to mean twenty percent (20%) of the monies paid to the Agency within the Plan Limitations following the Closing Date, derived from that portion of taxes levied upon assessable property within the Redevelopment Project allocated to the Agency pursuant to the Law and Section 16 of Article XVI of the Constitution of the State, but excluding any amounts payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, and consisting of the amount of tax increment revenues paid to the Agency and required by the Law to be deposited in the Agency's Low and Moderate Income Housing Fund. Said twenty percent (20%) shall apply regardless of whether or not the Redevelopment Law is amended in the future to require deposits to the Low and Moderate Income Housing Fund of less than twenty percent (20%).

As provided in the redevelopment plan, and pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the State Constitution, taxes levied upon taxable property in the project area each year by or for the benefit of the State, cities, counties, districts or other public corporations (collectively, the "**Taxing Agencies**", for fiscal years beginning after the effective date of the Redevelopment Plan, will be divided as follows:

(a) **To Taxing Agencies:** The portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the Taxing Agencies upon the total sum of the assessed value of the taxable property in the project areas as shown upon the assessment roll used in connection with the taxation of such

property by such Taxing Agency last equalized prior to the establishment of the project areas will be allocated to, and when collected will be paid into the funds of, the respective Taxing Agencies as taxes by or for the Taxing Agencies.

(b) **To Taxing Agencies:** Amounts payable by the Agency under agreements entered into pursuant to Section 33401 of the Law ("Pass-Through Agreements").

(c) **To the Agency:** The portion of such levied taxes each year in excess of the amount described in paragraph (a) above, less any amounts described in paragraph (b) above and (d) below, will be allocated to the Agency.

(d) **To Taxing Agencies:** The portion of the taxes identified in paragraph (a), above which are attributable to a tax rate levied by a Taxing Agency to pay indebtedness approved by the voters of that Taxing Agency on or after January 1, 1989, shall be allocated to, and when collected shall be paid into, the fund of such Taxing Agency.

Housing Set-Aside Requirements.

In accordance with Sections 33334.2 and 33334.6 of the Redevelopment Law, not less than twenty percent (20%) of all taxes which are allocated to the Agency shall be used by the Agency for purposes of improving, increasing and preserving the City's supply of housing for persons and families of low or moderate income (including the payment of indebtedness issued or incurred for such purposes).

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APPENDIX I
SPECIMEN MBIA BOND INSURANCE

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SPECIMEN

DEBT SERVICE RESERVE SURETY BOND

**MBIA Insurance Corporation
Armonk, New York 10504**

Surety Bond No. XXXXXXX

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [NAME OF ISSUER] (the "Issuer") under the [TITLE OF THE DOCUMENT] (the "Document") to [NAME OF PAYING AGENT], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [TITLE OF THE OBLIGATIONS] (the "Obligations"), [IF PARITY " together with any bonds issued on a parity therewith,"], provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] or the [Debt Service Reserve Fund Requirement] (as defined in the Document) for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

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

2 Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

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

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [ISSUER OR OBLIGOR] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

EXHIBIT A

Surety Bond No. XXXXXX

<u>Bond Year</u>	<u>Maximum Annual Debt Service</u>
199 to 199	\$
199 to 199	\$
199 to 199	\$

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire [ANNUAL PREMIUM OPTION: ,unless cancelled pursuant to paragraph 9 hereof,] on the earlier of (i) [MATURITY DATE] (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

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

[NOS. 9 and 11 are OPTIONAL]

9. Subject to the terms of the Document, the Issuer shall have the right, upon 30 days prior written notice to the Insurer and the Paying Agent, to terminate this Surety Bond. In the event of a failure by the Issuer to pay the premium due on this Surety Bond pursuant to the terms of the Financial Guaranty Agreement, the Insurer shall have the right upon [No. of days] days prior written notice to the Issuer and the Paying Agent to cancel this Surety Bond. No Demand for Payment shall be made subsequent to such notice of cancellation unless payments are due but shall not have been so paid in connection with the Obligations.

10. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [DATE] day of [MONTH, YEAR]

COUNTERSIGNED:

MBIA Insurance Corporation

Resident Licensed Agent

President

City, State

Attest:

Assistant Secretary

Attachment 1

Surety Bond No. XXXXXXX

DEMAND FOR PAYMENT

_____, 19__

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: President

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

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on _____ (the "Due Date") in an amount equal to \$_____ (the "Amount Due").

(b) The [Debt Service Reserve Fund Requirement] for the Obligations is \$_____.

(c) The amounts legally available to the Paying Agent on the Due Date will be \$_____ less than the Amount Due (the "Deficiency").

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

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond: _____

[Paying Agent's Account]

[PAYING AGENT]

By _____

Its _____

Attachment 2
Surety Bond No. XXXXXXX

NOTICE OF REINSTATEMENT

_____, 19__

[Paying Agent]

[Address]

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

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$

MBIA Insurance Corporation

President

Attest:

Assistant Secretary