Preston|Gates|Ellis LLP

September 22, 2000

Via Telefacsimile and U. S. Mail

Deborah Edgerly, Director of Financial Services Agency
City of Oakland
151 Frank H. Ogawa Plaza, Suite 5215
Oakland, California 94612

Re: Transfer of Active and Inactive Files Relating to the Pension Obligation Bonds, the 1995 Tax and Revenue Anticipation Notes, Pension Obligation Bonds Swap Agreement and Letter of Credit Substitution for Oakland Joint Powers Financing Authority

Dear Deborah:

I am withdrawing from Preston Gates Ellis LLP effective the end of business on September 29, 2000. As of Counsel in Preston's Los Angeles office, I was responsible for handling matters related to the above-referenced matter(s). I would like your consent to take all of the active and inactive files, paper and electronic, with me to my new law firm. I expect to be making an announcement regarding my new law firm soon. Until then, the files will be segregated and stored at Preston and will be transfered to my new firm later, at my direction.

Should you wish to transfer your inactive matters to an attorney other than me, you are, of course free to do so. If you want the materials to be delivered to me, please indicate your decision by marking the information below appropriately, signing it, and immediately returning it to me by facsimile. The facsimile number is (213) 624-5924. Thank you for your assistance.

Very truly yours,

PRESTON GATES ELLIS LLP

By Elizabeth C. Green
Elizabeth C. Green

☒ *Please transfer all files to Elizabeth C. Green at her new law firm.*

☐ *Please transfer all files to the person indicated below.*

By: Deborah A. Edgerly

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

TRANSCRIPT DOCUMENT CLOSING INDEX

Document Number	Description

I. PRINCIPAL DOCUMENTS

1	ORDINANCE NO. 11851, "AN ORDINANCE OF THE CITY OF OAKLAND, CALIFORNIA, ADDING CHAPTER 20 TO THE MUNICIPAL CODE, RELATING TO POWERS AND PROCEDURES RELATING TO FINANCING AND REFINANCING OF THE OBLIGATIONS OF THE CITY TO THE POLICE AND FIRE RETIREMENT SYSTEM PURSUANT TO ARTICLE XXVI OF THE CHARTER..."
2	RESOLUTION NO. 72446, "RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING THE ISSUANCE OF ONE OR MORE DEBENTURES PURSUANT TO CHAPTER 20 OF THE OAKLAND MUNICIPAL CODE, AND THE ISSUANCE OF ONE OR MORE SERIES OF PENSION OBLIGATION BONDS TO REFUND SAID DEBENTURE(S)..."
3	RESOLUTION NO. 72447, "RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING THE FILING OF A VALIDATION ACTION IN CONNECTION WITH THE ISSUANCE OF CITY OF OAKLAND PENSION OBLIGATION DEBENTURES AND BONDS."
4	RESOLUTION NO. 73119, "RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND NAMING INVESTMENT BANKING FIRMS TO SERVE AS UNDERWRITERS IN CONNECTION WITH THE ISSUANCE OF ONE OR MORE SERIES OF PENSION OBLIGATION BONDS AND AUTHORIZING OTHER MATTERS RELATING TO THE ISSUANCE OF SAID BONDS."

5 RESOLUTION NO. 73256, "RESOLUTION APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL TRUST AGREEMENT AND THE ISSUANCE OF BONDS PURSUANT THERETO, BOND PURCHASE CONTRACT, PRELIMINARY OFFICIAL STATEMENT AND A FINAL OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE AND AUTHORIZING OTHER MATTERS RELATING THERETO."

6 Excerpt of Minutes of City Council meetins of February 6, 1996, December 17, 1996, and February 4, 1997 as to consideration of the foregoing Resolutions and Authorization of Bond proceedings.

7 Master Trust Agreement, dated as of February 1, 1997, between the City of Oakland, California, and Texas Commerce Bank National Association, Houston, Texas, as Trustee

8 First Supplemental Trust Agreement, dated as of February 1, 1997 between the City of Oakland, California and Texas Commerce Bank National Association, Houston, Texas, as Trustee.

9 Funding Agreement dated as of June 1, 1996 between the City of Oakland and The Police and Fire Retirement System of the City of Oakland.

10 Series 1997 Debenture, as cancelled and returned to City by the System.

11 Purchase Contract.

12 Continuing Disclosure Certificate dated as of February 1, 1997 by the City of Oakland, California and Texas Commerce Bank National Association, as Trustee.

13 Preliminary Official Statement dated February 5, 1997.

14 Official Statement dated February 13, 1997.

15 Specimen Bonds.

II. CITY DOCUMENTS

16 Closing Certificate of City.

17 Certificate of City Clerk.

18 Signature Certificate of City Officers.

19 Filing with Secretary of State of Facsimile Signatures of City Officers.

20 Certificate of City Pursuant to Section 4(E)(9) of the Purchase Contract.

21 Certificate Regarding City Charter.

22 Incumbency Certificate of City Officers.

23 Written Order of City as to Disposition of Funds.

24 Written Requisition for Disbursement of Cost of Issuance.

III. SYSTEM DOCUMENTS

25 Certified Copy of Motion Approving Funding Agreement.

26 Certified Copy of Actuarial Report of the System dated July 1, 1994.

27 Certified Copy of Audit Report of the System for Fiscal Year 1995-1996.

28 Closing Certificate of System.

29 Funding Agreement Certificate of System.

30 System Receipt for Payment.

31 Letter from System's Actuary verifying Accrued Actuarial Unfunded Liability.

32 Opinion of Counsel to the System.

IV. TRUSTEE DOCUMENTS

33 Certificate of the Trustee and Authorizing Resolution of Texas Commerce Bank National Association.

34 Trustee's Receipt for Purchase Price and Certificate as to Disposition of Funds.

V. BOND INSURER DOCUMENTS

35 Commitment of MBIA to Issue Bond Insurance Policy.

36 Financial Guaranty Insurance Policy issued by MBIA Insurance Corporation.

37 Rule 15c2-12 Certificate of MBIA Insurance Corporation.

VI. UNDERWRITER DOCUMENTS

38 Final Blue Sky Memorandum.

39 Preliminary Blue Sky Survey.

40 Purchasers' Receipt for Bonds.

VII. OPINIONS

41 Opinion of City Attorney.

42 Final Approving Opinion of Preston Gates & Ellis LLP, Los Angeles, California, Bond Counsel.

43 Supplemental Opinion of Preston Gates & Ellis LLP, Los Angeles, California, Bond Counsel.

44 Opinion of Greenberg Traurig Hoffman Lipoff Rosen & Quentel, Counsel to the Underwriters.

45 Opinion of Lillick & Charles LLP, Counsel to Trustee.

46 Reliance Letters of Bond Counsel and City Attorney.

47 Opinion of Counsel to MBIA Insurance Corporation.

VIII. ADDITIONAL CLOSING DOCUMENTS

48 Rating Letters of Standard & Poor's, Moody's Investors Service and Fitch Investors Service, L.P.

49 Notice to California Debt Advisory Commission regarding Report of Proposed Debt Issuance.

50 Notice to California Debt Advisory Commission regarding Report of Final Sale.

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INTRODUCED BY COUNCILMEMBER _____

APPROVED AS TO FORM AND LEGALITY

_____
CITY ATTORNEY

ORDINANCE No. 11851 C. M. S.

AN ORDINANCE OF THE CITY OF OAKLAND, CALIFORNIA, ADDING CHAPTER 20 TO THE MUNICIPAL CODE, RELATING TO POWERS AND PROCEDURES RELATING TO FINANCING AND REFINANCING OF THE OBLIGATIONS OF THE CITY TO THE POLICE AND FIRE RETIREMENT SYSTEM PURSUANT TO ARTICLE XXVI OF THE CHARTER, INCLUDING THE ISSUANCE OF DEBENTURES AND OTHER INSTRUMENTS TO EVIDENCE SUCH OBLIGATIONS AND THE ISSUANCE OF BONDS TO FINANCE AND REFINANCE SUCH OBLIGATIONS AND INCLUDING DEFINITIONS, GENERAL PROVISIONS, ISSUANCE PROCEDURES AND CERTAIN SUPPLEMENTAL PROVISIONS

WHEREAS, the City of Oakland (the "City") is a municipal corporation and charter city duly organized and existing under a freeholders' charter (the "Charter") pursuant to which the City has the right and power to make and enforce all laws and regulations in respect of municipal affairs and certain other matters in accordance with and as more particularly provided in Sections 3, 5 and 7 of Article XI of the Constitution of the State of California and Article II of the Charter of the City; and

WHEREAS, Article XXVI of the City Charter, as such may be amended from time to time (the "Retirement Law") obligates the City to make annual contributions to The Police and Fire Retirement System of the City (the "System") to fund pension benefits of its employees, and to amortize the unfunded accrued actuarial liability with respect to such pension benefits; and

WHEREAS, the City desires to establish a program (the "Program") to evidence its obligation to the System to pay amounts required pursuant to the Retirement Law, including the unfunded accrued actuarial liability of the City, by issuing debentures or other evidences of indebtedness to the System, to authorize additional debentures to be issued in the future from time to time, and to provide for the issuance of bonds for the purpose of funding and refunding the debentures, and to authorize the issuance of additional bonds in the future from time to time (collectively, the "Bonds"); and

WHEREAS, Section 219(5) and Section 812 of the Charter grant powers to the City with respect to the authorization to borrow money and to adopt ordinances with respect thereto; and

WHEREAS, on June 8, 1976, the voters of the City approved Measure R, a Charter amendment to the Retirement Law, which (as later amended) authorized a property tax to be levied annually by the City for the purpose of fully funding the obligations of the City to the System by the year 2026 (the "tax override"); and

WHEREAS, it is anticipated that the proceeds of the tax override collected annually will be applied to the payment of amounts due and owing from time to time on the Bonds; and

WHEREAS, the Council of the City, acting under and pursuant to the powers reserved to the City under Sections 3, 5 and 7 of Article XI of the Constitution of the State of California and Article II of the Charter, finds that the public interest and necessity require the adoption of this Ordinance to authorize, and establish the procedures for, the issuance of the debentures or other evidence of the indebtedness of the City to the System pursuant to Article XXVI of the Charter and the issuance and sale of bonds by the City for the purpose of financing and refinancing the obligations of the City imposed by Article XXVI of the Charter;

NOW THEREFORE, THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

SECTION 1. Chapter 20 entitled "PFRS Pension Obligation Bond Law" is added to the Oakland Municipal Code, to read as follows:

CHAPTER 20

PFRS PENSION OBLIGATION BOND LAW

Article 1. General Provisions And Definitions.
2. Issuance Of Bonds To Finance The Program.
3. Miscellaneous Provisions.

ARTICLE I

GENERAL PROVISIONS AND DEFINITIONS

Section 20-1.01. Title.
20-1.02. Purpose.
20-1.03. Definitions.

insurance or any other kind of credit enhancement relating to the Bonds, any amount to be deposited in any debt service reserve fund, the cost of any reserve fund surety policy, trustee's and paying agent's fees and expenses; (5) any interest rate swap termination payments due under a swap relating to any Series of Bonds or the failure to issue Bonds, or any payments due upon initiation of any swap arrangement, and (6) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the City.

(f) "Council" means the Council of the City.

(g) "Debentures" means any one or more of the obligations or evidences of indebtedness issued by the City in favor of the System, which may be denominated "Pension Obligation Debentures" or by such other appellation selected by the City in the proceedings relating thereto, which evidence all or a portion of the obligations of the City imposed by the Retirement Law.

(h) "Program" means the program of the City established pursuant to the provisions hereof, to finance the obligations of the City pursuant to the Retirement Law;

(i) "Retirement Law" means Article XXVI of the City Charter and, as such may be amended from time to time.

(j) "State" means the State of California.

(k) "System" means The Police and Fire Retirement System of the City established and operating pursuant to Article XXVI of the City.

(l) "Tax Override" means the proceeds of the tax levied by the City pursuant to Measure R adopted by the voters of the City on June 8, 1976, as amended, for the purpose of amortizing the obligations of the City to the System by the year 2026.

ARTICLE 2

ISSUANCE OF BONDS TO FINANCE THE PROGRAM

Section 20-2.01. General Procedures Authorized Herein.
20-2.02. Authorization Of Bonds.
20-2.03. Proceedings Authorizing Issuance; Public Or Private Sales.
20-2.04. Application Of Proceeds Of Bonds.
20-2.05. Trust Agreements.

20-2.06. Insurance, Credit Enhancement and Liquidity Support.
20-2.07. Bonds And Investments; Contracts To Place On Interest Rate, Cash Flow, Or Other Basis; Other Program Agreements.
20-2.08. Delegation to City Officers; Personal Liability.
20-2.09. Refunding Bonds.
20-2.10. Repayment Of Bonds.
20-2.11. Agreements with System.

SECTION 20-2.01. GENERAL PROCEDURES AUTHORIZED HEREIN. The City is authorized, by adoption of one or more authorizing resolutions or by any other official action permitted by the Charter, to implement the following procedures pursuant to the powers granted by the Charter so as to cause Debentures and Bonds to be issued pursuant to the Program:

(a) To cause one or more Debentures to be issued, from time to time as determined by the City, to evidence all or any portion of the obligation of the City to the System under the Retirement Law.

(b) To issue Bonds pursuant to the procedures set forth in this Chapter for the purpose of funding or refunding the Debentures and otherwise assisting the Program authorized by this Chapter and for the purpose of refunding any outstanding Bonds.

(c) To establish the terms and conditions for the Program undertaken pursuant to this Chapter.

(d) To employ or contract for such legal, consultant, financial advisory, underwriting, actuarial, economic feasibility, or other services in connection with the Program, as may be necessary in the judgment of the Council for the successful implementation of the Program, the issuance of the Debentures and the issuance and sale of Bonds, and to pay the Costs of the Program.

(e) In addition to all other procedures specifically authorized in this Chapter, to do all things necessary or convenient and consistent with the Charter to carry out the purposes of this Chapter.

SECTION 20-2.02. AUTHORIZATION OF DEBENTURES AND BONDS. The City may issue Debentures from time to time and in such amounts as determined by the City in connection with the Program to evidence all or any portion of the then-existing obligation of the

City to the System under the Retirement Law and to pay the Costs relating thereto. The City may issue its Bonds for the purpose of implementing the Program as authorized by this Chapter. Any Debentures and any issue of Bonds may be payable from such sources as the City may determine, including the Tax Override and any funds pledged to any issue of Bonds in connection with the proceedings relating thereto.

SECTION 20-2.03. PROCEEDINGS AUTHORIZING ISSUANCE OF DEBENTURES AND BONDS; PUBLIC OR PRIVATE SALES.

(a) The proceedings of the City authorizing the issuance of the Debentures and Bonds may provide all of the following for the Debentures and Bonds:

(1) The form of the Debentures, the Costs evidenced thereby, and the terms and conditions set forth therein, which shall be consistent with the Retirement Law, the other provisions of the Charter and this Chapter.

(2) The form of the Bonds, which may be issued as serial bonds, term bonds, capital appreciation bonds, zero-coupon bonds, limited interest bonds, installment bonds, notes or other forms of obligations and evidences of indebtedness, or any combination thereof, and which may be issued in one or more series having like or different terms and may be issued at one time or in multiple issuances as determined by the City.

(3) The Costs to be financed by the issuance of the Bonds.

(4) The date or dates of the Bonds.

(5) The time or times of maturity of the Bonds.

(6) The interest, fixed or variable, to be borne by the Bonds and whether or not any interest or other income on the Bonds is intended to be subject to taxation under state and federal tax laws.

(7) The time or times that interest on the Bonds shall accrue and be payable and the time or times that principal may be payable.

(8) The denominations, and the registration privileges of the Bonds and the currency in which the Bonds shall be paid.

(9) The manner of execution of the Bonds.

(10) The place or places the Bonds are payable.

(11) The terms of redemption, if any, of the Bonds.

(12) Any other terms and conditions deemed necessary or advisable by the City.

(b) The Bonds may be sold at either public or private sale and for such prices as the City shall determine.

SECTION 20-2.04. APPLICATION OF PROCEEDS OF BONDS. Proceeds of any issue of Bonds may be applied, subject to such arrangements and procedures as are approved by the City in connection with such proceedings, including any agreement between the City and the System relating to the repayment of one or more Debentures and the refunding of outstanding Bonds, together with all Costs relating to the issuance of Bonds and Debentures or any refunding Bonds, including any bond reserve funds which the City determines to be reasonably required, the costs of any insurance or other credit enhancement authorized by Section 20-2.06, and any related investment or other contracts and for such other purposes as the City shall determine.

SECTION 20-2.05. TRUST AGREEMENTS. In the discretion of the City, any Bonds issued under the provisions of this Chapter may be secured by a trust agreement or indenture, including any master trust agreement or indenture and any supplemental trust agreements or supplemental indentures pursuant thereto, by and between the City and a corporate trustee or trustees, which may be any trust company or bank approved by the City and having the powers of a trust company within or without the State. Such trust agreement or indenture (and any supplemental trust agreements or indentures) may contain such provisions for protecting and enforcing the rights and remedies of the Bond owners as may be reasonable and proper and not in violation of law. Any such trust agreement or indenture (and any supplemental trust agreements or indentures) may set forth the rights and remedies of the Bond owners and of the trustee or trustees, and may restrict the individual rights of action by Bond owners. In addition to the foregoing, any such trust agreement or indenture (and any supplemental trust agreements or indentures) may

contain such other provisions as the City may deem reasonable and proper for the security of the Bond owners, including covenants of the City relating to the Bonds.

SECTION 20-2.06. INSURANCE, CREDIT ENHANCEMENT AND LIQUIDITY SUPPORT. The City may obtain insurance or other credit enhancement or liquidity support for the Bonds or the Program and may enter into any credit, reimbursement agreement or other agreement with any person or entity in connection therewith. The agreement or agreements shall contain such terms as the City deems necessary or appropriate.

SECTION 20-2.07. BONDS AND INVESTMENTS; CONTRACTS TO PLACE ON INTEREST RATE, CASH FLOW, OR OTHER BASIS; OTHER PROGRAM AGREEMENTS. In connection with, or incidental to, the issuance of the Debentures and the Bonds and the implementation of the Program, the City may enter into any contracts which the City determines to be necessary or appropriate to place the Bonds, in whole or in part, on the interest rate, cash flow, or other basis desired by the City, including, without limitation, contracts commonly known as interest rate swap agreements, forward payment conversion agreements, futures, or contracts providing for payments based on levels of, or changes in, interest rates, stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, interest rate floors, caps or collars, options, puts or calls to hedge payment, rate, spread, valuation of currency or similar exposure. These contracts and arrangements shall be entered into with the parties, selected by the means, and contain the payment, security, default, remedy, and other terms and conditions, determined by the City, after giving due consideration for the creditworthiness of the counterparties, where applicable, including any rating by a nationally recognized rating agency or any other criteria as may be determined to be appropriate by the City. The City may enter into any other agreements necessary or appropriate in connection with the issuance of Debentures or Bonds.

SECTION 20-2.08. DELEGATION TO CITY OFFICERS; NO PERSONAL LIABILITY. In any proceedings undertaken by the City to implement the Program, the City may delegate to such of its officers as it shall determine the authority to execute and deliver any

Debenture, Bond, certificate, contract, agreement or arrangement to be executed and delivered in connection with the Program, within such parameters and subject to the terms and conditions determined by the City in such proceedings. Neither the members of the Council nor any person executing the Debentures or the Bonds shall be liable personally on the Debentures or the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 20-2.09. REFUNDING BONDS. The City may provide for the issuance of Bonds any portion of which is to be used for the purpose of refunding outstanding Bonds, including the payment of the principal thereof and interest and redemption premiums, if any, thereon. The proceeds of Bonds issued to refund any outstanding Bonds may, in the discretion of the City, be applied to the defeasance and retirement of such outstanding Bonds at maturity, or the redemption (on any redemption date) or purchase of such outstanding Bonds prior to maturity, upon such terms and subject to such conditions as the City shall deem advisable.

SECTION 20-2.10. REPAYMENT OF BONDS. The principal and any premium, and interest on the Bonds may be payable from any source of funds determined by the City and such other funds, if any, pledged to or made available for the payment of such Bonds as determined by the City in connection with the proceedings relating to any issue of Bonds.

SECTION 20-2.11. AGREEMENTS WITH THE SYSTEM. In connection with any proceedings for the issuance of Debentures or Bonds, the City and the System may enter into such agreements pertaining thereto as the City deems necessary or appropriate. The City may require the delivery of such certifications and opinions of the System, its actuary or other consultants or experts acting for or on behalf of the System as the City may deem necessary or appropriate.

ARTICLE 3

MISCELLANEOUS PROVISIONS

Section	20-3.01.	Liberal Construction.
	20-3.02.	Provisions Of This Chapter Are Complete, Additional And Alternative.
	20-3.03.	Actions To Determine Validity Of Bonds And Proceedings.
	20-3.04.	Chapter Controlling.
	20-3.05.	Partial Invalidity.

SECTION 20-3.01. LIBERAL CONSTRUCTION. This Chapter, being necessary for the health, welfare and safety of the City and its residents and the satisfaction by the City and the System of their respective obligations under Article XXVI of the Charter, shall be liberally construed to effect its purposes. Furthermore, the Council hereby declares that this Chapter is an exercise of the power granted to the City by the City Charter and the Constitution of the State and is an exercise by the City of its powers as to municipal affairs and its police powers, and this Chapter shall be liberally construed to uphold its validity under the laws of the State.

SECTION 20-3.02. PROVISIONS OF THIS CHAPTER ARE COMPLETE, ADDITIONAL AND ALTERNATIVE. This Chapter shall be deemed to provide a complete, additional and alternative method for doing the things authorized hereby, and shall be regarded as supplemental and additional to the powers conferred by other laws. The issuance of the Debentures and Bonds and the entering into of any credit, reimbursement or other agreement under the provisions of this Chapter need not comply with the requirements of any other law applicable to the issuance of debentures and bonds or the execution of such agreements, except that all such actions shall be consistent with the Charter. The purposes authorized hereby may be effectuated and Debentures and Bonds are authorized to be issued for any such purposes under this Chapter, notwithstanding that any other law may provide for such purposes or for the issuance of bonds for like purposes and without regard to the requirements, restrictions, limitations or differing provisions contained in any other law. Notwithstanding the foregoing provisions of this Section, the City may avail itself of any power or authority conferred upon general law cities by the general laws of this State in order to better effectuate the purposes of this Chapter which are consistent and not conflicting with the provisions of the Charter and this Chapter and any such laws which are relied upon by the City in connection with any proceedings under this Chapter are hereby expressly authorized pursuant to Section 106 of the Charter.

SECTION 20-3.03. ACTIONS TO DETERMINE VALIDITY OF BONDS AND PROCEEDINGS. An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure of the State of California or any

of the general laws of the State applicable in the premises, to determine the validity of the Debentures and Bonds and the legality and validity of all proceedings previously taken and proposed to be taken for the authorization and issuance of Debentures and Bonds, the authorization, issuance, sale, and delivery of the Debentures and Bonds, for entering into any trust agreement, funding agreement, credit, reimbursement or other agreement in connection therewith, for the application and use of the proceeds of the Debentures and Bonds, and for the payment of the principal thereof and interest thereon.

SECTION 20-3.04. CHAPTER CONTROLLING. To the extent that the provisions of this Chapter are inconsistent with the provisions of any general statute or special act or parts thereof, the provisions of this Chapter shall be deemed controlling.

SECTION 20-3.05. PARTIAL INVALIDITY. If any Section, paragraph, sentence, clause or phrase of this Chapter shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Chapter. The Council hereby declares that it would have adopted this Chapter and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the proceedings authorized to be taken pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Chapter may be held illegal, invalid or unenforceable.

SECTION 2. EFFECTIVE DATE. This ordinance shall become effective and be in full force and effect in accordance with Section 216 of the Charter.

INTRODUCED: January 9, 1996

I certify that the foregoing is a full, true and correct copy of an Ordinance passed by the City Council of the City of Oakland, California on January 23, 1996.

CEDA FLOYD
City Clerk and Clerk of the Council

Per Marge Sosa Deputy

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OAKLAND CITY COUNCIL

RESOLUTION NO. 72446 C. M. S.

INTRODUCED BY COUNCILMEMBER _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING THE ISSUANCE OF ONE OR MORE DEBENTURES PURSUANT TO CHAPTER 20 OF THE OAKLAND MUNICIPAL CODE, AND THE ISSUANCE OF ONE OR MORE SERIES OF PENSION OBLIGATION BONDS TO REFUND SAID DEBENTURE(S), APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER TRUST AGREEMENT AND SUPPLEMENTAL TRUST AGREEMENTS, A FUNDING AGREEMENT AND AN INTEREST RATE SWAP AGREEMENT AND AUTHORIZING OTHER MATTERS RELATING THERETO

WHEREAS, Article XXVI of the City Charter, as such may be amended from time to time the ("Retirement Law") obligates the City of Oakland to make annual contributions to The Police and Fire Retirement System of the City (the "System") to fund pension benefits of its employees; and

WHEREAS, the City of Oakland (the "City"), in accordance with Section 291(5) and Section 812 of the City Charter, has enacted Ordinance No. 11851 C.M.S. (being Chapter 20 of the Municipal Code of the City of Oakland) (The "Ordinance") to establish a program for the financing and refinancing of its obligations to the System and under the Retirement Law (the "Program"); and

WHEREAS, pursuant to the Program the City may issue debentures to the System from time to time to evidence all or a portion of its obligations to the System (a "Debenture") and may issue bonds (the "Bonds") for the purpose of funding or refunding any Debenture and assisting the Program; and

WHEREAS, the City desires to evidence a portion of its obligations to the System to pay the unfunded accrued actuarial liability of the City, and to fund the unpaid amount of its normal contribution to the System for Fiscal Year 1995-96, by issuing a debenture to the System (the "1996 Debenture") and to authorize additional debentures to be issued in the future from time to time; and

WHEREAS, the City now desires to issue Bonds pursuant to the Program for the purpose of refunding the 1996 Debenture; and

WHEREAS, the City Charter, as adopted by the voters of the City on November 5, 1968 and amended by Measure R adopted by the voters of the City on June 8, 1976, and as subsequently amended by the voters of the City authorized the levy by the City of annual property tax (the "tax override') to amortize the City's unfunded accrued actuarial liability to the System by the year 2026; and

WHEREAS, the City will apply the proceeds of the tax override to pay amounts due from time to time with respect to the Bonds and any additional bonds issued pursuant to the Program in the future from time to time; and

WHEREAS, the System has indicated its willingness to enter into an agreement with the City establishing the terms of the 1996 Debenture and the application of the proceeds of the Bonds and to take all necessary actions in connection with the issuance of the 1996 Debenture and the Bonds; and

WHEREAS, there are on file with the City Clerk the proposed forms of the following documents:

1. The 1996 Debenture;

2. A Master Trust Agreement (the "Trust Agreement") and a First Supplemental Trust Agreement and Second Supplemental Trust Agreement (the "Supplemental Trust Agreements") to be entered into between the City and a trustee to be named therein, relating to the Bonds, including the forms of Bonds attached thereto as an exhibit; and

3. A Funding Agreement (the "Funding Agreement") between the System and the City relating to the 1996 Debenture and the Bonds;

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Oakland as follows:

Section 1. The recitals set forth above are true and correct and are hereby incorporated into this resolution as if fully set forth herein. This Council hereby finds and declares that the issuance of the 1996 Debenture, the issuance of the Bonds to refund the 1996 Debenture and the other actions contemplated by this resolution are in the best interests of the City and will result in significant savings to the taxpayers of the City.

Section 2. This Council hereby authorizes and approves the issuance of the 1996 Debenture, and additional debentures from time to time in the future, if necessary, and authorizes and directs the City Manager of the City to execute and deliver the 1996 Debenture to the System, substantially in the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the City Manager and City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the 1996 Debenture to the System, and the City Clerk is authorized and directed to affix and attest the seal of the City; provided, however, that the 1996 Debenture shall be in a principal amount equal to that portion of the total of the unfunded accrued actuarial liability of the City (as determined by an actuary) to the System remaining unpaid on the date of issuance of the 1996 Debenture which the City elects to finance by the issuance of the Bonds, in no event to exceed $425 million. The stated interest rate on the 1996 Debenture shall be prepayable at any time without premium; and the 1996 Debenture shall mature not later than June 1, 2026. Additional debentures authorized

hereunder may be issued pursuant to supplemental resolutions hereto. The 1996 Debenture shall evidence a portion of the obligations of the City to the System pursuant to the Retirement Law with respect to the unfunded accrued actuarial liability and shall be payable in accordance with the provisions of the Retirement Law relating to such liability.

Section 3. This Council hereby authorizes and approves the issuance of the Bonds and hereby authorizes and directs the City Manager of the City to execute the Bonds, and the City Clerk to affix and attest the seal of the City and to cause the Bonds to be authenticated and delivered in accordance with the Trust Agreement and the Supplemental Trust Agreements. The Bonds shall be in substantially the form set forth in Exhibit A to the Supplemental Trust Agreements, with such changes therein, deletions therefrom and additions thereto as the City Manager and City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bonds. This Council hereby finds that the issuance of the Bonds is necessary in order to contribute the amounts necessary to provide the benefits payable to the System as required by Section 2619(6) of the City Charter, including the funding of a portion of the unfunded accrued actuarial liability of the City to the System for all members prior to July 1, 1976 by July 1, 2026. The Bonds may be issued in a single series or in two or more series. Bonds may be issued subject to such redemption provisions as may be acceptable to the City Manager or his designee and any purchasers of the bonds, including redemption provisions which do not permit the optional redemption of the Bonds prior to their stated maturity at the option of the City. The aggregate principal or denominational amount of the Bonds and the interest rate or rates and maturity date or dates of the Bonds shall be determined by this Council by resolution to be adopted at a later date.

Section 4. The proposed forms of the Master Trust Agreement, First Supplemental Trust Agreement and Second Supplemental Trust Agreement (collectively, the "Supplemental Trust Agreements"), between the City and the Trustee, on file with the City Clerk, are hereby approved. The City Manager is hereby authorized and directed to execute and deliver the Master Trust Agreement and Supplemental Trust Agreements on behalf of the City, substantially in the forms on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the City Manager and the City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the Master Trust Agreement and Supplemental Trust Agreements, and the City Clerk is authorized and directed to affix and attest the seal of the City. Pursuant to the terms of the Master Trust Agreement and Supplemental Trust Agreements, the City Council hereby approves the issuance of additional series of bonds in the future from time to time pursuant to additional supplemental trust agreements, subject to any applicable limitations contained in the Master Trust Agreement presented to this meeting. Such additional series of bonds shall be authorized by this Council by resolution adopted pursuant to the Ordinance prior to their issuance.

Section 5. The proposed form of Funding Agreement between the City and the System, on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed to execute and deliver the Funding Agreement on behalf of the City, substantially in the form on file with the City Clerk, with such changes therein, deletions therefrom and additions

thereto as the City Manager and City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the Funding Agreement, and the City Clerk is authorized and direct to affix and attest the seal of the City. Pursuant to the terms of the funding Agreement, the City Council approves the issuance of additional debentures in the future from time to time, subject to the limitations contained in the Ordinance and the other agreements presented to this meeting. Such additional debentures shall be authorized by this Council by resolution adopted pursuant to the Ordinance prior to their issuance.

Section 6. The proposed form of Interest Rate Swap Agreement (the "Swap Agreement"), on file with the City Clerk, is hereby approved. The City Manager or his designee is hereby authorized, subject to the approval of the City Attorney, to execute and deliver on behalf of the City the Swap Agreement with an institutional party if in the determination of the City Manager or such designee, such agreements or arrangements will result in a lower cost of borrowing to the City; provided, however, that the institutional party or guarantor of the institutional party's obligations shall have a long-term credit rating by at least one national credit rating agency in the top two rating categories of such rating agency and the term of the Swap Agreement shall not exceed the term of the Bonds. Upon such determination of the City Manager, the City Council hereby finds and determines that such agreements or arrangements will result in a lower cost of borrowing to the City and will enhance the cash flow of the City.

Section 7. If the City Manager determines that it will be advantageous to the City to purchase municipal bond insurance with respect to some or all of the Bonds, the City Manager or his designee is hereby authorized to purchase such insurance at market rates.

Section 8. This Council hereby approves the selection of Preston Gates & Ellis to serve as Bond Counsel in connection with the issuance of the Bonds and counsel to the City in connection with any validation action brought by the City relating to the Bonds and the proceedings of the City relating thereto. This Council hereby also approves the selection of Public Financial Management, Inc., to serve as financial advisor to the City in connection with the issuance of the Bonds. The City Manager, City Attorney and Director of Budget and Finance of the City and each of them are hereby authorized to enter into any agreements with such firms to effectuate the transactions contemplated by this Resolution and to set the terms of employment of such firms.

Section 9. This Resolution shall take effect upon the date of its adoption.

I certify that the foregoing is a full, true and correct copy of a Resolution passed by the City Council of the City of Oakland, California on February 6, 1996

CEDA FLOYD
City Clerk and Clerk of the Council

Per Margie Soza Deputy

[FORM OF DEBENTURE]

No. $_____

CITY OF OAKLAND

PENSION OBLIGATION DEBENTURE

The City of Oakland (the "City"), a municipal corporation duly organized and existing under the Constitution and laws of the State of California and a freeholders' charter adopted by the voters of the City on November 5, 1968, as amended (the "City Charter"), acknowledges itself indebted, and for value received hereby promises to pay, to The Police and Fire Retirement System of the City (the "System"), a retirement system existing under Article XXVI of the City Charter or assigns (the "Holder"), the sum of _____ Dollars ($_____), together with interest thereon from the date hereof at the rate of _____ percent (__%) per annum. Principal and interest shall be paid at such address as shall have been agreed upon by the Holder hereof and the City. Interest on such principal amount shall be payable from the date of this Debenture or from the most recent interest payment date to which interest has been paid or duly provided for, commencing on ____ 1, 1996, and semiannually thereafter on _____ 1 and _____ 1 at the rate set forth above, until the principal hereof is paid or made available for payment and principal shall be payable on _____, 20___.

This Debenture is a duly authorized debenture of the City designated its "Pension Obligation Debenture" (the "Debenture") in the aggregate principal amount of $_____ issued under and in full compliance with Article XXVI of the City Charter (the "Retirement Law") and the PFRS Pension Obligation Bond Law, Ordinance No._____ (being Chapter ___ of the Municipal Code of the City of Oakland), and under and pursuant to Resolution No._____ adopted by the City Council of the City of Oakland on January ___, 1996 (the "Resolution"). This Debenture and payment hereunder are subject to the terms and conditions of the Resolution, copies of which are on file at the office of the City Clerk of the City of Oakland, and reference to the Resolution, the PFRS Pension Obligation Bond Law and any and all supplements thereto and modifications and amendments thereof and to the Retirement Law is made for a complete statement of such terms and conditions.

This Debenture may, at any time and from time to time, be prepaid in whole or in part without premium and without prior notice.

This Debenture evidences a portion of the total unfunded accrued actuarial liability of the City to the System owed pursuant to the Retirement Law, particularly Section 2619(6) of the Charter, and shall be payable by the City in accordance with the terms of the PFRS Pension Obligation Bond Law.

Notwithstanding any dispute between the City and the System, or any assignee of the System or any assigns of the System, the City shall make all payments required hereunder when due, unless made earlier pursuant to optional prepayment, and shall not withhold any such payments pending the final resolution of such dispute or for any other reason whatsoever. The City hereby waives presentment, protest, notice, demand or any action on delinquency.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the CITY OF OAKLAND, CALIFORNIA has caused this Debenture to be signed in its name and on its behalf by the manual or facsimile signature of the City Manager of the City and its seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced, as of the _____ day of _____, 1996.

CITY OF OAKLAND, CALIFORNIA

By

City Manager

[SEAL]

Attest:

By _____
City Clerk

3

OAKLAND CITY COUNCIL

RESOLUTION NO. 72447 C. M. S.

INTRODUCED BY COUNCILMEMBER _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING THE FILING OF A VALIDATION ACTION IN CONNECTION WITH THE ISSUANCE OF CITY OF OAKLAND PENSION OBLIGATION DEBENTURES AND BONDS

WHEREAS, the City of Oakland (the "City"), in accordance with Article II, Section 219 and Article VIII, Section 812 of the City Charter, has enacted Ordinance No. 11851 (being Chapter 20 of the Municipal Code of the City of Oakland) (the "Ordinance") to establish a program for the financing and refinancing of its obligations to The Police and Fire Retirement System (the "System") under the Retirement Law (the "Program"); and

WHEREAS, pursuant to the Program the City may evidence all or a portion of its obligations to the System under Article XXVI of the Charter by issuing debentures to the System and may authorize the issuance of debentures in the future from time to time; and

WHEREAS, pursuant to the Program, the City may issue bonds for the purpose of funding or refunding any debenture; and

WHEREAS, the City now desires to issue bonds pursuant to the Program for the purpose of refunding a debenture (the "Debenture") proposed to be issued to evidence a portion of its unfunded accrued actuarial liability to the System (the "Bonds"); and

WHEREAS, the City Council has adopted a resolution (the "Bond Resolution") which authorizes the issuance of one or more Debentures, authorizes the issuance of the Bonds, approves the form of and authorizes the execution and delivery of a Master Trust Agreement, certain Supplemental Trust Agreements and a Funding Agreement and authorizes other matters relating thereto; and

WHEREAS, the City Council desires to authorize officers of the City to bring a validation action under Section 860 of the California Code of Civil Procedure and Section 53510 of the California Government Code to determine the legality and validity of the proposed Debenture, the Bonds and the other documents and proceedings authorized pursuant to the Ordinance and the Bond Resolution;

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Oakland as follows:

Section 1. The officers of the City are, and each of them hereby is, authorized and directed to bring a validation action under Section 860 of the California Code of Civil Procedure and Section 53510 of the California Government Code, or either of such laws as determined by the City Attorney, to determine the legality and validity of the Debenture, the Ordinance, the Bond

Resolution, the Bonds and the other documents and proceedings authorized pursuant to the Ordinance and the Bond Resolution, and such other matters as the officers of the City deem necessary or advisable.

Section 2. This Resolution shall take effect immediately upon its adoption.

I certify that the foregoing is a full, true and correct copy of a Resolution passed by the City Council of the City of Oakland, California on Feb. 6, 1996.

CEDA FLOYD
City Clerk and Clerk of the Council

Per Margie Sosa Deputy

4

OAKLAND CITY COUNCIL

RESOLUTION NO. 73119 C.M.S.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND NAMING INVESTMENT BANKING FIRMS TO SERVE AS UNDERWRITERS IN CONNECTION WITH THE ISSUANCE OF ONE OR MORE SERIES OF PENSION OBLIGATION BONDS AND AUTHORIZING OTHER MATTERS RELATING TO THE ISSUANCE OF SAID BONDS

WHEREAS, Article XXVI of the City Charter, as such may be amended from time to time (the "Retirement Law") obligates the City of Oakland to make annual contributions to The Police and Fire Retirement System of the City (the "System") to fund pension benefits of its employees; and

WHEREAS, the City of Oakland (the "City"), in accordance with Section 219 (5) and Section 812 of the City Charter, has enacted Ordinance No. 11851, adopted on January 23, 1996 (being Chapter 20 of the Municipal Code of the City of Oakland) (the "Ordinance") to establish a program for the financing and refinancing of its obligations to the System under the Retirement Law (the "Program"); and

WHEREAS, pursuant to the Program the City may issue debentures to the System from time to time to evidence all or a portion of its obligations to the System (a "Debenture") and may issue bonds (the "Bonds") for the purpose of funding or refunding any Debenture and assisting the Program; and

WHEREAS, the City desires to evidence a portion of its obligations to the System to pay the unfunded accrued actuarial liability of the City by issuing a debenture to the System (the "1996 Debenture") and to authorize additional debentures to be issued in the future from time to time; and

WHEREAS, this Council adopted Resolution No. 72446 and Resolution No. 72447 on February 6, 1996 to approve certain agreements and other matters relating to the issuance of the 1996 Debenture and for the issuance of one or more series of pension obligation bonds under the Program (the"Bonds"); and

WHEREAS, this Council now desires to appoint the investment banking firms named herein (the "Underwriting Group") to assist the City in determining the financing structure for the Bonds and to provide for the sale of the Bonds for the purpose of refunding the 1996 Debenture; and

WHEREAS, this Council also desires to authorize City staff, the Underwriting Group and the other legal and financing consultants of the City previously appointed by the City in connection with the issuance of the Bonds to determine a proposed form of financing structure for the Bonds and to prepare in substantially final form a preliminary official statement, a bond purchase contract and such other contracts and agreements as are necessary and appropriate in connection with the Bonds, such contracts and agreements to be submitted for subsequent approval by this Council;

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Oakland as follows:

Section 1. The recitals set forth above are true and correct and are hereby incorporated into this resolution as if fully set forth herein. This Council hereby finds and declares that the issuance of the 1996 Debenture, the issuance of the Bonds to refund the 1996 Debenture and the other actions contemplated by this resolution are in the best interests of the City and will result in significant savings to the taxpayers of the City.

Section 2. This Council hereby authorizes and approves the appointment of the following investment banking firms to act as the underwriters of the Bonds and to assist the City and its designated legal and financing consultants in determining the financing structure for the Bonds: Merrill Lynch, Lehman Brothers, PaineWebber, Bear Stearns, Grigsby & Associates, Coast Partners, Henderson Capital Partners, and Samuel A. Ramirez. The 1996 Debenture shall be in a principal amount equal to that portion of the total of the unfunded accrued actuarial liability of the City (as determined by an actuary) to the System remaining unpaid on the date of issuance of the 1996 Debenture which the City elects to finance by the issuance of the Bonds, and the principal amount of the 1996 Debenture and the Bonds shall in no event exceed $400 million. The stated interest rate on the Bonds shall not exceed eight percent (8.00%) per annum and the Bonds shall mature not later than December 1, 2020. The provisions of Section 2 and Section 3 of Resolution No. 72446 adopted on February 6, 1996 which are inconsistent herewith are hereby modified and superseded by the provisions of this Section 2 of this Resolution.

Section 3. This Council hereby authorizes the staff and officers of the City, together with the Underwriting Group and the other legal and financing consultants of the City previously appointed by the City in connection with the issuance of the Bonds, to determine a proposed form of financing structure for the Bonds in accordance with the terms and conditions set forth herein and to prepare and submit for later consideration by this Council a proposed form of preliminary official statement for dissemination to proposed purchasers of the Bonds containing a description of the Bonds and the security therefor, a bond purchase contract providing for the sale of the Bonds by the City to the Underwriting Group and such other contracts and agreements, in substantially final form, as are necessary and appropriate in connection with the issuance of the Bonds.

Section 4. This Council hereby ratifies the provisions of Resolution No. 72446 adopted by this Council on February 6, 1996, except to the extent modified by the provisions of Section 2 hereof.

Section 5. This Resolution shall take effect upon its adoption.

I certify that the foregoing is a full, true and correct copy of a Resolution passed by the City Council of the City of Oakland, California on December 17, 1996.

CEDA FLOYD
City Clerk and Clerk of the Council

Per Margie Sosa Deputy

5

OAKLAND CITY COUNCIL

RESOLUTION NO. 73256 C.M.S.

RESOLUTION APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL TRUST AGREEMENT AND THE ISSUANCE OF BONDS PURSUANT THERETO, BOND PURCHASE CONTRACT, PRELIMINARY OFFICIAL STATEMENT AND A FINAL OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE AND AUTHORIZING OTHER MATTERS RELATING THERETO

WHEREAS, the City of Oakland (the "City"), in accordance with Section 219(5) and Section 812 of the City Charter, has enacted Ordinance No. 11851 (being Chapter 20 of the Municipal Code of the City of Oakland) (the "Ordinance") to establish a program for the financing and refinancing of its obligations to the Police and Fire Retirement System (the "System") under Article XXVI of the Oakland City Charter (the "Retirement Law") (the "Program"); and

WHEREAS, the City has previously adopted its Resolution No. 77446 and Resolution No. 77447 on February 6, 1996, and has adopted Resolution No. 73119 on December 17, 1996 (collectively, the "Prior Resolutions") relating to the issuance of bonds (the "Bonds") as part of the Program for the purpose of refunding a debenture evidencing obligations of the City to the System under the Retirement Law; and

WHEREAS, the City now desires to authorize the issuance of a debenture to evidence a portion of its obligations to the System with respect to the unfunded accrued actuarial liability of the System and the balance of the normal contribution of the City owed to the System for the current fiscal year (the "1997 Debenture") and to issue bonds (the "Bonds") as part of the Program for the purpose of refunding the 1997 Debenture; and

WHEREAS, there are on file with the City Clerk the proposed forms of the following documents relating to the Bonds:

1. A First Supplemental Trust Agreement;

2. The 1997 Debenture;

3. A Bond Purchase Contract;

4. A Continuing Disclosure Certificate; and

5. A Preliminary Official Statement for the Bonds; and

WHEREAS, the Council now desires to approve the proposed forms of the foregoing documents relating to the Bonds and to authorize the issuance of the Bonds; now therefore be it

RESOLVED that the Council hereby authorizes and approves the First Supplemental Trust Agreement presented at this meeting, and authorizes and directs the City Manager or his/her designee(s) to execute and deliver said agreement, substantially in the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the City Manager or his/her designee(s) and City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the First Supplemental Trust Agreement and the City Clerk is authorized and directed to attest and affix the seal of the City thereto; be it

FURTHER RESOLVED that the Council hereby authorizes and approves the issuance of the 1997 Debenture, substantially in the form presented at this meeting, and authorizes and directs the City Manager or his/her designee(s) to execute and deliver the 1997 Debenture to the System, substantially in the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the City Manager or his/her designee(s) and City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the 1997 Debenture to the System, and the City Clerk is authorized and directed to affix and attest the seal of the City; provided, however, that the 1997 Debenture shall be in a principal amount equal to the portion of the total of the unfunded accrued actuarial liability of the City (as determined by an actuary) to the System remaining unpaid on the date of issuance of the 1997 Debenture which the City elects to finance by the issuance of the Bonds, and the balance of the normal contribution of the City owed to the System for the current fiscal year, in no event to exceed $460,000,000. The stated interest rate on the 1997 Debenture shall not exceed eight percent (8.00%) per annum; the 1997 Debenture shall be prepayable at any time without premium; and the 1997 Debenture shall mature not later than August 1, 2015. Additional debentures authorized hereunder may be issued pursuant to supplemental resolutions hereto. The 1997 Debenture shall evidence a portion of the obligations of the City to the System pursuant to the Retirement Law with respect to the unfunded accrued actuarial liability and the balance of the normal contribution of the City owed to the System for the current fiscal year, and shall be payable in accordance with the provisions of the Retirement Law relating to such obligations; be it

FURTHER RESOLVED that the Council hereby authorizes and approves the issuance of the Bonds in accordance with the terms and limitations set forth in the First Supplemental Trust Agreement, this Resolution and the Prior Resolutions (except as herein modified) and hereby authorizes and directs the City Manager or his/ her designee(s) to execute the Bonds, and the City Clerk to affix and attest the seal of the City and to cause the Bonds to be authenticated and delivered in accordance with the Master Trust Agreement approved pursuant to Resolution No. 72446 and the First Supplemental Trust Agreement. The Council also authorizes the issuance of capital appreciation bonds if the issuance thereof is determined by the Director of Budget and Finance to improve savings to the City. Texas Commerce Bank, Houston, Texas, is hereby appointed to serve as Trustee for the Bonds pursuant to the Master Trust Agreement to be entered into by the City and the Trustee, the form of which Master Trust Agreement was approved

pursuant to the Prior Resolutions, and the First Supplemental Trust Agreement. The Bonds shall be in substantially the form set forth in Exhibit A to the First Supplemental Trust Agreement and shall have the terms set forth therein, with such changes therein, deletions therefrom and additions thereto as the City Manager or his/her designee(s) and City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bonds. The Bonds shall be issued in a single series as fixed rate bonds and the aggregate principal amount of Bonds shall not exceed the aggregate principal amount of the 1997 Debenture, plus the underwriters' discount on the Bonds, any original issue discount on the Bonds and the costs of issuance of the Bonds (including any bond insurance premium related to the Bonds) (but in no event shall the aggregate principal amount of the Bonds exceed $460,000,000). The true interest cost of the Bonds shall not exceed eight percent (8.00%) per annum, and the Bonds shall mature not later than August 1, 2015. All provisions of the Prior Resolutions setting forth different terms for the Bonds are hereby expressly overruled; be it

FURTHER RESOLVED that the City Manager or his/her designee(s) is hereby authorized and directed to execute and deliver a Purchase Contract with PaineWebber Incorporated, as representative of the underwriters purchasing the Bonds (the "Underwriters") substantially in the form on file with the City Clerk and presented at this meeting (the "Purchase Contract") , with such changes therein as are necessary to implement the Program and provide for the issuance of the Bonds and the 1997 Debenture, and as they and the City Attorney shall approve, such approval to be evidenced by the execution thereof, provided, however, that the underwriting discount payable by the City (exclusive of any original issue discount) pursuant to the Purchase Contract shall not exceed 0.450% of the principal amount of the Bonds and the principal amount of the Bonds and the interest rates thereon shall be limited as specified in Section 2 hereof; be it

FURTHER RESOLVED that the Preliminary Official Statement of the City, in the form on file with the City Clerk (the "Preliminary Official Statement"), is hereby approved and is deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and the Preliminary Official Statement may be used and is hereby authorized to be used and distributed in the market by the Underwriters incident to the marketing of the Bonds. The City Manager or his/her designee(s), hereby is, authorized and directed to prepare a final Official Statement, and to include therein such additional pricing information as may be permitted to be excluded from the Preliminary Official Statement pursuant to the Rule. The final Official Statement shall be executed and delivered in the name and on behalf of the City by the City Manager; be it

FURTHER RESOLVED that this Council hereby authorizes and approves the Continuing Disclosure Certificate presented at this meeting, and authorizes and directs the City Manager or his/her designee(s) to execute and deliver said agreement, substantially in the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the City Manager, the City Attorney and Bond Counsel shall approve, such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate and the City Clerk is authorized and directed to attest and affix the seal of the City thereto; be it

FURTHER RESOLVED that the City Manager, or his/her designee(s) is hereby authorized to execute and deliver on behalf of the City such other agreements, documents or certificates of the City necessary to implement the Program and provide for the issuance of the Bonds and the 1997 Debenture. The City Manager, or his/her designee(s) is hereby authorized and directed to execute and deliver such agreements on behalf of the City, with such changes therein, deletions therefrom and additions thereto as the City Manager or such designee and City Attorney and Bond Counsel shall approve, such approval to be conclusively evidenced by the execution and delivery of the agreements, documents and certificates and the City Clerk is authorized and directed to attest and affix the seal of the City thereto; and be it

FURTHER RESOLVED that this Resolution shall take effect immediately upon its adoption.

I certify that the foregoing is a full, true and correct copy of a Resolution passed by the City Council of the City of Oakland, California on FEBRUARY 4, 1997.

CEDA FLOYD
City Clerk and Clerk of the Council

Per Margie Sosa Deputy

6

RESOLUTION NO. 72446 C.M.S.
CONTRACT NO. 1020

28.1 A resolution authorizing the issuance of one or more City of Oakland Pension Obligation Debentures, and the issuance of one or more series of City of Oakland Pension Obligation Bonds, approving the for m of and authorizing the execution and delivery of a Master Trust Agreement and Supplemental Trust Agreements, a Funding Agreement and an Interest Rate Swap Agreement and authorizing other matters relating thereto **(This Item also appears on the Finance & Legislation Committee Agenda) (This is in conjunction with Item 27.2)**

Councilmember De La Fuente made a motion, seconded by Councilmember Russo, to adopt the resolution; and, upon call of the roll, the following persons noted present were recorded as voting Aye: Councilmembers Bayton, Mayor Harris, De La Fuente, Miley, Russo, Woods-Jones and Chang - 8. Noes: Councilmember Spees - 1.

RESOLUTION NO. 72447 C.M.S.

28.2 A resolution authorizing the filing of a Validation Action in connection with the issuance of City of Oakland Pension Obligation debentures and bonds **(This Item also appears on the Finance & Legislation Committee Agenda) (This is in conjunction with Item 27.1)**

Councilmember De La Fuente made a motion, seconded by Councilmember Russo, to adopt the resolution; and, upon call of the roll, the following persons noted present were recorded as voting Aye: Councilmembers Bayton, Mayor Harris, De La Fuente, Miley, Russo, Woods-Jones and Chang - 8. Noes: Councilmember Spees - 1.

I certify that the foregoing is a full, true and correct copy of an excerpt from the City Council minutes of the City Council meeting held on February 6, 1996.

CEDA FLOYD
City Clerk and Clerk of the Council

 Per _____ Deputy

#2
2/13/96

RESOLUTION NO. 73119 C.M.S

13. A resolution of the City Council of the City of Oakland naming the Investment Banking Firms to serve as Underwriter in connection with the issuance of one or more series of pensions obligation bonds and authorizing other matters relating to the issuance of said bonds

RESOLUTION NO. 73120 C.M.S
CONTRACT NO. 1329

14. A resolution authorizing the City Manager or his designee to execute a Memorandum of Understanding (MOU) between the City of Oakland and its Port Department which defines the City's and Port Department's roles with respect to the administration of the City's Certified Unified Program Agency (CUPA) within the Port Area, upon approval of the City's CUPA application by the State (10/15/96 [A])

Items 15, 16.1, 17-0RA, 18-ORA, and 18.1-ORA were discussed together with Item 56 below. Items 15, 16.1, 17-0RA, 18-ORA, and 18.1-ORA will have the same action as Item 56

RESOLUTION NO. 73121 C.M.S
CONTRACT NO. 1330

15. A resolution authorizing the City Manager to negotiate and execute an Assignment and Assumption Agreement with Shorenstein Realty Investors Three, L.P. and/or its subsidiaries for the transfer of the City Center Garage Lease (in conjunction with #56)

RESOLUTION NO. 73122 C.M.S
CONTRACT NO. 1331

16. A resolution authorizing the City Manager to negotiate and execute an Assignment and Assumption Agreement with Shorenstein Realty Investors Three, L.P. and/or its subsidiaries for the transfer of the development rights to the five remaining parcels in City Center (in conjunction with #56)

RESOLUTION NO. 73123 C.M.S
CONTRACT NO. 1332

16.1 A resolution authorizing the City Manager to execute an Eighth Amendment to the 1970 City Center Disposition and Development Agreement with Shorenstein Realty Investors Three, L.P. and/or its Subsidiaries for the Transfer of the Remaining Parcels in City Center (in conjunction with #56)

I certify that the foregoing is a full, true and correct copy of an excerpt from the City Council minutes of the City Council meeting held on December 17, 1996.

CEDA FLOYD
City Clerk and Clerk of the Council

Per _____ Deputy

RESOLUTION NO. 73256 C.MS.
CONTRACT NO. 97-1018

12. A resolution of the Council of the City of Oakland approving the form and authorizing the execution and delivery of a First Supplemental Trust Agreement and the issuance of bonds pursuant thereto, Bond Purchase Contract, Preliminary Official Statement and a Final Official Statement, a Continuing Disclosure Agreement and authorizing other matters relating thereto (Pension Obligation Bond) **(REVISED)**

Agency/Councilmember De La Fuente made a motion, seconded by Agency/Councilmember Miley to approve the report and directed staff to move toward increasing the threshold to $17 Million with the amendment that the savings will be allocated to the City's deficit and reserve; and, upon call of the roll, the motion passed by Ayes: Agency/Councilmembers Brunner, Chang, De La Fuente, Miley and Reid - 5. Noes: Agency/Councilmembers Nadel, Russo, Spees and Mayor Harris - 4.

Agency/Councilmember De La Fuente made a motion, seconded by Agency/Councilmember Miley to adopt the resolution in Item 12; and, upon call of the roll, the motion passed by Ayes: Agency/Councilmembers Brunner, Chang, De La Fuente, Miley and Reid - 5. Noes: Agency/Councilmembers Nadel, Russo, Spees and Mayor Harris - 4.

RESOLUTION NO. 73257 C.MS.
CONTRACT NO. 97-1019

13. A resolution authorizing the City Manager to renew a contract with Canada Life Assurance Company to administer the City's Life Insurance Program for non-sworn employees (Approximate amount of $285,000 in 1996)

RESOLUTION NO. 73258 C.MS.
CONTRACT NO. 97-1020

14-CC A resolution authorizing the City Manager to enter into a professional services contract with Jensen, Oldani & Cooper/The Oldani Group, an Executive Search Firm, to conduct an executive recruitment, evaluate candidates and develop appropriate valid assessment exercises for the position of Director, Office of Communications and Information Services for a fee not to exceed $29,500

Agency/Councilmember Miley made a motion, seconded by Agency/Councilmember Reid to adopt the resolution in Item 14-CC; and, upon call of the roll, the motion passed by Ayes: Agency/Councilmembers Chang, De La Fuente, Miley, Nadel, Reid and Spees - 6. Noes: Agency/Councilmembers Harris and Russo - 2. Absent: Agency/Councilmember Brunner - 1.

I certify that the foregoing is a full, true and correct copy of an excerpt from the City Council minutes of the City Council meeting held on February 4, 1997.

CEDA FLOYD
City Clerk and Clerk of the Council

Per _____ Deputy

MASTER TRUST AGREEMENT

By and Between

CITY OF OAKLAND, CALIFORNIA

and

TEXAS COMMERCE BANK NATIONAL ASSOCIATION
as Trustee

Dated as of February 1, 1997

Relating to the Issuance of Pension Obligation Bonds
Pursuant to the PFRS Pension Obligation Bond Law

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(This table of contents is not part of the Trust Agreement and is only for convenience of reference. The captions herein are of no legal effect and do not vary the meaning or legal effect of any part of the Trust Agreement.)

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MASTER TRUST AGREEMENT

THIS MASTER TRUST AGREEMENT (this "Trust Agreement"), dated as of February 1, 1997, is between the CITY OF OAKLAND, CALIFORNIA (the "City"), a municipal corporation and chartered city duly organized and existing under and pursuant to the provisions of the Constitution of the State of California (the "State") and the Charter of the City of Oakland adopted on November 5, 1968, as amended (the "Charter") and Texas Commerce Bank National Association, Houston, Texas, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

RECITALS

WHEREAS, the City is a municipal corporation and chartered city duly organized and existing under and pursuant to the provisions of the Constitution of the State of California (the "State") and the Charter; and

WHEREAS, Article XXVI of the City Charter, as such may be amended from time to time (referred to herein as the "Retirement Law") obligates the City to make annual contributions to the City of Oakland Police and Fire Retirement System (the "System"), to fund pension benefits of its police and fire employees and amortize the unfunded accrued actuarial liability with respect to such pension benefits; and

WHEREAS, the City has adopted Ordinance No. 11851 on January 23, 1996 (the "PFRS Pension Obligations Bond Law") to establish a program for the financing and refinancing of the City's obligations to the System under the Retirement Law (the "Program") and to set forth certain procedures to be implemented to effectuate the Program; and

WHEREAS, the Program authorizes the City to issue debentures ("Debentures") from time to time to evidence its obligations to the System under the Retirement Law and to issue bonds from time to time pursuant to a master trust agreement ("Bonds") to refund such Debentures; and

WHEREAS, the Council has adopted authorizing resolutions (as herein defined, collectively, the "Authorizing Resolutions") to provide for the issuance of debentures in an amount not to exceed $460,000,000 dollars, representing a portion of the current unfunded accrued actuarial liability of the City to the System and the balance of monthly installments payable to the System by the City toward the normal contribution owed by the City under the Retirement Law, as set forth in the City's adopted budgets, and to provide for the refunding of the debentures by the issuance of Bonds in an amount not to exceed $460,000,000 in aggregate principal amount; and

WHEREAS, such authorizing resolutions have also provided for the issuance of a Series 1997 Debenture and the Taxable Pension Obligation Bonds, Series 1997, Subseries A and

Subseries B to be dated February 1, 1997, except in the case of the Capital Appreciation Bonds, which shall be dated their date of delivery (the "Initial Bonds");

WHEREAS, the City has determined that the Bonds be payable from and secured by the Payments and any Pledged Revenues pledged by the City from time to time (as hereinafter defined); and

WHEREAS, the City may cause to be paid or redeemed the remaining portion of its accrued actuarial unfunded pension liability to the System and other amounts owed by the City to the System by the issuance of one or more future bond issues on a parity with the Series 1997 Bonds and from such monies, including the Pledged Revenues, as may be determined by the terms of additional Supplemental Trust Agreements relating thereto;

WHEREAS, the Trustee is willing to accept the trusts provided in this Trust Agreement;

NOW, THEREFORE, the City and the Trustee agree as follows, each for the benefit of the other and/or the benefit of holders of the Bonds from time to time issued pursuant to the terms of this Master Trust Agreement and any Supplemental Trust Agreement executed pursuant to Article X hereof, as follows:

COVENANT OF PAYMENT AND GRANTING CLAUSE

To secure the payment of the Bonds and the performance and observance by the City of all the covenants, agreements and conditions expressed herein or contained in the Bonds, the City hereby (i) agrees to pay from any legally available source of revenues of the City, including but not limited to the Tax Override Revenues (as herein defined), as and to the extent herein provided, all amounts due and owing with respect to Bonds issued under this Trust Agreement and all Supplemental Trust Agreements executed pursuant hereto according to the provisions of such agreements, including principal and interest thereon and the redemption price thereof (such payments being herein referred to as the "Payments") and (ii) pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the City in and to all of the following, and provides that such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the City in the following: (a) the Tax Override Revenues and all amounts (exclusive of investment earnings thereon) held from time to time to the credit of the Tax Override Revenues Account of the City's General Fund, as and to the extent herein provided, (b) Pledged Revenues (as herein defined) and all moneys and securities held from time to time by the Trustee under this Trust Agreement as follows: (1) moneys and securities held in any Reserve Fund relating to Bonds of any series and any Reserve Fund Surety Policy, as defined hereinafter, provided at any time in satisfaction of all or a portion of the Reserve Requirement, and (2) moneys and securities held in any Program Fund, as and to the extent provided in any Supplemental Trust Agreement, whether or not held by the Trustee, (c) earnings on amounts included in provisions (a) and (b) of this Granting Clause (except to the extent excluded from the definition of "Pledged Revenues" by the Master Trust Agreement or any Supplemental Trust Agreement), and (d) any and all other funds, assets, rights, property or

interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind executed by or on behalf of the City, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security hereunder, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall, with respect to the security provided by this Covenant of Payment and Granting Clause, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. Any security or Credit Facility provided for specific Bonds or a specific Series or Subseries of Bonds may, as provided by a Supplemental Trust Agreement, secure only such specific Bonds or Series or Subseries of Bonds and, therefore, shall not be included as security for all Bonds under this Trust Agreement and moneys and securities held in trust as provided in Section 4.11 exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid under Article VII hereof shall be held solely for the payment of such specific Bonds. The agreement of the City set forth in subparagraph (i) above is referred to in this Trust Agreement as the "Covenant of Payment".

ARTICLE I

DEFINITIONS; INTERPRETATION

The capitalized terms used in this Trust Agreement and in any Supplemental Trust Agreement shall, for all purposes of this Trust Agreement, have the meanings specified in this Article I, unless a different definition is given such term in said Supplemental Trust Agreement or unless the context clearly requires otherwise. Any Supplemental Trust Agreement may provide additional definitions not in conflict with the terms of this Trust Agreement in connection with the issuance of Bonds hereunder or the effectuation of matters relating to Bonds issued hereunder.

"*Accreted Value*" shall mean (i) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Trust Agreement as the amount representing the initial principal amount of such Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (ii) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the Supplemental Trust Agreement authorizing the issuance of such Bonds.

"*Actuarial Study*" shall mean a study setting forth the current value of the assets and liabilities of the System.

"*Authorized Amount*" shall mean, when used with respect to Bonds, the initial principal amount of Capital Appreciation Bonds, whether designated as an Authorized Amount or denominational amount of such Bonds in any Supplemental Trust Agreement and otherwise, the

maximum Principal Amount of Bonds which is then authorized to be Outstanding at any one time under the terms of a resolution or Supplemental Trust Agreement adopted by the City.

"*Authorized City Representative*" shall mean the Director of Budget and Finance, Treasury Manager, City Attorney of the City or such other officer or employee of the City or other person, which other officer, employee or person has been designated by the City as an Authorized City Representative by written notice delivered by the City Manager, Director of Budget and Finance, or City Attorney to the Trustee. Any action required or authorized to be taken by the City in this Trust Agreement may be taken by the Authorized City Representative with such formal approvals by the City as are required by the policies and practices of the City and applicable laws; provided, however, that any action taken by the Authorized City Representative in accordance with the provisions of this Trust Agreement shall conclusively be deemed by the Trustee and the Owners to be the act of the City without further evidence of the authorization thereof by the City.

"*Authorizing Resolutions*" shall mean, collectively, Resolution No. 72446 and Resolution No. 72447, each adopted by the Council of the City on February 6, 1996, as amended and supplemented by Resolution No. 73256 adopted on February 4, 1997.

"*Bonds*" means all bonds, notes or other obligations authorized to be issued from time to time pursuant to the PFRS Pension Obligation Bond Law which are issued pursuant to this Trust Agreement and any Supplemental Trust Agreement executed pursuant to Article X hereof.

"*Bond Counsel*" shall mean a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under this Trust Agreement and which are acceptable to the City.

"*Bondholder*," "*holder*," "*owner*" or "*registered owner*" shall mean the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar and shall include any Credit Provider or Liquidity Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond under the provisions of Section 2.13 of this Trust Agreement.

"*Business Day*" shall mean a day on which banks located in New York, New York, in Oakland, California and in the city in which the principal corporate trust office of the Trustee is located are open, provided that such term may have a different meaning for any specified Series or Subseries of Bonds if so provided by Supplemental Trust Agreement.

"*Capital Appreciation Bonds*" shall mean Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

"*Charter*" shall mean the Charter of the City of Oakland adopted on November 5, 1968, as amended from time to time.

"*City*" shall mean the City of Oakland, California.

"*City Attorney*" shall mean legal counsel to the City, whether employees of the City or outside counsel hired by the City to render an opinion or give advice as to any specific matter.

"*City Council*" shall mean the City Council of the City of Oakland, California, created under the provisions of the Charter, and any successor to its function.

"*City Treasury*" shall mean the official depository of the City established pursuant to Section 806 of the Charter which is under the control of the Treasurer.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

"*Consultant*" shall mean any Independent consultant, consulting firm, accountant or accounting firm, a specialized employee of the City (who need not be Independent) or other expert recognized to be well-qualified for work of the character required and retained by the City to perform acts and carry out the duties provided for such consultant in this Trust Agreement.

"*Costs*" means all costs representing or relating to the obligations of the City to the System under Article XXVI of the Charter, and shall include, but not be limited to, the following: (1) the costs of services provided to implement the Program described in the PFRS Pension Obligation Bond Law, including costs of consultants, advisors, actuaries, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the City or an independent consultant; (2) costs of the City properly allocated to the Program and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (3) costs of amortizing any unfunded accrued actuarial liability of the System; (4) financing expenses, including costs related to issuance of and securing of Bonds, costs of credit facilities, liquidity facilities, municipal bond insurance or any other kind of credit enhancement relating to the Bonds, any amount to be deposited in any debt service reserve fund, the cost of any reserve fund surety policy, trustee's and paying agent's fees and expenses; (5) any interest rate swap termination payments due under a swap relating to any Series or Subseries of Bonds or the failure to issue Bonds, or any payments due upon initiation of any swap arrangement; (6) Costs of Issuance, and (7) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the City.

"*Costs of Issuance*" means the costs of issuing any Bonds under this Trust Agreement or any Supplemental Trust Agreement. The Costs of Issuance are Costs permitted by the definition of "Costs" herein and in the PFRS Pension Obligation Bond Law.

"*Covenant of Payment*" means the Covenant of Payment included in the Covenant of Payment and the Granting Clause preceding Article I of this Trust Agreement.

"*Credit Facility*" shall mean a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on Bonds, whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the City fails to do so.

"*Credit Provider*" shall mean the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

"*Debenture*" means any one or more of the debentures issued by the City from time to time pursuant to the PFRS Pension Obligation Bond Law.

"*1997 Debenture*" means the Debenture refunded by the proceeds of the Initial Bonds.

"*Debt Service Fund*" or "*Debt Service Funds*" shall mean a Debt Service Fund or any of the Debt Service Funds required to be created by Section 4.03(b)(2) hereof and further described in Section 4.05 and Section 4.06 hereof.

"*Denominational Amount*" means the amount in which any Bond is denominated in accordance with the terms of the Supplemental Trust Agreement providing for the issuance of such Bond, if such Bond has a denominational amount which is different from the face principal amount of the Bonds of such Series.

"*Designated Debt*" shall mean a specific indebtedness designated by the City with the intent that the risks associated with such debt be offset with a Swap, such specific indebtedness to include all or any part of a Series or Subseries of Bonds.

"*Electronic Notice*" means notice by facsimile transmission or by telephone (promptly confirmed in writing or by facsimile transmission).

"*Event of Default*" shall mean any occurrence or event specified in Section 8.01 hereof.

"*Fiscal Year*" shall mean the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the City designates as its fiscal year.

"*Fitch*" means Fitch Investors Service, Inc.

"*Funding Agreement*" means any agreement executed by the City and the System from time to time setting forth those undertakings of the City pursuant to Article XXVI of the Charter which the City is financing by the issuance of Bonds pursuant to the PFRS Pension Obligation Bond Law.

"*Government Obligations*" shall mean (1) United States Obligations (including obligations issued or held in book-entry form) and (2) prerefunded municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated in the highest rating category by Moody's if Moody's then maintains a rating on such obligations and by S&P if S&P then maintains a rating on such obligations.

"*Independent*" shall mean, when used with respect to any specified firm or individual, such a firm or individual who (i) does not have any direct financial interest or any material indirect financial interest in the operations of the City, other than the payment to be received under a contract for services to be performed, and (ii) is not connected with the City as an official, officer or employee.

"*Initial Bonds*" shall mean those Bonds issued pursuant to Section 2.12 of this Trust Agreement.

"*Investment Agreement*" shall mean an investment agreement or guaranteed investment contract (i) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term rating category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term rating categories (if the term of the Investment Agreement is three years or longer) by S&P if S&P then maintains a rating on any of the Bonds and by Moody's if Moody's then maintains a rating on any of the Bonds or (ii) which investment agreement or guaranteed investment contract is fully secured by obligations described in item (1) or (2) of the definition of Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third-party liens.

"*Liquidity Facility*" shall mean a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds.

"*Liquidity Provider*" shall mean the entity, including the Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

"*Mail*" shall mean by first-class United States mail, postage prepaid.

"Maturity Amount" means the amount of principal payable with respect to the Capital Appreciation Bonds at the maturity thereof.

"*Moody's*" shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "*Moody's*" shall be deemed to refer to any other nationally recognized rating agency designated by the City.

"*Non-Qualified Swap*" shall mean any Swap which is not a Qualified Swap.

"*Notes*" shall mean Bonds issued under the provisions of Article II of this Trust Agreement which have a maturity of five years or less from their date of original issuance and which are not issued as part of a commercial paper notes program.

"*Original Issue Discount Bonds*" shall mean Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds by the Supplemental Trust Agreement under which such Bonds are issued.

"*Outstanding*", when used with respect to Bonds, shall mean all Bonds which have been authenticated and delivered under this Trust Agreement, except:

(a) Bonds canceled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Bonds deemed to be paid in accordance with Article VII;

(c) Bonds in lieu of which other Bonds have been authenticated under Section 2.05, 2.06 or 2.08;

(d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent;

(e) Bonds which, under the terms of the Supplemental Trust Agreement pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) any Repayment Obligation deemed to have the same status as Bonds under Section 2.13 hereof to the extent such Repayment Obligation arose under the terms of a Liquidity Facility and is secured by a pledge of Outstanding Bonds acquired by the Liquidity Provider; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under this Trust Agreement, Bonds held by or for the account of the City or by any person controlling, controlled by or under common control with the City, unless such Bonds are pledged to secure a debt to an unrelated party.

"*Paying Agent*" or "*Paying Agents*" shall mean, with respect to the Bonds or any Series or Subseries of Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Trust Agreement or a resolution of the City as the Paying Agent acting as paying agent for such Bonds.

"*Payment Date*" shall mean, with respect to any Bonds, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon, whether at maturity or redemption thereof.

"Payments" means the payments made by the City pursuant to the Covenant of Payment, which payments the City has agreed to make from any monies of the City legally available to pay principal of or interest, redemption price or other amounts owed with respect to the Bonds. No special source of monies or revenues, other than the Pledged Revenues, is specifically pledged by the City to the payment of the Bonds pursuant to the terms of this Trust Agreement.

"*Permitted Investments*" shall mean, to the extent permitted to be invested by the City by applicable law, the Charter and investment policy of the City, any of the following:

(1) Government Obligations,

(2) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(3) Direct and general long-term obligations of any state, which obligations are rated in either of the two highest rating categories by both Moody's and S&P;

(4) Direct and general short-term obligations of any state which obligations are rated in the highest rating category by Moody's and S&P;

(5) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations or by savings and loan associations that are members of the Federal Deposit Insurance Corporation ("FDIC"), which deposits or interests must either be (a) continuously and fully insured by FDIC and with banks that are rated at least "P-1" or "Aa" by Moody's and at least "A-1" or "AA" by S&P, or (b) fully secured by obligations described in item (1) or (2) of this definition of Permitted Investments (i) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien in the Trustee, and (iv) free and clear of all third-party liens;

(6) Long-term or medium-term corporate debt issued or guaranteed by any corporation that is rated by both Moody's and S&P in either of their two highest rating categories;

(7) Repurchase agreements which are (a) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from Moody's and S&P, and (b) fully secured by investments specified in Section (1) or (2) of this definition of Permitted Investments (i) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien in the Trustee and (iv) free and clear from all third-party liens;

(8) Prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's and at least "A-1" by S&P;

(9) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (a) a money market fund that has been rated in one of the two highest rating categories by Moody's or S&P or (b) a money market fund or account of the Trustee or any state or federal bank that is rated at least "P-1" or "Aa" by Moody's and at least "A-1" or "AA" by S&P or whose one bank holding company parent is rated at least "P-1" or "Aa" by Moody's and "A-1" or "AA" by S&P or that has a combined capital and surplus of not less than $50,000,000;

(10) Investment Agreements, copies of the forms of such agreements shall be provided to Moody's; and

(11) Any other type of investment consistent with City policy in which the City directs the Trustee to invest, provided that there is delivered to the Trustee a certificate of an Authorized City Representative stating that each of the Rating Agencies then maintaining a rating on the Bonds has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any of the Bonds; and

(12) Any of the foregoing Permitted Investments for which the Trustee, or any affiliate thereof, receives compensation with respect to such Permitted Investments.

"PFRS Pension Obligation Bond Law" means Chapter 20 of the Oakland Municipal Code, enacted by Ordinance No. 11851 adopted by the City Council on January 23, 1996.

"*Pledged Revenues*" means the Tax Override Revenues and any other revenues which are specifically pledged to the payment of Bonds under the terms of any Supplemental Trust Agreement.

"*Principal Amount*" or "*principal amount*" shall mean, as of any date of calculation, the principal amount of a Bond payable at maturity or the Accreted Value or Denominational Amount (as applicable to any Series or Subseries of Bonds) of a Bond.

"*Program*" means the program referred to in the PFRS Pension Obligation Bond Law.

"*Program Fund*" means the fund established pursuant to Section 4.03(b) of this Trust Agreement.

"*Qualified Swap*" shall mean any Swap (a) whose Designated Debt is all or part of a particular Series or Subseries of Bonds; (b) which has been approved in writing by any Credit Provider securing payment of principal of and interest on such Series or Subseries of Bonds (including any bond insurer); (c) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which the determination of such status is being made; (d) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (e) which has been designated in writing to the Trustee by the City as a Qualified Swap with respect to such Bonds.

"*Qualified Swap Provider*" shall mean a financial institution (a) whose senior long-term debt obligations, or whose obligations under any Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least "AA", in the case of Moody's and "Aa", in the case of Standard & Poor's, or the

equivalent thereto in the case of any successor thereto, and (b) acceptable to the Credit Provider for the Designated Debt.

"*Rating Agency*" shall mean Moody's , S&P or Fitch.

"*Rating Category" and "Rating Categories*" shall mean (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"*Rebate Fund*" shall mean any fund created by the City pursuant to a Supplemental Trust Agreement in connection with the issuance of any Series or Subseries of Bonds for the express purpose of complying with the requirements of the Code with respect to any Bonds the interest on which is excluded from gross income for federal income tax purposes, and providing for the collection and holding for, and payment of amounts to, the United States of America.

"*Record Date*" shall mean, with respect to any Series or Subseries of Bonds, the record date as specified in the Supplemental Trust Agreement which provides for the issuance of such Series.

"*Redemption Account*" or "*Redemption Accounts*" shall mean a Redemption Account or any of the Redemption Accounts created pursuant to Section 4.03(b)(2) hereof and further described in a Supplemental Trust Agreement.

"*Refunding Bonds*" shall mean any Bonds issued pursuant to Section 2.10 hereof to refund or defease all or a portion of any series of Outstanding Bonds or any Subordinated Obligation.

"*Registrar*" shall mean, with respect to the Bonds or any Series or Subseries of Bonds, the bank, trust company or other entity designated in a Supplemental Trust Agreement or a resolution of the City to perform the function of Registrar under this Trust Agreement or any Supplemental Trust Agreement, and which bank, trust company or other entity has accepted the position in accordance with Section 9.12.

"*Regularly Scheduled Swap Payments*" shall mean the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

"*Repayment Obligations*" shall mean an obligation arising under a written agreement of the City and a Credit Provider pursuant to which the City agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Bonds or an obligation arising under a written agreement of the City and a Liquidity Provider pursuant to

which the City agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Bonds.

"*Reserve Fund*" shall mean any trust account created pursuant to any Supplemental Trust Agreement and that is required to be funded for the purpose of providing additional security for any Bonds issued pursuant to the terms of this Trust Agreement and as specified in any Supplemental Trust Agreement.

"*Reserve Requirement*" shall mean such amount specified by the terms of any Supplemental Indenture as the minimum amount to be maintained in any Reserve Fund or any sub-account thereof with respect to any issue or Series or Subseries of Bonds.

"*Reserve Fund Surety Policy*" shall mean an insurance policy or surety bond, or a letter of credit, deposited in any Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Reserve Fund Surety Policy shall be rated in one of the two highest Rating Categories by both Moody's if Moody's is then maintaining a rating on the Bonds and S&P if S&P is then maintaining a rating on the Bonds at the time such instrument is provided.

"*Responsible Officer*" when used with respect to the Trustee means the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller, any assistant controller, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Serial Bonds" shall mean Bonds for which no sinking fund installment payments are provided.

"*Series*" shall mean Bonds designated as a separate Series by a Supplemental Trust Agreement.

"*S&P*" shall mean Standard & Poor's, a division of McGraw-Hill Companies, its successors and their assigns, and if such rating agency shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"*State*" shall mean the State of California.

"*Subordinated Obligation*" shall mean any bond, note or other debt instrument issued or otherwise entered into by the City which ranks junior and subordinate to the Bonds and which may be paid from moneys constituting Pledged Revenues only if all amounts of principal and interest which have become due and payable on the Bonds, whether by maturity, redemption or acceleration, have been paid in full and the City is current on all payments, if any, required to be

made to replenish any Reserve Fund. "Subordinated Obligations" are not Bonds for purposes of this Trust Agreement; provided, however, that the City may henceforth by Supplemental Trust Agreement elect to have the provisions of this Trust Agreement applicable to the Bonds apply to the Subordinated Obligations issued thereunder, except that such Subordinated Obligations shall be secured on a junior and subordinate basis to the Bonds from the Pledged Revenues. No bond, note or other instrument of indebtedness shall be deemed to be a "Subordinated Obligation" for purposes of this Trust Agreement and payable on a subordinated basis from Pledged Revenues unless specifically designated by the City as a "Subordinated Obligation" in a Supplemental Trust Agreement or other written instrument. In connection with any Subordinated Obligation with respect to which a Swap is in effect or if the City proposes a Swap to be in effect, the term "Subordinated Obligation" includes, collectively, both such Subordinated Obligation and either such Swap or the obligations of the City under each such Swap, as the context requires. The term "Subordinated Obligations" also includes a Swap or the obligations of the City under such Swap which has been entered into in connection with a Subordinated Obligation, as the context requires, although none of the Subordinated Obligations with respect to which such Swap was entered into remain outstanding. In connection with any Bonds with respect to which a Qualified Swap is in effect or proposed to be in effect, the term "Subordinated Obligation" includes any Swap Termination Payment.

"Subseries" means any Bonds designated as a subseries within a Series of Bonds by a Supplemental Trust Agreement.

"*Supplemental Trust Agreement*" shall mean any document supplementing or amending this Trust Agreement or providing for the issuance of Bonds and entered into as provided in Article X of this Trust Agreement.

"*Swap*" shall mean any financial arrangement between the City (or the Trustee at the direction of the City) and a Swap Provider which provides that (a) each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid *before* it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid *after* it is deemed to have accrued shall reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement.

"*Swap Provider*" shall mean a party to a Swap with the City.

"*Swap Termination Payment*" shall mean an amount payable by the City or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of

default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

"*Tax Override*" and "*Tax Override Revenues*" shall mean the annual tax levy and the revenues generated and collected thereby by the City in each Fiscal Year, as and when collected and net of collection costs and administrative charges, as proceeds of the annual tax levy authorized by Measure R enacted by the voters of the City on June 8, 1976, amending Section 2602, 2607, 2608, 2610, 2618 and 2619 of the Charter, and Measure O approved by the voters of the City on June 7, 1988, amending Section 2619(6) of the Charter. The "Tax Override Revenues" shall not include investment earnings on such revenues while held by the City in the Tax Override Revenues Account. The use and application of the Tax Override Revenues shall be in accordance with Section 5.07(a) hereof.

"*Term Bonds*" shall mean Bonds of a series which are payable on or before their specified maturity dates from sinking fund installment payments established for that purpose pursuant to the Supplemental Trust Agreement for such series and calculated to retire the Bonds on or before their specified maturity dates.

"*Treasurer*" shall mean the Treasurer of the City as set forth in the Charter.

"*Trustee*" shall mean the entity named as such in the heading of this Trust Agreement until a successor replaces it and, thereafter, shall mean such successor.

"*Trust Agreement*" shall mean this Master Trust Agreement dated as of February 1, 1997 between the City and the Trustee, together with all Supplemental Trust Agreements.

"*United States Obligations*" shall mean direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein: (1) a bank or trust company acts as custodian and holds the underlying United States Obligations; (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (3) the underlying United States Obligations are held in a special account separate from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated. "*United States Obligations*" shall include any stripped interest or principal portion of United States Treasury securities and any stripped interest portion of Resolution Funding Corporation securities.

"*Variable Rate Indebtedness*" shall mean any Bond or Bonds the interest rate on which is not, at the time in question, fixed to maturity, excluding any commercial paper notes program.

Except as otherwise indicated, references to Articles and Sections are to the Articles and Sections of this Trust Agreement.

ARTICLE II

FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS

Section 2.01. ***Issuance of Bonds; Form; Dating.*** Bonds may be issued by the City under the terms of this Trust Agreement for any purpose for which the City, at the time of such issuance, may incur debt pursuant to the PFRS Pension Obligation Bond Law, which may include issuing Bonds and loaning the proceeds to other entities (if it is determined to be legally permissible for the City to do so at such time) or investing the proceeds of Bonds in any Permitted Investment, provided that, if the proceeds of the Bonds are loaned to other entities or invested, the loan repayments and interest or investment earnings thereon and the invested proceeds and interest or investment earnings thereon shall be included as Pledged Revenues. Bonds may be issued under this Trust Agreement only if the provisions of Section 2.09 and Section 2.11 are satisfied. The Bonds may be in certificated or uncertificated form, and Bonds which are issued in certificated form may be freely transferable or may be immobilized and held by a custodian for the beneficial owners, all as shall be set forth or permitted in the Supplemental Trust Agreement providing for the issuance of such Bonds. The Bonds may have notations, legends or endorsements required by law or usage.

Bonds will be numbered and dated as provided in the applicable Supplemental Trust Agreement.

Section 2.02. ***Terms, Medium and Place of Payment.*** The Bonds shall be issued in the principal amount, shall bear interest at a rate or rates, including a rate of 0% and including variable or adjustable rates or rates set by auction, or by such other methods as the City may from time to time determine, and such interest may be payable periodically, in whole or in part, or may be accreted or accumulated and paid at maturity (such as Capital Appreciation Bonds) or at such other time or times as the City shall determine, all as shall be set forth in a Supplemental Trust Agreement. Bonds shall mature and shall be subject to redemption prior to their respective maturities, as set forth in a Supplemental Trust Agreement. The Bonds of each Series shall state that they are issued under and are secured by this Trust Agreement and are payable from the Payments and the Pledged Revenues pledged under any Supplemental Trust Agreement relating to such issue of Bonds, and state that regardless of the form thereof, they are "Bonds" issued hereunder and within the meaning of this Trust Agreement.

Payments with respect to the Bonds shall be made as provided in the Supplemental Trust Agreement providing for the issuance of such Bonds or as provided in the Bonds, which provisions shall include the designation of the currency in which such payments shall be made.

Section 2.03. ***Execution and Authentication.*** The Bonds, if in certificated form, will be executed by the City as provided in the Supplemental Trust Agreement or in the resolution

authorizing such Bonds. In case any officer whose signature or whose facsimile signature shall appear on any Bonds shall cease to be such officer before the authentication of such Bonds, such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until authentication. Also, if a person signing a Bond is the proper officer on the actual date of execution, the Bond will be valid even if that person is not the proper officer on the nominal date of action and even though, at the date of this Trust Agreement, such person was not such officer.

A Bond in certificated form will not be valid until the Trustee or its agent or an authenticating agent designated by the City manually signs the certificate of authentication on the Bond. Such signature will be conclusive evidence that the Bond has been authenticated under this Trust Agreement.

The City may appoint an authenticating agent or the Trustee may appoint an authenticating agent acceptable to the City to authenticate Bonds or different authenticating agents may be appointed for different Series or Subseries of Bonds. An authenticating agent may authenticate Bonds whenever the Trustee may do so. Each reference in this Trust Agreement to authentication by the Trustee includes authentication by such agent.

Bonds issued under this Trust Agreement may be issued in uncertificated form, in which case the procedures for issuance and delivery and evidence of validity, ownership, transfer and exchange shall be as provided in a Supplemental Trust Agreement, and neither the provisions of this Section nor any other provision of this Trust Agreement shall be deemed to prohibit or restrict the issuance of uncertificated Bonds.

Section 2.04. ***Bond Register.*** Bonds of each Series may be presented at the designated corporate trust office of the Trustee or such other Registrar, unless a different office has been designated for such purpose, for registration, transfer and exchange. The Trustee or a Registrar will keep a register of each Series or Subseries of Bonds and of their transfer and exchange.

Section 2.05. ***Mutilated, Lost, Stolen or Destroyed Bonds.***

(a) In the event any Bond is mutilated or defaced but identifiable by number and description, the City shall execute and the Trustee shall authenticate and deliver a new Bond of like Series, date, maturity and denomination as such Bond, upon surrender thereof to the Trustee; provided that there shall first be furnished to the Trustee clear and unequivocal proof satisfactory to the Trustee that the Bond is mutilated or defaced to such an extent as to impair its value to the Bondholder. The Bondholder shall accompany the above with a deposit of money required by the Trustee for the cost of preparing the substitute Bond and all other expenses connected with the issuance of such substitute. The Trustee shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(b) In the event any Bond is lost, stolen or destroyed, the City may execute and the Trustee may authenticate and deliver a new Bond of like Series, date, maturity and denomination

as the Bond lost, stolen or destroyed, provided that there shall first be furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity satisfactory to it.

(c) Except as limited by any Supplemental Trust Agreement, the Trustee may charge the holder of any such Bond all governmental charges and transfer taxes, if any, and its reasonable fees and expenses in this connection. All substitute Bonds issued and authenticated pursuant to this Section shall be issued as a substitute and numbered, if numbering is provided for by the Supplemental Trust Agreement or the Trustee, as determined by the Trustee. In the event any such Bond has matured or been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same at its maturity or redemption without surrender thereof upon receipt of indemnity satisfactory to the Trustee.

Section 2.06. ***Registration and Transfer or Exchange of Bonds; Persons Treated as Owners.*** Unless otherwise provided by a Supplemental Trust Agreement, all Bonds shall be issued in fully registered form.

Upon surrender for transfer of any Bond at the designated corporate trust office of the Registrar, the Registrar shall deliver in the name of the transferee or transferees a new fully authenticated and registered Bond or Bonds of Authorized Denominations of the same Series and same maturity for the same aggregate principal amount.

Bondholders may present Bonds at the designated corporate trust office of the Registrar for exchange for Bonds of different Authorized Denominations and, upon such presentation, the Registrar shall deliver to the Bondholder a new fully authenticated and registered Bond or Bonds of the same Series and same maturity for the same aggregate principal amount.

All Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Registrar, duly executed by the Bondholder or by his duly authorized attorney.

Except as limited by any Supplemental Trust Agreement, the Registrar also may require payment from the Bondholder of a sum sufficient to cover any tax, or other governmental fee or charge that may be imposed in relation thereto. Such taxes, fees and charges shall be paid before any such new Bond shall be delivered.

Supplemental Trust Agreements may designate certain limited periods during which Bonds will not be exchanged or transferred.

Bonds delivered upon any exchange or transfer as provided herein, or as provided in Section 2.05, shall be valid obligations of the City, evidencing the same debt as the Bond or Bonds surrendered, shall be secured by this Trust Agreement and shall be entitled to all of the security and benefits hereof to the same extent as the Bond or Bonds surrendered.

The City, the Trustee and the Paying Agent shall treat the Bondholder of a Bond, as shown on the registration books kept by the Registrar, as the person exclusively entitled to payment of principal, premium, if any, and interest on such Bond and as the party entitled to the exercise of all other rights and powers of the Bondholder, except that all interest payments will be made to the party who, as of the Record Date, is the Bondholder.

Section 2.07. ***Destruction of Bonds.*** Whenever any Bonds shall be delivered to the Trustee for cancellation pursuant to this Trust Agreement, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 2.05 or exchange or transfer pursuant to Section 2.06, such Bond shall be canceled and destroyed by the Trustee or the Registrar and a certificate of destruction evidencing such destruction shall be furnished by the Trustee to the City.

Section 2.08. ***Temporary Bonds.*** Pending preparation of definitive Bonds of any Series, the City may execute and the Trustee shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, interim receipts, certificates or temporary bonds which shall be exchanged for the Bonds.

If temporary Bonds shall be issued, the City shall cause the definitive Bonds to be prepared and to be executed, authenticated and delivered to the Trustee, and the Trustee, upon presentation to it of any temporary bond, shall cancel the same and deliver in exchange therefor at the place designated by the Bondholder, without charge to the Bondholder thereof, definitive Bonds of an equal aggregate principal amount, of the same Series, date, maturity and bearing interest the same as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefit and security of this Trust Agreement as the definitive Bonds to be issued and authenticated hereunder. The City and Trustee may modify any of the provisions of this Section 2.08 to allow for Capital Appreciation Bonds.

Section 2.09. ***Issuance of Series or Subseries of Bonds; Supplemental Trust Agreement; Application of Bond Proceeds.*** Bonds may be issued, from time to time, subject to the conditions of this Section 2.09.

Bonds shall be dated, shall mature, shall bear interest, shall be subject to redemption and shall be amortized, all as provided in the Supplemental Trust Agreement relating to such Series or Subseries of Bonds. In addition, each such Supplemental Trust Agreement may provide for the appointment of a Registrar or Registrars and a Paying Agent or Paying Agents and such other agents as the City shall determine to be necessary in addition to or in place of the Trustee.

Each issue or Series of the Bonds, upon execution by the City, shall be deposited with the Trustee or an agent for authentication and delivery, but prior to or simultaneously with the original delivery of such Series or Subseries of Bonds, there shall be filed with the Trustee the following:

(a) an original executed counterpart or a copy, certified by the City Clerk, of this Trust Agreement, together with all prior Supplemental Trust Agreements, executed by the City;

(b) an original executed counterpart or a copy, certified by the City Clerk, of the Supplemental Trust Agreement or Supplemental Trust Agreements providing for the issuance of such Series or Subseries of Bonds and setting forth the terms of such Series or Subseries of Bonds;

(c) a certified copy of the Funding Agreement relating thereto, if any, or a certificate of an Authorized City Representative listing those undertakings of the City which the City expects to finance with proceeds of the sale of such Series or Subseries of Bonds and such certificate shall, with respect to each item on the list, include the estimated Cost of such undertaking;

(d) a certificate of the Authorized City Representative stating that none of the Events of Default set forth in Section 8.01 of this Trust Agreement have occurred and remain uncured;

(e) an opinion of Bond Counsel to the effect that the issuance of such Bonds has been duly authorized, that all legal conditions precedent to the delivery of such Bonds have been fulfilled, and that the Bonds are valid and binding obligations of the City, enforceable in accordance with their terms; and

(f) written instructions from the City to authenticate the Bonds and, upon receipt of the purchase price, to deliver the Bonds to or upon the order of the purchasers named in such instructions.

When the documents mentioned in clauses (a) to (f), inclusive, of the immediately preceding paragraph shall have been filed with the Trustee and when such Bonds shall have been executed and authenticated, the Trustee or authenticating agent shall deliver such Bonds to or upon the order of the purchasers thereof, but only upon payment by the purchasers of the purchase price of such Bonds.

Section 2.10. ***Refunding Bonds.*** Refunding Bonds may be issued under and secured by this Trust Agreement. Such Refunding Bonds shall be issued in accordance with the provisions of Sections 2.09 and 2.11 of this Trust Agreement.

Section 2.11. ***Issuance of Additional Bonds.*** The City may issue Additional Bonds secured on a parity with any Bonds that are Outstanding under this Trust Agreement at any time so long as the resolution of the Council authorizing their issuance states that such Additional Bond shall be subject to the terms and conditions of this Trust Agreement. No restriction is imposed by this Trust Agreement on the maximum principal amount of Bonds to be issued hereunder. No term or provision of this Trust Agreement shall prevent the City from issuing

general obligation bonds or other indebtedness or liabilities payable from the general revenues, or any special source of revenues, of the City.

Section 2.12. ***Plan of Financing Involving Issuance of Initial Bonds.*** The Initial Bonds shall be issued in one series pursuant to a Supplemental Trust Agreement and shall be denominated "The City of Oakland, Pension Obligation Refunding Bonds, Series 1997, Subseries A and Subseries B." The Initial Bonds shall be issued to refund a Debenture in an aggregate principal amount not exceeding $436,289,659.15 representing a portion of the City's accrued unfunded actuarial liability to the System as of the date of issuance of the Debenture and the balance of the normal contribution of the City to the System due under the Retirement Law for the balance of the 1996-97 fiscal year (provided that no Tax Override Revenues shall be pledged to the Bonds used to pay the normal contribution.)

Section 2.13. ***Repayment Obligations Afforded Status of Bonds.*** If a Credit Provider or Liquidity Provider makes payment of principal of a Bond or advances funds to purchase or provide for the purchase of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the City, but is not reimbursed, the City's Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Bond issued under this Article II, and, if afforded such status, the Credit Provider or Liquidity Provider shall be the Bondholder and such Bond shall be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of Sections 2.09 and 2.11 of this Article; provided, however, notwithstanding the stated terms of the Repayment Obligation, the payment terms of the Bond held by the Credit Provider or Liquidity Provider hereunder shall be as follows: interest shall be due and payable semiannually and principal (which shall be limited to reimbursement for amounts paid by such Credit Provider or Liquidity Provider) shall be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(a) a term extending to the maturity date of the Bonds secured by such Credit Facility or Liquidity Facility, or (b) if later, the final maturity of the Repayment Obligation under the written agreement, and providing substantially level Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence shall bear interest in accordance with the terms of the Repayment Obligation. Any amount which comes due on the Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Bond shall be a Subordinated Obligation of the City. This provision shall not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Trust Agreement.

Section 2.14. ***Obligations Under Qualified Swap; Nonqualified Swap.***

(a) The obligation of the City to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series or Subseries of Bonds may be on a parity with the obligation of the City to make payments with respect to such Series or Subseries of Bonds and other Bonds under this Trust Agreement, except as otherwise provided by Supplemental Trust

Agreement and elsewhere herein with respect to any Swap Termination Payments. The City may provide in any Supplemental Trust Agreement that interest swap payment obligations under a Qualified Swap may be payable from the Payments and secured by a pledge of or lien on the Pledged Revenues on a parity with the Bonds of such Series and all other Bonds, regardless of the principal amount, if any, of the Bonds of such Series remaining Outstanding. The interest rate swap obligation of the City payable from the Payments or secured by Pledged Revenues shall be limited to the net amount actually owed at any time by the City under such Qualified Swap, for purposes of determining the parity status of such obligation. The Trustee shall take all action consistent with the other provisions hereof as shall be requested in writing by the Qualified Swap Provider necessary to preserve and protect any such pledge, lien and assignment and to enforce the obligations of the City with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence shall require the Trustee either to exercise the remedies granted in the Trust Agreement or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

(b) In the event that a Swap Termination Payment or any other amounts other than as described in clause (a) above are due and payable by the City under a Qualified Swap, such Swap Termination Payment and any such other amounts shall constitute a Subordinated Obligation hereunder.

(c) Obligations of the City to make payments, including termination payments, under a Nonqualified Swap shall constitute Subordinate Obligations hereunder.

ARTICLE III

REDEMPTION OF BONDS

Bonds may be made subject to redemption either in whole or in part and at such times, prices and in such order and under such terms as may be provided by the Supplemental Trust Agreement providing for the issuance of such Bonds. The City may provide for the redemption of Bonds from any funds available to the City and not obligated for other purposes.

In connection with the partial early redemption of any term Bonds of a Series, the City may, in any Supplemental Trust Agreement, provide that the principal amount of Bonds of such Series being redeemed shall be allocated against its scheduled sinking fund redemption and modify its scheduled sinking fund installments payable thereafter as to the Outstanding Term Bonds of such Series in any manner the City may determine. The City may provide in any Supplemental Trust Agreement that, prior to notice of redemption for any Bonds of a Series, moneys in the Debt Service Fund relating to such Series or Subseries of Bonds may be applied at the direction of the City to the purchase of Bonds of such Series and, if any such purchased Bonds are Term Bonds, the City may allocate the principal amount of Bonds of such Series being redeemed against its scheduled sinking fund redemption for such Bonds and may modify its scheduled sinking fund installments thereafter payable with respect to Bonds of such Series in any manner the City may determine.

ARTICLE IV

PAYMENTS AND FUNDS

Section 4.01. ***Bonds Payable Out of Payments and Secured by Lien on Pledged Revenues.*** The City shall cause the Payments to be made in such amounts and at such times as are necessary to cause all payments of principal, interest and redemption price of Bonds issued under this Trust Agreement and each Supplemental Trust Agreement executed pursuant hereto to be made to Bondholders when and as due. The Bonds authorized and issued under the provisions of this Trust Agreement shall be secured as provided in the Covenant of Payment and Granting Clause of this Trust Agreement. The City covenants that, except as expressly permitted by any Supplemental Trust Agreement, until all the Bonds authorized and issued under the provisions of this Trust Agreement and the interest thereon shall have been paid or are deemed to have been paid, it will not grant any prior or parity pledge of or any security interest in any Pledged Revenues pledged by any Supplemental Trust Agreement executed pursuant to this Trust Agreement or any of the other security, if any, which is expressly pledged pursuant to the Granting Clauses of this Trust Agreement, or create or permit to be created any charge or lien thereon or any security interest therein ranking prior to or on a parity with the charge or lien of the Bonds from time to time Outstanding under this Trust Agreement. The City may, as provided in Section 5.05 hereof, grant a lien on or security interest in any Pledged Revenues to secure Subordinated Obligations, but only on a subordinated basis. This Trust Agreement creates no pledge of or security interest in any Pledged Revenues or other security or property for the benefit of the Bondholders on the date hereof other than the Tax Override Revenues. This Trust Agreement and the Covenant of Payment and the pledge of security set forth in the Granting Clauses hereof shall not be construed to restrict in anyway the right of the City to create any charge or lien on the legally available monies of the City or any source thereof.

Section 4.02. ***Provisions of Trust Agreement Subject to Charter Provisions.*** The City covenants to cause the Payments required by this Trust Agreement to be made only in accordance with Section 806 of the Charter.

Section 4.03. ***Establishment of Funds and Accounts.***

(a) Earnings on the various funds and accounts created under any Supplemental Trust Agreement shall be deposited as provided in such Supplemental Trust Agreement, except that (i) during the continuation of an Event of Default earnings on such funds and accounts shall be deposited into the Debt Service Funds created under the respective Supplemental Trust Agreements, and (ii) pursuant to Section 4.07(d) of this Trust Agreement, earnings on any Reserve Funds may be retained in such funds under the conditions therein described.

(b) The City hereby establishes or authorizes the establishment of the following special trust funds and accounts:

(1) **Program Fund.** If required pursuant to a Funding Agreement or any Supplemental Trust Agreement, proceeds of each Series or Subseries of Bonds which are to be used to pay Costs shall be deposited into a fund which shall be created by the City (each, respectively, a "Program Fund"), which shall be maintained, disbursed and accounted for in accordance with the provisions of Section 4.09 hereof. The City may establish accounts and subaccounts within the Program Fund designated to particular Series or Subseries of Bonds or multiple Series or Subseries of Bonds.

(2) **Debt Service Funds and Accounts.** The City shall, at the time of issuance of each Series of Bonds create a Debt Service Fund for such Series of Bonds, which Debt Service Fund shall be designated "Debt Service Fund, Series __" (each, respectively, a "Debt Service Fund"), and shall establish such accounts and subaccounts therein as deemed necessary or advisable by the City, which fund, accounts and subaccounts shall be maintained, disbursed and accounted for in accordance with the provisions of Sections 4.05 and 4.06 hereof. In addition, to provide for the redemption of any Bonds which are subject to optional or mandatory redemption, including mandatory sinking fund redemption, the City may establish within each Debt Service Fund an account or subaccounts therein for each Series or Subseries of any Bonds which are subject to optional or mandatory redemption, including mandatory sinking fund redemption, designated the "Redemption Account" or the "Redemption Subaccount" which shall be maintained, disbursed and accounted for in accordance with the provisions of Sections 4.05 and 4.06 hereof.

(3) **Reserve Funds.** The City may, at the time of issuance of each Series or Subseries of Bonds, create a Reserve Fund for such Series, which Reserve Fund shall be designated "Reserve Fund, Series ___" (each, respectively, a "Reserve Fund"), which shall be held by the City or the Trustee, or any agent of the Trustee, and amounts therein shall be held, disbursed and accounted for in accordance with the provisions of Section 4.07 hereof.

(4) **Residual Fund.** There is hereby established for the Bonds a fund to be designated "Residual Fund" (the "Residual Fund"), which shall be held by the Trustee or any agent of the Trustee and which shall be held, disbursed and accounted for in accordance with the provisions of Section 4.08 hereof.

(5) **Cost of Issuance Fund.** The City may, at the time of issuance of each Series or Subseries of Bonds or multiple Series or Subseries of Bonds, create a Costs of Issuance Fund for such issue or Series, which Costs of Issuance Fund shall be designated "Cost of Issuance Fund, Series _____" (each, a "Costs of Issuance Fund"), which may be held by the City or the Trustee and which shall be held, disbursed and accounted for as provided in Section 4.10 of this Trust Agreement and the Supplemental Trust Agreement relating to such issue or Series or Subseries of Bonds.

(c) **Revenue Fund and Accounts.** The City may at any time establish additional Funds and accounts for the purpose of holding other types of Pledged Revenues or which are applicable to one or more Series of Bonds. If at the time of issuance of a Series or Subseries of Bonds, such Bonds are secured by Pledged Revenues which are not required by the

terms of any Supplemental Trust Agreement relating to such Bonds to be deposited in any other fund or account, the City may cause to be established and maintained with the Trustee or in the City Treasury a Revenue Fund and may establish therein a Pledged Revenue Account applicable to all Bonds or one or more Series or Subseries of Bonds, which shall be designated as "Pledged Revenue Account" and may have such additional Series or Subseries designations as the City deems appropriate (each, respectively a "Pledged Revenues Account"). Accounts may be established to segregate other revenues into accounts separate from the Pledged Revenues. Amounts deposited in the Pledged Revenue Accounts shall be held, disbursed and accounted for as provided in Section 4.04 of this Trust Agreement.

(d) The City hereby establishes within the General Fund of the City a special account, to be designated "The City of Oakland, Tax Override Revenues Account," to be held in trust by the City and applied as provided in Section 4.03A hereof.

Section 4.03A. ***Receipt and Deposit of Tax Override Revenues in the Tax Override Revenues Account of the City General Fund.***

On February 25, 1997, an Authorized City Representative shall certify to the Trustee that all existing unexpended amounts of Tax Override Revenues levied and collected by the City in the 1996-97 fiscal year have been segregated in the Tax Override Revenues Account of the City's General Fund and are held therein in trust for the purposes specified in this Trust Agreement and shall certify as to the amount thereof. Beginning on February 25, 1997 and during each year thereafter that Bonds are outstanding hereunder, the City shall deposit all Tax Override Revenues into the Tax Override Revenues Account and shall cause the Tax Override Revenues to be segregated and held in trust therein for application pursuant to this Trust Agreement. The City shall cause amounts of Tax Override Revenues to be transferred to the Trustee for deposit in the Pledged Revenues Account of the Revenue Fund at the times and in the amounts provided in any Supplemental Trust Agreement relating to the issuance of Bonds secured by the Pledged Revenues hereunder, for application pursuant to the provisions of Section 4.04 of this First Supplemental Trust Agreement or any Supplemental Trust Agreement.

Section 4.04. ***Receipt and Deposit of Pledged Revenues in the Pledged Revenue Fund.*** Subject to the provisions of Section 4.11 of this Trust Agreement:

(a) If any Supplemental Trust Agreement requires that the City pledge any specific revenues, fund or money, the revenues required to be so set aside into the specified accounts shall be set aside only out of such source of funds or fund or money and not out of any other funds or revenues of the City. The Authorized City Representative shall direct that such sums be set aside through transfers or payments made at such time and in such amounts as may be necessary to comply with the provisions of this Section 4.04 and any Supplemental Trust Agreement.

(b) Unless a differing procedure is set forth in a Supplemental Trust Agreement relating to the Bonds or any Series or Subseries thereof, the amounts of Pledged

Revenues credited to the Pledged Revenues Account of the Revenue Fund shall first be applied as follows and in the order set forth:

FIRST: To the payment of amounts required to be deposited in the Debt Service Funds applicable to the Bonds of the Series for which such pledge was made, pursuant to Section 4.05;

SECOND: To the payment of amounts required to be deposited in the Reserve Fund applicable to the Bonds of the Series for which such pledge was made, pursuant to Section 4.07.

Prior to the application of Pledged Revenues as described in paragraph FIRST and SECOND above, there shall be credited against any such payment any amount (including investment earnings thereon) held in any Debt Service Fund or any Reserve Fund pursuant to a Supplemental Trust Agreement and available for payment of debt service on such Series or Subseries of Bonds from time to time pursuant to the provisions of such Supplemental Trust Agreement.

THIRD: To the payment of debt service on any indebtedness other than Outstanding Bonds, including Subordinated Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of debt service on such indebtedness;

FOURTH: To the payment of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, including Subordinated Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of any such reserve requirement on such indebtedness.

Notwithstanding the provisions of this Trust Agreement, nothing herein shall preclude the City from making the payments described in paragraphs FIRST through FOURTH above from sources other than Pledged Revenues.

Section 4.05. ***Deposits Into and Withdrawals From the Debt Service Funds.*** So long as any of the Bonds are Outstanding, the City shall deposit the Payments with the Trustee for deposit in the Debt Service Funds established in respect of each series of Outstanding Bonds in the following amounts and at the following times: (i) sums in equal fractional parts, for each year so that at least the full amount required to pay each installment of interest on Bonds of that Series, as it becomes due, shall be set aside in that Debt Service Fund by not later than the fifth Business Day prior to the date each installment of interest becomes due, (ii) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due at maturity, the Principal Amount of Bonds of that Series, shall be set aside in that Debt Service Fund by not later than the fifth Business Day prior to the date such principal amount becomes due, and (iii) sums in equal fractional parts for each year so that at least the full amount required

to pay, as it becomes due, the sinking fund installment payment, if any, due with respect to Term Bonds of such Series shall be set aside in that Debt Service Fund by not later than the fifth Business Day prior to the date such sinking fund installment payment becomes due. On any day on which the Trustee receives funds from the Treasurer to be used to pay principal of or interest on Bonds, the Trustee shall deposit such amounts into the respective Debt Service Funds for the Series or Subseries of Bonds for which such payments were made. Notwithstanding any of the foregoing provisions of this paragraph, no amount need be transferred from the Pledged Revenues Fund or otherwise deposited into any Debt Service Fund for any Series or Subseries of Bonds for the payment of principal or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal and/or interest, respectively, coming due on such Bonds on the next succeeding Payment Date.

The City may provide in any Supplemental Trust Agreement that, as to any Series or Subseries of Bonds Outstanding, any amounts required to be transferred to and paid into a Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Debt Service Fund, and in that event any subsequently scheduled monthly transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Trust Agreement, the City may provide that monies in the Redemption Account allocable to sinking fund installment payments of a Series may, at the discretion of the City, be applied to the purchase and cancellation of such Series (at a price not greater than par) prior to notice of redemption of such Series. Such Bonds so delivered or previously redeemed or purchased at the direction of the City shall be credited by the Treasurer at the principal amount thereof to the next scheduled sinking fund installment payments on Bonds of such Series and any excess over the sinking fund installment payment deposit required on that date shall be credited against future sinking fund installment deposits in such manner and order as the City may determine in its discretion, and the scheduled principal amount of the Bonds to be redeemed by operation of such sinking fund installment payments shall be accordingly modified in such manner as the City may determine.

Money set aside and placed in a Debt Service Fund for any Series or Subseries of Bonds shall remain therein until from time to time applied to the payment of debt service and shall not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Debt Service Fund may be temporarily invested as provided in Article VI hereof, but such investment shall not affect the obligation of the City to cause the full amount required by the terms of this Section to be available in a Debt Service Fund at the time required to meet payments of principal of and interest on Bonds of the Series for which it is accumulated. Earnings on such investments may be transferred into the Residual Fund, except that during the continuation of an Event of Default, such earnings shall remain in the Debt Service Funds created under the respective Supplemental Trust Agreements.

Each Debt Service Fund established to pay principal of and interest on any Series or Subseries of Bonds shall be held by the Trustee or any agent of the Trustee, and amounts to be used to pay principal and interest on such Series, as received by the Trustee or its agent, shall be deposited therein and used for such purpose. Accounts and subaccounts shall be created by the Trustee or any agent of the Trustee in the various Debt Service Funds as requested in writing by

the Authorized City Representative and shall be held by the Trustee or such agents as shall be provided by Supplemental Trust Agreement.

The moneys in each Debt Service Fund established for any issue or Series shall be held in trust and applied as provided herein and in the Supplemental Trust Agreement, and pending the application of such amounts in accordance herewith and with the provisions of such Supplemental Trust Agreement shall be subject to a lien on and security interest in favor of the Trustee and the holders of the Outstanding Bonds of such Series.

Section 4.06. ***Withdrawals From Debt Service Funds.*** On or before each Interest Payment Date for any Outstanding Bonds, the Trustee shall pay the Owners of the Bonds of a given Series from amounts available in the appropriate Debt Service Fund or Debt Service Funds, an amount equal to the principal, any premium and interest becoming due on such Series or Subseries of Bonds.

On or before the fifth Business Day preceding a mandatory redemption date from sinking fund installment payments for a Series or Subseries of Bonds, the Trustee shall transfer to the Redemption Account for such Series an amount which, together with amounts on deposit therein and available for such purpose, is sufficient to make the sinking fund installment payment due on such mandatory redemption date. On or before each date on which Term Bonds of a Series are to be mandatorily redeemed from sinking fund installment payments, the Trustee shall pay to the Owners of Bonds of such Series from amounts available in the Redemption Account for such Series, an amount equal to the amount of interest and the principal amount of Term Bonds of such Series to be mandatorily redeemed on such date.

On or before each date on which Bonds of any Series shall otherwise become subject to optional or mandatory redemption (other than from sinking fund installment payments) in accordance with the provisions of any Supplemental Trust Agreement, the Trustee shall pay to the Owners of such Bonds, an amount of interest and principal, and premium, if any, on such Bonds to be mandatorily or optionally redeemed on said date. On the date that is specified in such notice and in accordance with the Supplemental Trust Agreement pursuant to which such Bonds are issued, the City shall have deposited in the Redemption Account for such Series, an amount which, together with amounts on deposit therein and available for such purpose, is sufficient to pay the redemption price of such Bonds on such redemption date. The City may at any time, prior to the Trustee's issuing such notice of redemption to Bondholders as may be required by the Supplemental Trust Agreement under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of Article VII hereof in accordance with the terms of the Bonds or this Trust Agreement, subject to receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations to provide for the payment of such Bonds.

All money remaining in a Debt Service Fund on the final Payment Date, in excess of the amount required to make provision for the payment in full of the interest and/or the principal of

and any premium on the Bonds of the Series for which that Debt Service Fund was established, shall be returned to the City.

The Trustee shall, at least 3 Business Days prior to each Payment Date on any Bond, or as otherwise directed in any Supplemental Trust Agreement, give the City notice by telephone, promptly confirmed in writing, of any additional amount required to be deposited with the Trustee to pay the amount required to be paid on such Payment Date in respect of such Bond, in the event the amount then on deposit in any Debt Service Fund is insufficient to pay the amounts due on any Series or Subseries of Bonds on such Payment Date. With respect to any Series or Subseries of Bonds, the Supplemental Trust Agreement under which such Bonds are issued may provide for different times and methods of notifying the City of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Trust Agreement shall control.

If, on any Payment Date, the Trustee does not have sufficient amounts in the Debt Service Funds (without regard to any amounts which may be available in any Reserve Fund) to pay in full with respect to Bonds of all Series all amounts of principal and/or interest due on such date, the Trustee shall allocate the total amount which is available to make payment on such day (without regard to any amounts in any Reserve Fund) as follows: first to the payment of past due interest on Bonds of any Series, in the order in which such interest came due, then to the payment of past due principal on Bonds of any Series, in the order in which such principal came due, then to the payment of interest then due and payable on the Bonds of each Series due on such Payment Date and, if the amount available shall not be sufficient to pay in full all interest on the Bonds then due, then *pro rata* among the Series according to the amount of interest then due and second to the payment of principal then due on the Bonds and, if the amount available shall not be sufficient to pay in full all principal on the Bonds then due, then *pro rata* among the Series according to the Principal Amount then due on the Bonds.

If amounts held in a Reserve Fund have been used to make payments on the Bonds, then the City shall replenish the Reserve Fund or reimburse the provider of a Reserve Fund Surety Policy from Payments or Pledged Revenues in accordance with the terms of any Supplemental Trust Agreement; provided that (1) no amount of Payments or Pledged Revenues may be used to reimburse any provider until all payments of principal of and interest on all Bonds which have become due and payable shall have been paid in full as provided herein, and (2) the required payments to replenish the Reserve Fund or reimburse the provider of a Reserve Fund Surety Policy shall be due in no less than 12 substantially equal monthly installments commencing in the month following any such withdrawal.

Notwithstanding the foregoing, the City may, by Supplemental Trust Agreement, provide for different provisions and timing of deposits with the Trustee and different methods of paying principal of or interest on Bonds of any Series depending upon the terms of such Series or Subseries of Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Debt Service Fund created for the Series or Subseries of Bonds for which such Credit Facility is provided.

If the cash amount of any Pledged Revenues pledged by any Supplemental Trust Agreement deposited into the Debt Service Fund or accounts therein to pay any Series or Subseries of Bonds secured by said Pledged Revenues is at any time insufficient to make the deposits required to make payments on the Bonds, the City may, at its election, pay to the Trustee funds from any available sources with the direction that such funds be deposited into the Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

Section 4.07. ***Reserve Fund.***

(a)(i) Any Supplemental Trust Agreement providing for the issuance of Bonds may require as a condition of issuance that an amount be deposited in the Reserve Fund for the Series or Subseries of Bonds then issued and that any Reserve Requirement relating to such Series or Subseries of Bonds be maintained so that, together with any Reserve Fund Surety Policy provided pursuant to (b) below, the amount on deposit in the Reserve Fund will be equal to the Reserve Requirement. Any cash to be deposited in the Reserve Fund may be derived from proceeds of Bonds or any other legally available source of funds.

(ii) Unless provided otherwise in any Supplemental Trust Agreement, monies held in any Reserve Fund shall be used for the purpose of paying principal and interest on the Bonds issued under each Supplemental Trust Agreement *pari passu* with all Bonds then Outstanding and all Bonds issued under any Supplemental Trust Agreement thereafter. If, on any principal or interest payment date on any such Bonds, the amounts in the Debt Service Fund for any Bonds available therefor are insufficient to pay in full the amount then due on the Bonds, moneys held in the Reserve Fund shall be used for the payment of principal and interest thereon. If amounts in any Reserve Fund consist of both cash and one or more Reserve Fund Surety Policies, the Trustee shall make any required payments of amounts in the Reserve Fund first from any cash held invested in the Reserve Fund, prior to making a draw upon any of such Reserve Fund Surety Policies. Investments in the Reserve Fund may not have maturities extending beyond ten years.

(iii) Subject to the provisions of subsection (a)(i) above, the Trustee shall annually, prior to March 1 of each year and at such other times as the City shall request, value the Reserve Fund on the basis of the cost thereof, adjusted for any amortization of premium or discount on the investment thereof. For purposes of determining the amount on deposit in the Reserve Fund, any Reserve Fund Surety Policy held by, or the benefit of which is available to, the Trustee as security for the Bonds shall be deemed to be a deposit in the face amount of the Reserve Fund Surety Policy or the stated amount of the Reserve Fund Surety Policy provided, except that, if the amount available under a Reserve Fund Surety Policy has been reduced as a result of a payment having been made thereunder or if as a result of the termination, cancellation or failure of, or default under, such Reserve Fund Surety Policy, such Reserve Fund Surety Policy has not been reinstated or another Reserve Fund Surety Policy has not been provided, then, in valuing the Reserve Fund, the value of such Reserve Fund Surety Policy shall be reduced accordingly. Upon each such valuation, the Trustee shall prepare a written certificate setting forth the Reserve Requirement as of such valuation date and the value of the Reserve Fund and deliver a copy thereof to the City Director of Budget and Finance. If, upon any valuation, the

value of the Reserve Fund exceeds the Reserve Requirement, the excess amount may be withdrawn and paid to the City to be used for any lawful purpose; provided that, if such amounts are used for a purpose other than payment of the Bonds, there shall be delivered to the Trustee with the request for such funds an Opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the Charter. If, upon any valuation of the Reserve Fund, the value is less than the Reserve Requirement, the City shall replenish such amounts within 12 months after the date of such valuation, in accordance with subparagraph (2) of Section 4.06 hereof.

(b) A Reserve Fund Surety Policy shall be acceptable in lieu of a deposit of cash or securities into the Reserve Fund created hereunder, or may be substituted for amounts on deposit in the Reserve Fund, only if at the time of such deposit (i) such Reserve Fund Surety Policy extends to the maturity of the Series or Subseries of Bonds of the longest maturity then Outstanding, or the City has agreed, by Supplemental Trust Agreement, that the City will replace such Reserve Fund Surety Policy prior to its expiration with another Reserve Fund Surety Policy which shall have no adverse effect on the ratings, if any, then in effect on the Bonds, or with cash and (ii) the face amount of the Reserve Fund Surety Policy, together with amounts on deposit in the Reserve Fund, including the face amount of any other Reserve Fund Surety Policy, is at least equal to the Reserve Requirement.

(c) If moneys have been withdrawn from any Reserve Fund or a payment has been made under a Reserve Fund Surety Policy constituting all or a portion of the Reserve Fund, and deposited into the Debt Service Funds to prevent a default on the Bonds, then the Authorized City Representative will pay to the Trustee but only as provided in Section 4.04 of this Trust Agreement, the full amount so withdrawn, together with interest, if any, required under the terms of the Reserve Fund Surety Policy, or so much as shall be required to restore the Reserve Fund to the Reserve Requirement and to pay such interest, if any. Such repayment shall be made in 12 substantially equal monthly installments each due on the first Business Day of the month commencing with the first month after such withdrawal occurs. If such repayment is with respect to a draw under a Reserve Fund Surety Policy, the Trustee shall pay to the provider of such Reserve Fund Surety Policy the amount received by the Trustee from the City which is designated to be used to reimburse the provider of such Reserve Fund Surety Policy. The Trustee shall immediately notify the Paying Agent of such reimbursement, and the amount available to be drawn under the Reserve Fund Surety Policy shall increase by the amount of such reimbursement.

(d) Unless otherwise provided in any Supplemental Trust Agreement, monies in any Reserve Fund shall be invested and reinvested by the Trustee at the written direction of the Authorized City Representative in Permitted Investments.

(e) Unless otherwise provided in any Supplemental Trust Agreement providing for the creation of such Reserve Fund, all money remaining in any Reserve Fund on the final Payment Date, in excess of the amount required to make provision for the payment in full of the interest and/or the principal of the Bonds of the related Series shall be transferred to

the Debt Service Fund and may be used to pay principal and interest on any other Bonds issued under this Trust Agreement.

Section 4.08. ***Residual Fund.*** Following the deposits into the Debt Service Funds set forth above, any moneys remaining in the Debt Service Funds may be paid to the City or may be deposited by the Trustee in the Residual Fund, as specified in a written request of the City, provided all scheduled payments of principal of and interest on any Bonds have been made. Amounts held in the Residual Fund may be used for any Cost or purpose of the Program, as specified in a written request to the Trustee by the City.

Section 4.09. ***Program Fund.*** Each Program Fund established to pay Costs may be held either by the City in the City Treasury or by the Trustee or any agent of the Trustee or in part by the City in the City Treasury and in part by the Trustee or any agent of the Trustee, all as provided by this Trust Agreement, a Supplemental Trust Agreement or Supplemental Trust Agreements. All moneys in each Program Fund shall be held and disbursed as provided in the Supplemental Trust Agreement or Supplemental Trust Agreements under which such fund or funds are created. Notwithstanding this provision, no Program Fund shall be required for a given Series or issuance of Bonds if all of the proceeds thereof (except those deposited into a Reserve Fund, Cost of Issuance Fund or a Debt Service Fund) are spent at the time of issuance of such Series or are used to refund Bonds or otherwise the City determines that there is no need to create a Program Fund for such Series or issue.

Section 4.10. ***Cost of Issuance Fund.*** The City may establish accounts and subaccounts within the Cost of Issuance Fund by Supplemental Trust Agreement to provide for the payment of Costs of Issuance relating to any Series or issue of Bonds and may specify in said Supplemental Trust Agreement the various Costs of Issuance to be paid for out of said account. Unless otherwise provided for in said Supplemental Trust Agreement, any amount remaining in any such account or subaccount six months after the date of issuance of the Series or Subseries of Bonds whose Costs of Issuance are payable from said account or subaccount shall be transferred to the Debt Service Fund or subaccount therein relating to said Series or issue of Bonds and shall be used to pay principal or interest on said Bonds on the next Interest Payment Date.

Section 4.11.. ***Moneys Held in Trust for Matured Bonds; Unclaimed Moneys.*** All moneys which shall have been withdrawn from a Debt Service Fund and set aside or deposited with a Paying Agent for the purpose of paying any of the Bonds, either at the maturity thereof or upon call for redemption, or which are set aside by the Trustee for such purposes and for which Bonds the maturity date or redemption date shall have occurred, shall be held in trust for the respective holders of such Bonds. But any moneys which shall be so set aside or deposited and which shall remain unclaimed by the holders of such Bonds for a period of one (1) year after the date on which such Bonds shall have become due and payable (or such longer period as shall be required by state law) shall be paid to the City, and thereafter the holders of such Bonds shall look only to the City for payment and the City shall be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and neither the Trustee nor any Paying Agent shall have any responsibility with respect to any of such moneys.

Section 4.12. ***Parity Pledge; Additional Security.*** The pledge of Pledged Revenues and the other security provided in the Granting Clauses hereof, secure all Bonds issued under the terms of this Trust Agreement on an equal and ratable basis, except as to the timing of payments on the Bonds. The City may, however, in its discretion, provide additional security or credit enhancement for specified Bonds or Series or Subseries of Bonds with no obligation to provide such additional security or credit enhancement to other Bonds.

Section 4.13. ***Additional Funds and Accounts.*** The City may, in its discretion, create additional funds and accounts for a particular Series or Subseries of Bonds pursuant to the terms of a Supplemental Trust Agreement.

ARTICLE V

COVENANTS OF THE CITY

Section 5.01. ***Payment of Principal and Interest.*** The City covenants and agrees that it will duly and punctually pay or cause to be paid from the Payments and any Pledged Revenues, pledged pursuant to any Supplemental Trust Agreements, and to the extent thereof the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner herein, in the Supplemental Trust Agreements and in the Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements herein and in the Bonds contained, provided that the City's obligation to make payment of the principal of, premium, if any, and interest on the Bonds shall be limited to payment from the Payments and any Pledged Revenues, the funds and accounts pledged therefor in the Granting Clauses of this Trust Agreement and any other source which the City may specifically provide for such purpose, and, except to enforce the City's obligations with respect to the Tax Override Revenues set forth in Section 5.07(a) hereof, no Bondholder shall have any right to enforce payment from any particular source of funds of the City.

Section 5.02. ***Performance of Covenants by City; Authority; Due Execution.*** The City covenants that it will faithfully perform at all times any and all covenants and agreements contained in this Trust Agreement, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The City covenants that it is duly authorized under the Constitution and laws of the State and the Charter to issue the Bonds and to apply the Tax Override Revenues and other legally available moneys of the City to pay principal of and interest on, and any redemption price of the Bonds.

Section 5.03. ***Senior Lien Obligations Prohibited.*** The City hereby agrees that so long as any Bonds are Outstanding under this Trust Agreement, it (i) will not adopt any official action determining that Payments or any Pledged Revenues be used to pay general obligation bonds or other indebtedness or liabilities payable from the general revenues of the City on a senior lien basis, and (ii) will not issue any additional bonds or other obligations with a lien on or security interest granted in Pledged Revenues which is senior to the Bonds.

Section 5.04. ***No Inconsistent Contract Provisions.*** The City covenants that no contract or contracts will be entered into or any action taken by the City which shall be inconsistent with the provisions of this Trust Agreement. The City covenants that it will not take any action which, in the City's judgment at the time of such action, will substantially impair or materially adversely affect the rights of the holders of the Bonds. The City shall be unconditionally and irrevocably obligated, so long as any of the Bonds are Outstanding and unpaid, to take all lawful action necessary or required to pay the principal of and interest on the Bonds and to make the other payments provided for herein.

Section 5.05. ***Subordinated Obligations.*** The City may, from time to time, incur indebtedness which is subordinate to the Bonds and which indebtedness is, in this Trust

Agreement, referred to as Subordinated Obligations. Such indebtedness shall be incurred at such times and upon such terms as the City shall determine, provided that:

(1) Any Supplemental Trust Agreement authorizing the issuance of any Subordinate Obligations shall specifically state that such lien on or security interest granted in the Pledged Revenues is junior and subordinate to the lien on and security interest in such Pledged Revenues and other assets granted to secure the Bonds; and

(2) Payment of principal of and interest on such Subordinated Obligations shall be permitted, provided that all deposits required to be made to the Trustee to be used to pay debt service on the Bonds or to replenish any Reserve Fund are then current in accordance with Section 4.04 of this Trust Agreement.

Section 5.06. ***Maintenance of Powers.*** The City covenants that it will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to the Charter and all other laws and that it will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to delay either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants herein contained. The City shall not permit any modification of the City Charter which would materially adversely affect the levy or collection of the Tax Override Revenues or the application thereof to the Bonds (except that any amendment extending the date as of which the accrued unfunded pension liability shall be amortized by the City shall be permitted.)

Section 5.07. ***Tax Override Levy; Collection and Application of Tax Override Revenues.*** (a) The City covenants that, so long as any Bonds are outstanding under this Trust Agreement, the City shall levy the Tax Override (up to the maximum tax permitted by law) in each Fiscal Year, whether or not the accrued unfunded actuarial liability of the City to the System is amortized prior to the final maturity of any Bond issued pursuant hereto, in an amount that the City expects will be sufficient, when aggregated with the other amounts legally available to the City and on hand, and amounts budgeted by the City in such Fiscal Year and expected to be available, to pay principal of and interest on and the redemption price of the Bonds. The City pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the City in and to the Tax Override Revenues levied and collected in each Fiscal Year to secure the payment of principal of and interest on and the redemption price of Bonds due and payable in such year, and provides that such lien and security interest shall be prior in right to any other pledge, lien or security interest created by the City in the Tax Override Revenues as and to the extent herein provided. The City covenants that the Tax Override Revenues levied and collected in each Fiscal Year shall be pledged and applied to pay principal of and interest on and the redemption price of the Bonds in such Fiscal Year, and to the extent that, commencing on June 30, 1998 and on June 30 of each Fiscal Year thereafter during the term of any Bonds Outstanding hereunder, any surplus amount of Tax Override Revenues remaining on deposit in the Pledged Revenues Fund after payment of all principal of and interest on and the redemption price of the Bonds during such Fiscal Year may be applied on and after July 1 of the next succeeding Fiscal Year for any lawful purpose of the City, at the written direction of the City to the Trustee. The Tax Override Revenues may not be applied to pay principal and interest

and the redemption price, if any, of Bonds issued to pay obligations of the City to the System other than Bonds or other obligations or liabilities issued or incurred to pay all or a portion of the accrued actuarial unfunded liability of the City to the System.

(b) The City covenants that it will keep and provide accurate books and records of account showing all Tax Override Revenues received by the City and all expenditures of the City relating to such Tax Override Revenues and that it will keep or cause to be kept accurate books and records of account showing all accounts and funds provided for in this Trust Agreement which are or shall be in the control or custody of the City; and that all such books and records shall be open upon reasonable notice during business hours to the Trustee and to the Owners of not less than ten percent (10%) of the Principal Amount of Bonds then Outstanding, or their representatives duly authorized in writing. Within 180 days after the close of each Fiscal Year, so long as any of the Bonds remain Outstanding, the City will prepare and file with the Trustee audited financial statements including a statement of the income and expenses for such Fiscal Year and a balance sheet prepared as of the close of such Fiscal Year for the City all accompanied by a certificate or opinion in writing of an independent certified public accountant of recognized standing, selected by the City and acceptable to the Trustee, which opinion shall include a statement that said financial statements present fairly in all material respects the financial position of the City and are prepared in accordance with generally accepted accounting principles.

Section 5.08. ***Budget and Appropriation.*** The City covenants to take such action as may be necessary to include all Payments (to the extent such Payments are known to the City at the time its annual budget is proposed) due hereunder in its annual budget and to make the necessary annual appropriations therefor, and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. The City shall comply with Section 806 of the City Charter or any successor provisions of the Charter relating to appropriations of the City Council in connection therewith. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the ministerial duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Trust Agreement agreed to be carried out and performed by the City. The City will not assign or pledge the Tax Override Revenues or other amounts under this Trust Agreement except as provided under the terms of this Trust Agreement.

Section 5.09. ***Covenants of City Binding on City and Successors.*** All covenants, stipulations, obligations and agreements of the City contained in this Trust Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law. If the powers or duties of the City shall hereafter be transferred by amendment of the Charter or a new Charter or any provision of the Constitution or any other law of the State or in any other manner there shall be a successor to the City, and if such transfer shall relate to any matter or thing permitted or required to be done under this Trust Agreement by the City, then the entity that shall succeed to such powers or duties of the City shall act and be obligated in the place and stead of the City as in this Trust Agreement provided, and all such

covenants, stipulations, obligations and agreements shall be binding upon the successor or successors thereof from time to time and upon any officer, City Council, body or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

Except as otherwise provided in this Trust Agreement, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of this Trust Agreement shall be exercised or performed by the City or by such officers, City Council, body or commission as may be permitted by law to exercise such powers or to perform such duties.

Section 5.10. ***Instruments of Further Assurance.*** The City covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Trust Agreements, and such further acts, instruments and transfers as the Trustee may reasonably request for the better assuring and confirming to the Trustee all and singular the rights and obligations of the City under and pursuant to this Trust Agreement and the security intended to be conferred hereby to secure the Bonds.

Section 5.11. ***Trust Agreement To Constitute a Contract.*** This Trust Agreement, including all Supplemental Trust Agreements, is executed by the City for the benefit of the Bondholders and constitutes a contract with the Trustee for the benefit of the Bondholders.

ARTICLE VI

INVESTMENTS

Monies held by the Trustee in the funds and accounts created herein and under any Supplemental Trust Agreement shall be invested and reinvested as directed in writing by the City in Permitted Investments subject to the restrictions set forth in this Trust Agreement and such Supplemental Trust Agreement creating any such fund or account and subject to the investment restrictions imposed upon the City by the Charter and the laws of the State. The City shall direct such investments by written certificate of an Authorized City Representative or by telephone instruction followed by prompt written confirmation by an Authorized City Representative. Any monies held in any fund or account which have been paid to or constructively received by the System shall be subject to such investment restrictions imposed by the Charter relating to the System, as such restrictions may be modified or amended from time to time. In making any investment, the Trustee may conclusively rely on the written direction of an Authorized City Representative. The Trustee shall not be liable for any losses on investments made in accordance with the terms and provisions of this Trust Agreement, except where such losses result from the negligence or willful misconduct of the Trustee.

ARTICLE VII

DEFEASANCE

Bonds or portions thereof (such portions to be in integral multiples of the Authorized Denominational Amount) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of this Trust Agreement except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purpose. When all Bonds which have been issued under this Trust Agreement have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder by the City, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to any Pledged Revenues and any other assets pledged to secure the Bonds hereunder shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release this Trust Agreement, shall execute, acknowledge and deliver to the City such instruments as shall be requisite to evidence such cancellation, discharge and release and shall assign and deliver to the City any property and revenues at the time subject to this Trust Agreement or any Supplemental Trust Agreement applicable thereto which may then be in the Trustee's possession, except funds or securities in which such funds are invested and are held by the Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond shall be deemed to be paid within the meaning of this Article VII and for all purposes of this Trust Agreement when payment of the principal, interest and premium, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Bonds and this Trust Agreement or (b) shall have been provided for by depositing with the Trustee in trust and setting aside exclusively for such payment: (i) moneys sufficient to make such payment, and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Bonds shall be deemed to be paid hereunder, such Bonds shall no longer be secured by or entitled to the benefits of this Trust Agreement, except for the purposes of payment from such moneys or Government Obligations.

Any deposit under clause (b) of the foregoing paragraph shall be deemed a payment of such Bonds. Once such deposit shall have been made, the Trustee shall notify all holders of the affected Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article VII. No notice of redemption shall be required at the time of such defeasance or prior to such date as may be required by the Supplemental Trust Agreement under which such Bonds were issued. Notwithstanding anything in Article VII herein to the contrary, monies from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the City so long as the requirements above are met prior to or concurrently with any such withdrawal.

In connection with the redemption or defeasance, or partial redemption or defeasance of Bonds, the City may permit, or cause to be assigned to Bonds of a single maturity, multiple CUSIP numbers. Neither the City nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond, Note, check advice of payment or redemption notice, and any such document may contain a statement to the effect the CUSIP numbers have

been assigned by an independent service for convenience of reference and that neither the City shall be liable for any inaccuracy in such numbers.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. ***Events of Default.*** Each of the following events shall constitute and is referred to in this Trust Agreement as an "Event of Default":

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable;

(c) a failure to pay the purchase price of any Bond when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in the Supplemental Trust Agreement;

(d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this Section 8.01) that is to be observed or performed by the City and which is contained in this Trust Agreement or a Supplemental Trust Agreement, which failure shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the City by the Trustee, which notice may be given at the discretion of the Trustee and shall be given at the written request of holders of 25% or more of the Principal Amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and holders of Bonds in a Principal Amount not less than the Principal Amount of Bonds the holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the City within such period and is being diligently pursued;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the City and, if instituted against the City, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Trust Agreement.

If, on any date on which payment of principal of or interest on the Bonds is due to Bondholders, sufficient moneys are not available to make such payment, irrespective of any previous notices which may have been given, the Trustee shall give telephone notice of such insufficiency to the City.

Section 8.02. ***Remedies.***

(a) Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the City to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Charter or any other law to which it is subject and this Trust Agreement, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of this Trust Agreement;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Trustee shall be under no obligation to take any action with respect to and shall not be deemed to have notice of an Event of Default or of any event or conditions which, with the giving of notice, the passage of time, or both, might constitute an Event of Default unless (i) the Trustee has received written notice thereof from the City, any Credit Provider, or any Holder or (ii) a Responsible Officer of the Trustee shall have actual knowledge thereof. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein, or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder.

Section 8.03. ***Restoration to Former Position.*** In the event that any proceeding taken by the Trustee to enforce any right under this Trust Agreement shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the City, the Trustee, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 8.04. ***Bondholders' Right To Direct Proceedings.*** Anything in this Trust Agreement to the contrary notwithstanding, holders of a majority in Principal Amount of the Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under this Trust Agreement to be taken in connection with the enforcement of the terms of this Trust Agreement or exercising any trust or power conferred on the Trustee by this Trust Agreement; provided that such direction shall not be otherwise than in accordance with the provisions of law and the Trust Agreement and that there shall have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Section 8.05. ***Limitation on Right To Institute Proceedings.*** No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on such Bonds, unless such Bondholder or Bondholders previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 25% or more of the Principal Amount of the Bonds then Outstanding shall have made written request of the Trustee to do so, after the right to institute such suit, action or proceeding under Section 8.02 hereof shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Trust Agreement, or to enforce any right hereunder or under the Bonds, except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Bondholders.

Section 8.06. ***No Impairment of Right To Enforce Payment.*** Notwithstanding any other provision in this Trust Agreement, the right of any Bondholder to receive payment of the principal of and interest on such Bond or the purchase price thereof, on or after the respective due dates expressed therein and to the extent of the Pledged Revenues and other security provided for the Bonds, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Bondholder.

Section 8.07. ***Proceedings by Trustee Without Possession of Bonds.*** All rights of action under this Trust Agreement or under any of the Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Bondholders, subject to the provisions of this Trust Agreement.

Section 8.08. ***No Remedy Exclusive.*** No remedy herein conferred upon or reserved to the Trustee or to Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute. The Trustee and the Bondholders shall have the right to pursue any other or additional remedies permitted by law, provided, however, that any conditions set forth herein to the taking of any remedy to enforce the provisions of this Trust Agreement or the Bonds shall also be conditions to seeking any additional or other remedies.

Section 8.09. ***No Waiver of Remedies.*** No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article VIII to the Trustee and to the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 8.10. ***Acceleration; Application of Moneys.*** The provisions of any Supplemental Trust Agreement may provide for Bonds of any Series to be subject to acceleration; provided that no Bonds shall be subject to acceleration unless expressly so provided in the Supplemental Trust Agreement relating to such Series or Subseries of Bonds. Any moneys received by the Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of this Article VIII (which shall not include moneys provided through a Credit Facility, which moneys shall be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee (including attorneys' fees), shall be applied as follows:

(a) Unless the principal of all the Bonds subject to acceleration shall have been declared due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Trust Agreement, as the case may be, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds which shall have become due with interest on such Bonds at such rate as provided in a Supplemental Trust Agreement from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Bonds on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Bonds subject to acceleration shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or interest over principal, or of

any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds subject to acceleration shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 8.02(b) and Section 8.03 hereof, then, subject to the provisions of clause (b) of this Section 8.10 which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of clause (a) of this Section 8.10.

Whenever moneys are to be applied pursuant to the provisions of this Section 8.10, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Bondholders and shall not be required to make payment to any Bondholder until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 8.11. ***Severability of Remedies.*** It is the purpose and intention of this Article VIII to provide rights and remedies to the Trustee and the Bondholders, which may be lawfully granted under the provisions of the Charter and other applicable law, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled, as above set forth, to every other right and remedy provided in this Trust Agreement or by applicable law.

Section 8.12. ***Additional Events of Default and Remedies.*** So long as any particular Series or Subseries of Bonds is Outstanding, the remedies as set forth in this Article VIII may be supplemented with additional remedies as set forth in the Supplemental Trust Agreement under which such Series or Subseries of Bonds is issued.

ARTICLE IX

TRUSTEE, PAYING AGENT AND CO-PAYING AGENTS; REGISTRAR

Section 9.01. ***Acceptance of Trusts.*** The Trustee hereby accepts and agrees to execute the trusts specifically imposed upon it by this Trust Agreement, but only upon the additional terms set forth in this Article IX, to all of which the City agrees and the respective Bondholders agree by their acceptance of delivery of any of the Bonds.

Section 9.02. ***Duties of Trustee.***

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default, the Trustee shall perform only the duties specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trustee.

(c) Except during the continuance of an Event of Default, in the absence of any bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Trust Agreement. However, the Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of this Trust Agreement.

(d) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) paragraphs (b) and (c) above shall be applicable in accordance with their terms;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the City in the manner provided in this Trust Agreement.

(e) The Trustee shall not, by any provision of this Trust Agreement, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the holders of the Bonds, unless such holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) Every provision of this Trust Agreement that in any way relates to the Trustee is subject to all the paragraphs of this Section.

Section 9.03. ***Rights of Trustee.*** Subject to the foregoing Section, the Trustee shall be protected and shall incur no liability in acting or proceeding upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall believe to be genuine and to have been passed by the City Council or signed by the proper Authorized City Representative or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may, in its discretion, make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation it shall be entitled to examine the books, records and premises of the City personally or by agent or attorney.

Before the Trustee acts or refrains from acting, it may require a certificate of the City signed by an Authorized City Representative or an opinion of counsel, or both and the Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion of counsel.

The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

Unless otherwise specifically provided in the Trust Agreement, any demand, request, direction or notice from the City shall be sufficient of signed by an Authorized City Representative. The permissive rights of the Trustee to do thing enumerated in this Trust Agreement shall not be construed as a duty unless so specified herein.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the City.

The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in good faith in accordance therewith.

Section 9.04. ***Individual Rights of Trustee.*** The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the City with the same rights it would have if it were not Trustee. Any paying agent or other agent may do the same with like rights.

Section 9.05. ***Trustee's Disclaimer.*** The Trustee shall not be accountable for the City's use of the proceeds from the Bonds paid to the City and it shall not be responsible for any statement in the Bonds other than its certificate of authentication.

Section 9.06. ***Notice of Defaults.*** If (i) an Event of Default has occurred or (ii) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of

Default and, with respect to such events for which notice to the City is required before such events will become Events of Default, then the Trustee shall promptly, after obtaining actual notice of such Event of Default or event described in (ii) of the first sentence of this Section, give notice thereof to the City.

Section 9.07. ***Compensation of Trustee.*** For acting under this Trust Agreement, the Trustee shall be entitled to payment of fees for its services, including extraordinary services such as default administration, and reimbursement of advances, counsel fees, expenses and disbursements of its agents and other expenses reasonably and necessarily made or incurred by the Trustee in connection with its services, including securities transactions and related charges, under this Trust Agreement, in accordance with a contract setting forth such terms and conditions which have been approved by the City, however with respect to securities transaction charges, only to the extent that such charges have not been waived by the Trustee due to its receipt of compensation with respect to certain Permitted Investments. When the Trustee incurs expenses or renders services after the occurrence of any Event of Default specified in Article VIII, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy law. The City agrees to indemnify and hold the Trustee harmless against liabilities, not arising from the Trustee's own negligence or willful misconduct which the Trustee may incur in the exercise and performance of its rights and obligations hereunder including but not limited to reasonable costs and expenses (including reasonable attorneys' fees and disbursements) of defending itself against any claim or liability in connection with the exercise or performance of any its powers hereunder. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee and to the Paying Agent and Registrar. Such obligation shall survive the discharge of this Trust Agreement and the resignation or removal of the Trustee.

Section 9.08. ***Eligibility of Trustee.*** This Trust Agreement shall always have a Trustee that is a trust company or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition.

Subject to the qualifications set forth in this Section, the Trustee may appoint an additional institution as a separate trustee or co-trustee. If the Trustee appoints an additional institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, duty, obligation, title, interest and lien expressed or intended by this Trust Agreement to be exercised by, vested in or conveyed by the Trustee with respect thereto shall be exercisable by, vested in and conveyed to such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary for the exercise thereby by such separate trustee or co-trustee shall run to and be enforceable by either of them. Should any instrument in writing from the City be required by the separate trustee or co-trustee so appointed by the Trustee for more fully vesting in and confirming to them such properties,

rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City. If any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting or not qualified to act, resign or be removed, all the estate, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such separate trustee or co-trustee. The appointment of any separate trustee or co-trustee shall be subject to written approval of the City so long as no Event of Default has occurred and is continuing under this Trust Agreement.

Section 9.09. ***Replacement of Trustee.*** The Trustee may resign by notifying the City in writing at least 60 days prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the Bonds may remove the Trustee by notifying the removed Trustee at least 60 days prior to the proposed effective date of removal and may appoint a successor Trustee with the City's consent. The City may remove the Trustee, by notice in writing delivered to the Trustee 60 days prior to the proposed removal date; provided, however, that the City shall have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Trustee under this Section shall be effective until a new Trustee has taken office and delivered a written acceptance of its appointment to the retiring Trustee and to the City. Immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall then (but only then) become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Trust Agreement.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under this Trust Agreement, the City shall promptly appoint a successor Trustee.

If a Trustee is not performing its duties hereunder and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the City or the Bondholders deliver notice of removal, the retiring Trustee, the City or the holders of a majority in Principal Amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 9.10. ***Successor Trustee or Agent by Merger.*** If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in this Trust Agreement, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee, Paying Agent or Registrar.

Section 9.11. ***Paying Agent.*** The Trustee is hereby appointed to serve as the initial Paying Agent for the Bonds. The City may at any time or from time to time appoint an additional Paying Agent or Paying Agents for the Bonds or for any Series or Subseries of Bonds,

and each Paying Agent, if other than the Trustee, shall designate to the City and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder or under a Supplemental Trust Agreement by a written instrument of acceptance delivered to the City under which each such Paying Agent will agree, particularly:

(a) to hold all sums held by it for the payment of the principal of, premium or interest on Bonds in trust for the benefit of the Bondholders until such sums shall be paid to such Bondholders or otherwise disposed of as herein provided;

(b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the City and the Trustee on each Business Day during reasonable business hours; and

(c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by such Paying Agent.

Section 9.12. ***Registrar.*** The Trustee is hereby appointed the initial Registrar for the Bonds. The City may appoint another or additional Registrar or Registrars for any Series or Subseries of Bonds and may from time to time remove a Registrar and name a replacement. Each Registrar, if other than the Trustee, shall designate to the Trustee, the Paying Agent, and the City its principal office and signify its acceptance of the duties imposed upon it hereunder or under a Supplemental Trust Agreement by a written instrument of acceptance delivered to the City and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City, the Trustee, and the Paying Agent on each Business Day during reasonable business hours.

Section 9.13. ***Other Agents.*** The City, or the Trustee with the consent of the City, may from time to time appoint other agents as may be appropriate at the time to perform duties and obligations under this Trust Agreement or under a Supplemental Trust Agreement all as provided by Supplemental Trust Agreement or resolution of the City.

Section 9.14. ***Several Capacities.*** Anything in this Trust Agreement to the contrary notwithstanding, with the consent of the City, the same entity may serve hereunder as the Trustee, Paying Agent, Registrar and any other agent as appointed to perform duties or obligations under this Trust Agreement, under a Supplemental Trust Agreement or an escrow agreement, or in any combination of such capacities, to the extent permitted by law.

Section 9.15. ***Accounting Records and Reports of the Trustee.***

(a) The Trustee shall at all times keep, or cause to be kept, proper records in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established pursuant to this Trust Agreement. Such records shall be available for inspection by the City on each Business Day during reasonable

business hours and upon reasonable notice and by any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

(b) The Trustee shall provide to the City each month a report of any Bond proceeds received during that month, if any, and the amounts deposited into each fund and account held under this Trust Agreement and the amount disbursed from such funds and accounts, the earnings thereon, the ending balance in each of such funds and accounts and the investments of each such fund and account.

(c) The Trustee shall annually, within a reasonable period after the end of the Fiscal Year, furnish to the City and to each Bondholder who shall have filed his name and address with the Trustee for such purpose (at such Bondholder's cost) a statement (which need not be audited) covering receipts, disbursements, allocation and application of Bond proceeds, Payments, Pledged Revenues and any other moneys in any of the funds and accounts established pursuant to this Trust Agreement or any Supplemental Trust Agreement for the preceding year.

ARTICLE X

EXECUTION OF SUPPLEMENTAL TRUST AGREEMENTS; MODIFICATION OF THIS TRUST AGREEMENT

Section 10.01. ***Limitations.*** This Trust Agreement shall not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions of this Article X.

Section 10.02. ***Supplemental Trust Agreements Not Requiring Consent of Bondholders.*** The City may, from time to time and at any time, without the consent of or notice to the Bondholders, authorize and (along with the Trustee) execute and deliver Supplemental Trust Agreements supplementing and/or amending this Trust Agreement or any Supplemental Trust Agreement as follows:

(a) to provide for the issuance of a Series or multiple Series or Subseries of Bonds under the provisions of Section 2.09 or Section 2.10 of this Trust Agreement and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, this Trust Agreement or any Supplemental Trust Agreement, or to conform this Trust Agreement or any Supplemental Trust Agreement to the requirements of law, provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the City in this Trust Agreement or any Supplemental Trust Agreement other covenants and agreements, or to surrender any right or power reserved or conferred upon the City, provided such supplement or amendment shall not adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the Pledged Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the City provided pursuant to this Trust Agreement or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series or Subseries of Bonds if such changes are authorized by the Supplemental Trust Agreement at the time the Series or Subseries of Bonds is issued and such change is made in accordance with the terms of such Supplemental Trust Agreement;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(g) to modify, alter, amend or supplement this Trust Agreement or any Supplemental Trust Agreement in any other respect which is not materially adverse to the Bondholders;

(h) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(i) to qualify the Bonds or a Series or Subseries of Bonds for a rating or ratings by Moody's, S&P or Fitch;

(j) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the City from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series or Subseries of Bonds;

(l) if so determined by the City, to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to cause the interest on any Series or Subseries of Bonds to be excluded from gross income for purposes of federal income taxation, including, without limitation, the segregation of moneys held hereunder into different funds and the creation of a Rebate Fund.

Before the City shall, pursuant to this Section 10.02, execute any Supplemental Trust Agreement, there shall have been delivered to the City an opinion of Bond Counsel to the effect that such Supplemental Trust Agreement is authorized or permitted by this Trust Agreement, the Charter and other applicable law, complies with their respective terms, and will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms. If any Series or Subseries of Bonds shall have been issued and be outstanding the interest on which is excluded from gross income for federal income tax purposes, such opinion shall either state that such Supplemental Trust Agreement shall have no effect on such Series or Subseries of Bonds or, alternatively, that such Supplemental Trust Agreement will not cause interest on any such Series of the Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Section 10.03. ***Supplemental Trust Agreement Requiring Consent of Bondholders.***

(a) Except for any Supplemental Trust Agreement entered into pursuant to Section 10.02 and any Supplemental Trust Agreement entered into pursuant to Section 10.03(b) below, subject to the terms and provisions contained in this Section 10.03 and not otherwise, the holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the City of any

Supplemental Trust Agreement deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Trust Agreement or in a Supplemental Trust Agreement; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series or Subseries of Bonds and the following subsection (b) is applicable, nothing herein contained shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing herein contained, including the provisions of Section 10.03(b) below, shall, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by this Trust Agreement) upon or pledge of the Pledged Revenues created by this Trust Agreement, ranking prior to or on a parity with the claim created by this Trust Agreement, (iv) except with respect to additional security which may be provided for a particular Series or Subseries of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to the security granted therefor under the Granting Clauses hereof, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Trust Agreement. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Trust Agreement as authorized in Section 10.02, including the granting, for the benefit of particular Series or Subseries of Bonds, security in addition to the pledge of the Pledged Revenues.

(b) The City may, from time to time and at any time, execute a Supplemental Trust Agreement which amends the provisions of an earlier Supplemental Trust Agreement under which a Series or multiple Series or Subseries of Bonds were issued. If such Supplemental Trust Agreement is executed for one of the purposes set forth in Section 10.02, no notice to or consent of the Bondholders shall be required. If such Supplemental Trust Agreement contains provisions which affect the rights and interests of less than all Series or Subseries of Bonds Outstanding and Section 10.02 is not applicable, then this subsection (b) rather than subsection (a) above shall control and, subject to the terms and provisions contained in this Section 10.03(b) and not otherwise, the holders of not less than 51% in aggregate Principal Amount of the Bonds of all Series which are affected by such changes shall have the right from time to time to consent to any Supplemental Trust Agreement deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Trust Agreement and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series then Outstanding, nothing herein contained shall permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Trust Agreement as authorized in Section 10.02, including the granting, for the benefit of particular Series or Subseries of Bonds, of security in addition to any pledge of Pledged Revenues.

(c) If at any time the City shall desire to enter into any Supplemental Trust Agreement for any of the purposes of this Section 10.03, the City shall cause notice of the proposed execution of the Supplemental Trust Agreement to be given by mail to all Bondholders or, under Section 10.03(b), all Bondholders of the affected Series. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that a copy thereof is on file at the office of the City for inspection by all Bondholders and it shall not be required that the Bondholders approve the final form of such Supplemental Trust Agreement but it shall be sufficient if such Bondholders approve the substance thereof.

(d) The City may execute and deliver such Supplemental Trust Agreement in substantially the form described in such notice, but only if there shall have first been delivered to the City (i) the required consents, in writing, of Bondholders and (ii) the opinion of Bond Counsel required by the last paragraph of Section 10.02.

(e) If Bondholders of not less than the percentage of Bonds required by this Section 10.03 shall have consented to and approved the execution and delivery thereof as herein provided, no Bondholders shall have any right to object to the adoption of such Supplemental Trust Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the City from executing the same or from taking any action pursuant to the provisions thereof.

Section 10.04. ***Effect of Supplemental Trust Agreement.*** Upon execution and delivery of any Supplemental Trust Agreement pursuant to the provisions of this Article X, this Trust Agreement or the Supplemental Trust Agreement shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Trust Agreement and the Supplemental Trust Agreement of the City, the Trustee, the Paying Agent and all Bondholders shall thereafter be determined, exercised and enforced under this Trust Agreement and the Supplemental Trust Agreement, if applicable, subject in all respects to such modifications and amendments.

Section 10.05. ***Supplemental Trust Agreements To Be Part of This Trust Agreement.*** Any Supplemental Trust Agreement adopted in accordance with the provisions of this Article X shall thereafter form a part of this Trust Agreement or the Supplemental Trust Agreement which they supplement or amend, and all of the terms and conditions contained in any such Supplemental Trust Agreement as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Trust Agreement or the Supplemental Trust Agreement which they supplement or amend for any and all purposes.

Section 10.06. ***Trustee to Receive Opinion of Counsel.*** Before entering into any Supplemental Trust Agreement, the Trustee shall be entitled to request and shall be fully protected in relying upon an opinion of counsel or an opinion of bond counsel, in each case acceptable in form and substance to the Trustee, as conclusive evidence that such Supplemental Trust Agreement is authorized or permitted by this Trust Agreement, the Charter and other

applicable law, complies with their respective terms, and will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms. The Trustee may, but need not, sign any Supplemental Trust Agreement if the amendment adversely affects the rights, duties, liabilities or immunities of the Trustee.

ARTICLE XI

CREDIT PROVIDERS

If a Credit Facility is provided for a Series or Subseries of Bonds or for specific Bonds, the City may in the Supplemental Trust Agreement under which such Bonds are issued, provide any or all of the following rights to the Credit Provider as the City shall deem to be appropriate:

(1) the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings all as provided in Article VIII of this Trust Agreement to the same extent and in place of the owners of the Bonds which are secured by the Credit Facility and for such purposes the Credit Provider shall be deemed to be the Bondholder of such Bonds; and

(2) the right to act in place of the owners of the Bonds which are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee under Article IX hereof.

The rights granted to any such Credit Provider, with respect to the provisions of Articles VIII and IX hereof shall be disregarded and be of no effect if the Credit Provider is in default of its payment obligations under its Credit Facility.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01. ***Parties in Interest.*** Except as herein otherwise specifically provided, nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the City, the Trustee, the Paying Agent, other agents from time to time hereunder, the Bondholders and, to the limited extent provided by Supplemental Trust Agreement, the Credit Providers any right, remedy or claim under or by reason of this Trust Agreement, this Trust Agreement being intended to be for the sole and exclusive benefit of the City, the Trustee, the Paying Agent, such other agents, the Bondholders and, to the limited extent provided in the applicable Supplemental Trust Agreement, the Credit Providers.

Section 12.02. ***Severability.*** In case any one or more of the provisions of this Trust Agreement, or of any Bonds issued hereunder shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Trust Agreement or of Bonds, and this Trust Agreement and any Bonds issued hereunder shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

Section 12.03. ***No Personal Liability of City Council Members and Officials.*** No covenant or agreement contained in the Bonds or in this Trust Agreement shall be deemed to be the covenant or agreement of any present or future City Council member, official, officer, agent or employee of the City, in his individual capacity, and neither the members of the City Council, the officers and employees of the City, nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 12.04. ***Execution of Instruments; Proof of Ownership.*** Any request, direction, consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Bondholders or on their behalf by an attorney-in-fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by an agent or attorney-in-fact appointed by an instrument in writing or as provided in the Bonds. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 2.04 hereof.

Nothing contained in this Section 12.04 shall be construed as limiting the Trustee to such proof. The Trustee may accept any other evidence of matters herein stated which it may deem sufficient. Any request, consent of, or assignment by any Bondholder shall bind every future Bondholder of the same Bonds or any Bonds issued in lieu thereof in respect of anything done by the Trustee or the City in pursuance of such request or consent.

Section 12.05. ***Governing Law.*** The laws of the State shall govern the construction and enforcement of this Trust Agreement and of all Bonds issued hereunder.

Section 12.06. ***Notices.*** Except as otherwise provided in this Trust Agreement, all notices, certificates, requests, requisitions or other communications by the City, the Trustee, the Paying Agent, the Registrar, other agents or a Credit Provider, pursuant to this Trust Agreement shall be in writing and shall be sufficiently given and shall be deemed given when sent by mail or delivery or by Electronic Notice (with a signature by an employee of the City upon receipt thereof), addressed as follows: if the City, to the City of Oakland, Attention: Director of Budget and Finance: One City Hall Plaza, 10th floor, Oakland, California 94612; if to the Trustee, to Texas Commerce Bank National Association, Attention: Corporate Trust Department; Global Trust Services, Tax Exempt Administration, 600 Travis Street, Suite 1150, Houston Texas

77002; if to a Paying Agent, or another agent, to such address as is designated in writing by it to the Trustee and the City. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent hereunder.

Section 12.07. ***Holidays.*** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Agreement, shall not be a Business Day, such payment may, unless otherwise provided in this Trust Agreement or, with respect to any Series or Subseries of Bonds or portion of Series or Subseries of Bonds, provided in the Supplemental Trust Agreement under which such Bonds are issued, be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Trust Agreement.

Section 12.08. ***Repeal of Inconsistent Resolutions.*** All resolutions of the City, or parts of resolutions, inconsistent with any Supplemental Trust Agreement or this Trust Agreement are hereby repealed to the extent of such inconsistency.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed, and the Trustee has caused its seal to be impressed hereon, all as of the date first above written.

CITY OF OAKLAND, CALIFORNIA

Attest:

By_____
City Clerk

By_____
Acting City Manager

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Trustee

By_____
Authorized Officer

Approved as to form and legality as of this 25th day of February, 1997.

CITY ATTORNEY OF THE CITY OF OAKLAND

By_____
Deputy City Attorney

FIRST SUPPLEMENTAL TRUST AGREEMENT

By and Between

CITY OF OAKLAND, CALIFORNIA

and

TEXAS COMMERCE BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of February 1, 1997

Relating to

$436,289,659.15
The City of Oakland, California
Taxable Pension Obligation Bonds
Series 1997, Sub-series A and Sub-series B

FIRST SUPPLEMENTAL TRUST AGREEMENT

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(This table of contents is not part of the First Supplemental Trust Agreement and is only for convenience of reference. The captions herein are of no legal effect and do not vary the meaning or legal effect of any part of this First Supplemental Trust Agreement.)

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FIRST SUPPLEMENTAL TRUST AGREEMENT

This FIRST SUPPLEMENTAL TRUST AGREEMENT (this "First Supplemental Trust Agreement") dated as of February 1, 1997 is between the CITY OF OAKLAND, CALIFORNIA (the "City"), a duly constituted chartered city operating, organized and existing pursuant to a freeholder's charter, and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, Houston, Texas, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), and supplements and amends that Master Trust Agreement dated as of February 1, 1997, which is also by and between the City and the Trustee (the "Master Trust Agreement").

RECITALS

WHEREAS, the Master Trust Agreement provides, in Section 2.09 thereof, for the issuance of Bonds and, in Section 10.02 thereof, for the execution and delivery of Supplemental Trust Agreements setting forth the terms of such Bonds; and

WHEREAS, the Council has adopted authorizing resolutions (collectively, the "Authorizing Resolutions") to provide for the issuance of a debenture in an amount not to exceed $460 million dollars, representing a portion of the current accrued actuarial unfunded liability of the City to the Police and Fire Retirement System of the City (the "System") and the balance of monthly installments payable to the System by the City in respect of the 1996-97 Fiscal Year payments toward the normal contribution, as set forth in the City's adopted budget for the 1996-97 Fiscal Year, and to provide for the refunding of the Debenture by the issuance of bonds pursuant to the Master Trust Agreement in an amount not to exceed $460,000,000 in aggregate principal amount; and

WHEREAS, the City now, for the purpose of refunding its outstanding Pension Obligation Debenture dated February 25, 1997 (the "1997 Debenture), by execution and delivery of this First Supplemental Trust Agreement and in compliance with the provisions of the Trust Agreement, sets forth the terms of its $436,289,659.15 City of Oakland, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"), provides for the deposit and use of the proceeds of the Series 1997 Bonds and makes other provisions relating to the Series 1997 Bonds; and

WHEREAS, the City may cause to be paid or redeemed the remaining portion of its accrued actuarial unfunded pension liability to the System and other amounts owed by the City to the System by the issuance of one or more future bond issues on a parity with the Series 1997 Bonds and from such monies, including the Pledged Revenues, as may be determined by the terms of additional Supplemental Trust Agreements relating thereto;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH that in order to secure the payment of the principal of and interest on all Series 1997 Bonds at any time issued and outstanding hereunder according to their tenor and effect, the City hereby covenants and agrees

with the Trustee for the benefit of the holders from time to time of the Series 1997 Bonds, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATIONS

Section 1.01. ***Definitions.*** The following definitions shall apply to terms used in this First Supplemental Trust Agreement unless the context clearly requires otherwise:

"*Accreted Value*" shall mean, with respect to the Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in this First Supplemental Trust Agreement as the amount representing the initial principal amount of such Bond per minimum Denominational Amount ($1,855.65) plus the principal accumulated, compounded and unpaid thereon as of the most recent compounding date. The Accreted Value shall be determined in accordance with the provisions of Section 2.03 of this First Supplemental Trust Agreement.

"*Authorized Denominations*" means $5,000 principal amount and integral multiples thereof with respect to Current Interest Bonds and the Denominational Amount with respect to Capital Appreciation Bonds.

"*Authorizing Resolutions*" means, collectively, Resolution No. 72446 and Resolution No. 72447, each adopted by the Council of the City on February 6, 1996, Resolution No. 73119 adopted by the Council of the City on December 17, 1996, and Resolution No.73256 adopted by the Council of the City on February 4, 1997, authorizing the issuance of the Series 1997 Bonds.

"*Bond Insurance Policy*" means the municipal bond insurance policy issued by the Series 1997 Bond Insurer to the City and held by the Trustee to secure payment of principal of and interest on the Series 1997 Bonds.

"*Book-Entry Bonds*" shall mean the Series 1997 Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of Section 2.05 hereof.

"Capital Appreciation Bonds" means the Series 1997, Sub-series A Bonds, issued in the aggregate Denominational Amount of $26,704,659.15 which do not bear interest payable semiannually, but accrete value at the rate of 7.310% and have a Maturity Amount equal to $71,955,000 payable on December 15, 2010.

"*Cede & Co.*" shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 1997 Bonds.

"*Continuing Disclosure Certificate*" shall mean the Continuing Disclosure Certificate of the City dated the date of issuance and delivery of the Series 1997 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*Costs of Issuance*" means all costs and expenses incurred by the City in connection with the issuance of the Series 1997 Bonds associated with the refunding of the 1997 Debenture, including, but not limited to, costs and expenses of preparation, printing and copying documents and agreements, the official statement, the Series 1997 Bonds, bond insurance premium, if any, underwriters' compensation, legal fees and costs related to any judicial validation action relating to the Series 1997 Bonds and the proceedings of the City relating thereto, the fees, costs and expenses of rating agencies, the Trustee, any paying agents, legal counsel, actuaries, accountants, financial advisors, feasibility consultants and other consultants.

"*Current Interest Bonds*" means the Series 1997, Sub-series A Bonds, issued in the principal amount of $393,790,000, and the Series 1997, Sub-series B Bonds, issued in the principal amount of $15,795,000, which bear interest payable semiannually at the rates, and which mature on the dates, set forth in Section 2.03(a) hereof.

"*Denominational Amount*" means the amount in which the Capital Appreciation Bonds are denominated in accordance with the terms of Section 2.03(b) of this First Supplemental Trust Agreement. The Denominational Amount of each Capital Appreciation Bond is $1,855.65 per $5,000 Maturity Amount.

"*DTC*" shall mean The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"*First Supplemental Trust Agreement*" means this First Supplemental Trust Agreement dated as of February 1, 1997 between the City and the Trustee and which sets forth the terms of the Series 1997 Bonds.

"*Funding Agreement*" means the Funding Agreement dated as of June 1, 1996 between the System and the City.

"*Holder*" or "*Bondholder*" shall mean the registered owner of any Bond including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

"*Information Services*" means: (1) Financial Information, Inc.'s Financial Daily Called Bond Service; (2) Interactive Data Corporation's Bond Service; (3) Kenny S&P Information Service's Called Bond Service; (4) Moody's Municipal and Government Called Bond Service; or (5) Standard & Poor's Called Bond Record.

"*Interest Payment Date*" means each June 15 and December 15, commencing June 15, 1997, the dates upon which interest on the Current Interest Bonds becomes due and payable.

"*Interest Subaccounts*" means the Interest Subaccount of the Series 1997, Sub-series A Debt Service Fund and the Interest Subaccount of the Series 1997, Sub-series B Debt Service Fund to be used to pay interest due and payable on the Sub-series A Bonds and Sub-series B Bonds

"*1997 Debenture*" means the Pension Obligation Debenture dated February 25, 1997 issued by the City pursuant to the Authorizing Resolutions.

"Maturity Amount" means the amount of principal payable with respect to the Capital Appreciation Bonds at the maturity thereof. Each Capital Appreciation Bond in the Denominational Amount of $1,855.65 shall have a Maturity Amount of $5,000.

"*Participants*" means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

"*Paying Agent,*" for purposes of this First Supplemental Trust Agreement, shall mean the Trustee.

"Permitted Investments" shall mean, to the extent permitted to be invested by the City by applicable law, the Charter and investment policy of the City, any of the following:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United State of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
   Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations
   (not acceptable for certain cash-flow sensitive issues.)

7. U.S. Maritime Administration
Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mae")
Participation, Certificates
Senior debt obligations

3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G, AAA-m and a Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, acceptable to MBIA (Investment Agreement criteria is available upon request), copies of the forms of which Investment Agreements shall be provided to Moody's/

H. Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to MBIA (criteria available upon request) Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/Lender, and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm

   a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

   b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

   a. Securities which are acceptable for transfer are:

      (1) Direct U.S. governments, or

      (2) Federal agencies backed by the full faith and credit of the U.S. government and (FNMA & FHLMC)

b. The term of the repo may be up to 30 days

c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

a. Repo meets guidelines under state law for legal investment of public funds.

L. Any of the foregoing Permitted Investments for which the Trustee, or any affiliate thereof, receives compensation with respect to such Permitted Investments.

"Pledged Revenues Account" means the fund of such designation created pursuant to Section 4.01 and Section 4.04 hereof.

"*Principal*" and "*principal*" when used in reference to the face amount of the Series 1997 Bonds means, as of any date of calculation, the principal amount of a Bond payable on maturity thereof, and shall include the Maturity Amount of any Capital Appreciation Bond.

"*Record Date*" means for a June 15 Interest Payment Date the preceding June 1 and, for December 15 Interest Payment Date, means the preceding December 1.

"*Registrar,*" for purposes of this First Supplemental Trust Agreement, shall mean the Trustee.

"*Representation Letter*" means the Letter of Representations from the City and the Trustee to DTC with respect to the Series 1997 Bonds.

"*Securities Depositories*" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses as such depositories may specify and/or such other securities depositories as the City may designate in a written request of the City delivered to the Trustee.

"*Series 1997 Bonds*" means the $436,289,659.15 principal amount of Bonds issued under the Trust Agreement and this First Supplemental Trust Agreement and designated as "City of Oakland, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B."

"*Series 1997 Bond Insurer*" means MBIA Insurance Corporation and any successor thereto.

"*Series 1997 Costs of Issuance Fund*" means the Costs of Issuance Fund created in Section 4.01 of this First Supplemental Trust Agreement and into which money is to be deposited to pay Costs of Issuance with respect to the refunding of the 1997 Debenture and the issuance of the Series 1997 Bonds.

"*Series 1997 Debt Service Fund*" means the Debt Service Fund created in Section 4.01 of this First Supplemental Trust Agreement and into which money is to be deposited to pay debt service on the Series 1997 Bonds.

"*Sub-series A Bonds*" means the Bonds of such designation authorized for issuance pursuant to Section 2.01 hereof.

"*Sub-series B Bonds*" means the Bonds of such designation authorized for issuance pursuant to Section 2.01 hereof.

"*Trust Agreement*" means the Master Trust Agreement dated as of February 1, 1997, as amended and supplemented by this First Supplemental Trust Agreement between the City and the Trustee relating to the Series 1997 Bonds, as amended and supplemented from time to time.

Section 1.02. ***Incorporation of Definitions Contained in the Trust Agreement.*** Except as otherwise provided in Section 1.01 of this First Supplemental Trust Agreement, all words, terms and phrases defined in the Trust Agreement shall have the same meanings herein as in the Trust Agreement.

Section 1.03. ***Article and Section References.*** Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this First Supplemental Trust Agreement.

Section 1.04. ***Interpretation of Trust Agreement With Respect to Interests of Holders.*** The Trustee, in determining whether any amendments or supplements to the Trust Agreement or this First Supplemental Trust Agreement may be made under Article X of the Trust Agreement without the consent of Bondholders and in determining whether any action should be taken under Article VIII of the Trust Agreement, shall consider the effect of such amendment, supplement or action on the rights of the Bondholders as if the Bond Insurance Policy were not in effect.

ARTICLE II

THE SERIES 1997 BONDS

Section 2.01. ***Designation of the Series 1997 Bonds; Principal Amount.*** The Bonds authorized to be issued under the Trust Agreement and this First Supplemental Trust Agreement shall be designated as the City of Oakland, Taxable Pension Obligation Bonds, Series 1997, and shall be issued in two Subseries designated as Sub-series A and Sub-series B, which shall be issued in the original aggregate principal amount of $436,289,659.15.

Section 2.02. ***Series 1997 Bonds Under the Trust Agreement; Security; Parity.*** The Series 1997 Bonds are issued under and subject to the terms of the Trust Agreement and are secured by and payable from the Payments to be made by the City and other security provided in the Covenant of Payment and Granting Clause of the Trust Agreement and in accordance with the terms of the Trust Agreement.

The City hereby agrees to pay from any legally available source of revenues of the City, including but not limited to the Tax Override Revenues (as defined in the Trust Agreement), as and to the extent therein provided, all amounts due and owing with respect to the Series 1997 Bonds issued under this First Supplemental Trust Agreement according to the provisions of such agreement, including principal and interest thereon. There shall inure to the benefit of the Sub-series A Bonds the City's pledge, assignment and grant to the Trustee. set forth in the Covenant of Payment and Granting Clauses of the Trust Agreement, of a lien on and security interest in all right, title and interest of the City in and to the Pledged Revenues (as defined in Section 5.07 of the Trust Agreement), as and to the extent provided in the Trust Agreement. There shall inure to the benefit of the Series 1997 Bonds the City's pledge, assignment and grant to the Trustee, set forth in the Covenant of Payment and Granting Clauses of the Trust Agreement, of a lien on and security interest in all right, title and interest of the City in and to (i) all moneys and securities held from time to time by the Trustee under this First Supplemental Trust Agreement, and (ii) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind executed by or on behalf of the City, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or

deposited with the Trustee as additional security hereunder, for the equal and proportionate benefit and security of all Series 1997 Bonds.

Section 2.03. ***General Terms of the Series 1997 Bonds.*** (a) *Current Interest Bonds.* The Current Interest Bonds shall, upon initial issuance, be dated February 1, 1997. Each Current Interest Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Current Interest Bond shall bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Current Interest Bond shall bear interest from such succeeding Interest Payment Date, or unless such date of authentication is prior to June 1, 1997, in which event such Current Issue Bond shall bear interest from February 1, 1997. If interest on the Current Interest Bonds shall be in default, Current Interest Bonds issued in exchange for Current Interest Bonds surrendered for transfer or exchange shall bear interest from the Interest Payment Date to which interest has been paid in full on the Current Interest Bonds surrendered. The Current Interest Bonds shall be issued in denominations of $5,000 original principal amount or integral multiples thereof.

Interest on the Current Interest Bonds shall be paid on June 15, 1997 and semiannually thereafter on June 15 and December 15.

Interest on the Current Interest Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months.

At least 16 Business Days prior to each date on which principal or interest on any Current Interest Bond shall be due and payable, the Trustee shall notify the City of such payment, the date such payment is due and the amount of such payment. Such notice shall be given by telephone or facsimile transmission and promptly confirmed in writing.

The Current Interest Bonds shall be issued in the original aggregate principal amount of $15,795,000 with respect to the Sub-series B Bonds and $393,790,000 with respect to the Sub-series A Bonds and shall mature and bear interest as set forth in the following paragraphs. The Current Interest Bonds shall not be subject to redemption prior to their stated maturity.

The Series 1997, Sub-series A Bonds which are Current Interest Bonds shall mature in the years and in the amounts and bear interest at the annual rates set forth in the following schedule:

December 15 of the Year	Principal Amount	Interest Rate
1999	$ 13,215,000	6.200%
2000	16,745,000	6.380%
2001	20,250,000	6.480%
2002	24,140,000	6.520%
2003	28,450,000	6.650%

2004	33,235,000	6.730%
2005	38,535,000	6.810%
2006	44,405,000	6.880%
2007	50,885,000	6.910%
2008	58,030,000	6.950%
2009	65,900,000	6.980%

The Sub-series B Bonds are issued solely as Current Interest Bonds and shall mature in the years and in the amounts and bear interest at the annual rates set forth in the following schedule:

December 15 of the Year	Principal Amount	Interest Rate
1997	$3,300,000	5.630%
1998	10,140,000	5.970%
1999	2,355,000	6.200%

(b) *Capital Appreciation Bonds.* The Capital Appreciation Bonds will be dated their date of delivery, and will accrete in principal value from such date. Ownership interests in the Capital Appreciation Bonds may be purchased in book-entry form only in Denominational Amounts and the Accreted Value represented by each such Capital Appreciation Bond on the maturity date thereof shall be $5,000 or any integral multiple thereof. The Denominational Amount of each Capital Appreciation Bond shall be $1, 855.65 per $5,000 Maturity Amount and the rate and yield to maturity on the Capital Appreciation Bonds shall be 7.310%. The Accreted Value of each Capital Appreciation Bond shall compound at the rate of 7.310 % per annum to yield 7.310% per annum from its dated date to June 15, 1997 and shall compound semiannually thereafter at the rate of 7.310 % per annum to yield 7.310% per annum on June 15 and December 15 of each year to the maturity date as shown on Exhibit C hereof. The Accreted Value of the Capital Appreciation Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months. The Capital Appreciation Bonds shall mature on December 15, 2010 in the aggregate principal amount (Maturity Amount) of $71,955,000. No payments shall be made on the Capital Appreciation Bonds prior to the maturity thereof. The Capital Appreciation Bonds shall not be subject to redemption prior to their stated maturity.

(c) Payment of principal of the Series 1997 Bonds shall be made upon surrender of the Series 1997 Bonds to the Trustee or its agent; provided that with respect to Series 1997 Bonds which are Book-Entry Series 1997 Bonds, the Trustee may make other arrangements for payment of principal as provided in the Representation Letter. Payment of interest on Series 1997 Bonds which are not Book-Entry Bonds shall be paid by check or draft of the Trustee mailed by first-class mail to the person who is the registered Owner thereof on the Record Date, and such payment shall be mailed to such Owner at his address as it appears on the registration books of the Registrar. Such payment of interest shall be made by check mailed by the Trustee

by first class mail to the owner at the address as it appears on the bond registration books maintained by the Trustee or, upon written request filed with the Trustee prior to the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of the Bonds, by wire transfer in immediately available funds to the account in the continental United States designated by said Owner in such written request. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The payment of interest on Book-Entry Bonds shall be made as provided in Section 2.05 hereof. With respect to all Series 1997 Bonds, interest due and payable on any Interest Payment Date shall be paid to the person who is the registered owner as of the Record Date. The Series 1997 Bonds shall be substantially in the form set forth in Exhibit A, which is part of this First Supplemental Trust Agreement.

If the principal of a Series 1997 Bond becomes due and payable, but shall not have been paid as a result of a default hereunder, and no provision is made for its payment, then such Series 1997 Bond shall bear interest at the same rate after such default as on the day before the default occurred.

Section 2.04. ***Exchange of Series 1997 Bonds.*** Series 1997 Bonds which are delivered to the Registrar for exchange may be exchanged for an equal total principal amount of Series 1997 Bonds of the same interest rate and maturity date.

The Registrar will not, however, be required to transfer or exchange any such Series 1997 Bond during the period established by the Registrar for selection of Series 1997 Bonds for redemption or any Series 1997 Bond which has been selected for redemption.

Section 2.05. ***Book-Entry Bonds.***

(i) Except as provided in subparagraph (iii) of this Section 2.05, the registered owner of all of the Series 1997 Bonds shall be DTC and the Series 1997 Bonds shall be registered in the name of CEDE & Co., as nominee for DTC. Payment of principal or interest for any Series 1997 Bond registered in the name of CEDE & Co. shall be made by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of CEDE & Co. at the address indicated on the Record Date or special record date for CEDE & Co. in the registration books of the Registrar.

(ii) The Series 1997 Bonds shall be initially issued in the form of separate single authenticated fully registered Series 1997 Bonds for each separate stated maturity of the Series 1997 Bonds or if any maturity's bond certificate would exceed the maximum amount of principal permitted to be included in a single certificate by DTC, such Series 1997 Bonds shall be issued in as many separate single certificates as required by DTC. Upon initial issuance, the ownership of such Series 1997 Bonds shall be registered in the registration books of the Registrar in the name of CEDE & Co., as nominee of DTC. The Trustee, the Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 1997 Bonds registered in its name for the purposes of payment of the principal of or interest on the Series 1997 Bonds,

selecting the Series 1997 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Trust Agreement or this First Supplemental Trust Agreement, registering the transfer of Series 1997 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the City shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 1997 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal of or interest on the Series 1997 Bonds; any notice which is permitted or required to be given to Bondholders under this First Supplemental Trust Agreement or the Trust Agreement; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 1997 Bonds; any consent given or other action taken by DTC as Bondholder; or any other purpose. The Trustee shall pay all principal of and , and interest on the Series 1997 Bonds only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and , and interest on the Series 1997 Bonds to the extent of the sum or sums so paid. Except as provided in the succeeding paragraph, no person other than DTC shall receive an authenticated Bond evidencing the obligation of the City to make payments of principal of and , and interest pursuant to this First Supplemental Trust Agreement. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & Co., and subject to the provisions herein with respect to Record Dates, the word "CEDE & Co." in this First Supplemental Trust Agreement shall refer to such new nominee of DTC.

(iii) In the event the City determines that it is in the best interest of the beneficial owners that they be able to obtain Series 1997 Bond certificates, and notifies DTC, the Trustee and the Registrar of such determination, then DTC will notify the Participants of the availability through DTC of Series 1997 Bond certificates. In such event, the Trustee shall authenticate and the Registrar shall transfer and exchange Series 1997 Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 1997 Bonds at any time by giving notice to the City and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City and the Trustee shall be obligated to deliver Series 1997 Bond certificates as described in this First Supplemental Trust Agreement. In the event Series 1997 Bond certificates are issued, the provisions of the Trust Agreement and this First Supplemental Trust Agreement shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the City and the Trustee to do so, the Trustee and the City will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 1997 Bonds to any DTC Participant having Series 1997 Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 1997 Bonds.

(iv) Notwithstanding any other provision of the Trust Agreement and this First Supplemental Trust Agreement to the contrary, so long as any Series 1997 Bond is registered in the name of CEDE & Co., as nominee of DTC, all payments with respect to the principal of and , and interest on such Series 1997 Bond and all notices with respect to such Series 1997 Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(v) In connection with any notice or other communication to be provided to Bondholders pursuant to the Trust Agreement and this First Supplemental Trust Agreement by the City or the Trustee with respect to any consent or other action to be taken by Bondholders, the City or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(vi) NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO: THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 1997 BONDS; THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS; THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 1997 BONDS.

SECTION 2.06. ***Continuing Disclosure.*** The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this First Supplemental Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner or any Participating Underwriter (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 1997 Bonds (including persons holding Series 1997 Bonds through nominees, depositories or other intermediaries).

ARTICLE III

REDEMPTION

The Series 1997 Bonds shall not be subject to redemption prior to their maturity.

ARTICLE IV

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 4.01. ***Establishment of Funds and Accounts.*** The following funds are hereby established with the Trustee:

(a) The City of Oakland, Taxable Pension Obligation Bonds, Series 1997 Debt Service Fund and therein a Series 1997, Sub-series A Debt Service Account (the "Series 1997, Sub-series A Debt Service Account") and within the Series 1997, Sub-series A Debt Service Account, there shall be established an Interest Subaccount and a Principal Subaccount; and

(b) Within The City of Oakland, Taxable Pension Obligation Bonds, Series 1997 Debt Service Fund created pursuant to subparagraph (a) above, a Series 1997, Sub-series B Debt Service Account (the "Series 1997, Sub-series B Debt Service Account") and within the Series 1997, Sub-series B Debt Service Account, there shall be established an Interest Subaccount and a Principal Subaccount ; and

(c) The City of Oakland, Taxable Pension Obligation Bonds, Revenue Fund (the "Revenue Fund"), in which there shall be established a Pledged Revenues Account and a General Revenues Account; and

(d) The City of Oakland, Taxable Pension Obligation Bonds, Series 1997 Costs of Issuance Fund; and

(e) The City of Oakland, Taxable Pension Obligation Bonds, Series 1997 Bond Proceeds Fund (the "Bond Proceeds Fund").

Section 4.02. ***Application of Proceeds and Other Funds and Securities.*** (a) The City requests the Trustee to deposit and apply the proceeds of the sale of the Series 1997 Bonds as set forth herein. The proceeds of the sale of the Series 1997 Bonds, net of the underwriters' discount and the amount which will be paid to the Series 1997 Bond Insurer as the premium on the Bond Insurance Policy, being the amount of $435,364,885.15 received by the Trustee shall be deposited by the Trustee in the Bond Proceeds Fund and then transferred to the credit of the accounts described below or paid by the Trustee as follows:

(1) the sum of $1,782,052.37, representing accrued interest on the Sub-series A Bonds, shall be deposited into the Interest Subaccount of the Series

1997, Sub-series A Debt Service Account and the sum of $62,477.20, representing accrued interest on the Sub-series B Bonds, shall be deposited into the Interest Subaccount of the Series 1997, Sub-series B Debt Service Account to be used to pay a portion of the interest due and payable on the Series 1997, Sub-series A Bonds and Sub-series B Bonds on June 15, 1997;

(2) the aggregate sum of $432,867,300 shall be paid to the System to refund the 1997 Debenture, whereupon the System shall cancel the 1997 Debenture upon receipt of the proceeds of the sale of the Series 1997 Bonds in exchange for such payment;

(3) the sum of $653,055.58 shall be deposited in the Series 1997 Costs of Issuance Fund, and shall be disbursed in accordance with the written order of the City to the Trustee.

(b) On the date of delivery of the Series 1997 Bonds to the purchasers thereof, an Authorized City Representative shall deliver to the Trustee the certificate required by Section 4.03A of the Trust Agreement.

Section 4.03. ***City Transfers of Annual Debt Service; Series 1997 Debt Service Fund.*** The City shall deposit with the Trustee on or before June 15, 1997 an aggregate amount from its legally available revenues and the Tax Override Revenues held in the Tax Override Revenues Account of the City, sufficient to pay all principal and interest due on the Subseries A Bonds and Subseries B Bonds on June 15, 1997 in accordance with the provisions hereof; provided, however, that any Tax Override Revenues shall only be deposited by the Trustee in the Pledged Revenues Account of the Revenue Fund and applied to pay amounts due with respect to solely the Subseries A Bonds on June 15, 1997. The City shall designate to the Trustee in writing the amounts transferred from the Tax Override Revenues Account of the City for deposit in the Pledged Revenues Account of the Revenue Fund pursuant to Section 4.04 hereof. Not later than June 15, 1997, the Trustee shall transfer moneys from the Pledged Revenues Account and the General Revenue Account of the Revenue Fund for deposit into the Interest Subaccounts of the Series 1997 Debt Service Fund in amounts sufficient to pay interest coming due on the Subseries A Bonds that are Current Interest Bonds and the Subseries B Bonds on June 15, 1997. The City shall deposit with the Trustee on or before August 1 of each year, commencing on August 1, 1997, an aggregate amount from its legally available revenues and the Tax Override Revenues held in the Tax Override Revenues Account of the City, sufficient to pay all principal and interest due on the Sub-series A and Sub-series B Bonds on the next succeeding December 15 and June 15; provided, however, that Tax Override Revenues shall be deposited by the Trustee in the Pledged Revenue Account and shall only be applied to pay principal and interest on the Sub-series A Bonds. The City shall designate to the Trustee in writing the amounts transferred from the Tax Override Revenues Account for deposit in the Pledged Revenues Account pursuant to Section 4.04 hereof. The Trustee shall make deposits into the Series 1997 Debt Service Fund as follows:

(a) *Interest Subaccounts.* The Trustee shall deposit into the Interest Subaccounts for the Sub-series A Bonds and the Sub-series B Bonds the amounts of accrued interest received from the sale of the Series 1997 Bonds as provided in Section 4.02(a) (1) and shall, thereafter, transfer into the Interest Subaccount of the Series 1997, Sub-series A Debt Service Account and the Interest Subaccount of the Series 1997, Sub-series B Debt Service Account amounts received from the City, as provided in the Trust Agreement, to be used to pay interest on the Current Interest Bonds. The Trustee shall also deposit into the Interest Subaccounts for the Sub-series A Bonds and the Sub-series B Bonds any other amounts received from the City for deposit in the Interest Subaccounts or transferred from other funds and accounts for deposit therein. Earnings on the Interest Subaccounts shall be withdrawn and paid to, or otherwise applied in accordance with the written direction of, the City on the Business Day following an Interest Payment Date unless an Event of Default exists under the Trust Agreement, in which event the earnings shall be retained in such sub-accounts.

(b) *Principal Subaccounts.* The Trustee shall deposit into the Principal Subaccount of the Series 1997, Sub-series A Debt Service Account and the Principal Subaccount of the Series 1997, Sub-series B Debt Service Account amounts received from the City to be used to pay principal of the Series 1997, Sub-series A Bonds and Sub-series B Bonds at maturity. The Trustee shall also deposit into the Principal Subaccounts any other amounts deposited with the Trustee for deposit into the Principal Subaccounts or transferred from other funds and accounts for deposit therein. Earnings on the Principal Subaccounts shall be withdrawn and paid to, or otherwise applied in accordance with the written direction of, the City on the Business Day following an Interest Payment Date unless an Event of Default exists under the Trust Agreement, in which event the earnings shall be retained in such Sub-accounts.

The Series 1997 Debt Service Fund shall be invested and reinvested as directed in writing by an Authorized City Representative in Permitted Investments.

Section 4.04. ***Tax Override Revenues Account and Pledged Revenues Account; Application of Pledged Revenues.***

(a) All Tax Override Revenues, as and when collected by the City, shall be deposited in the Tax Override Revenues Account of the City and shall be applied solely as provided in the Trust Agreement and this First Supplemental Trust Agreement. Amounts held in the Tax Override Revenues Account established pursuant to Section 4.01 of the Trust Agreement shall be transferred by the City to the Trustee for deposit to the credit of the Pledged Revenues Account of the Revenue Fund not later than August 1 of each Fiscal Year, beginning on August 1, 1997. On or prior to each Payment Date with respect to the Sub-series A Bonds, the Trustee shall transfer from the Pledged Revenues Account to the Sub-series A Debt Service Account for application to the Interest Subaccount and the Principal Subaccount of the Series 1997, Sub-series A Debt Service Account, an amount sufficient, when aggregated with other amounts deposited by the City with the Trustee pursuant to Section 4.03 hereof, to pay principal of and interest on the Sub-series A Bonds coming due on the next Payment Date. An Authorized City Representative shall direct that the amounts held in the Tax Override Revenues Account be transferred at such times and in such amounts as may be

necessary to comply with the provisions of this Section 4.04 and this First Supplemental Trust Agreement. Such Tax Override Revenues held by the Trustee in the Pledged Revenues Account are hereinafter in this Section 4.04 referred to as the "Pledged Revenues".

(b) The amounts of Pledged Revenues credited to the Pledged Revenue Account shall first be applied as follows and in the order set forth:

FIRST: *Pro rata*, on each interest payment date, to the payment of amounts required to be deposited in the Interest Subaccount of the Series 1997, Sub-series A Debt Service Account, the Principal Subaccount of the Series 1997, Sub-series A Debt Service Account, and to the Debt Service Funds applicable to the Bonds of any additional Series of Bonds for which such pledge was made;

SECOND: To the payment of amounts required to be deposited in the Reserve Fund, if any, applicable to any additional Series of Bonds for which such pledge was made.

Prior to the application of Pledged Revenues as described in paragraph FIRST and SECOND above, there shall be credited against any such payment any amount (including investment earnings thereon) held in any Debt Service Fund or any Reserve Fund pursuant to this First Supplemental Trust Agreement or any other Supplemental Trust Agreement and available for payment of debt service on such Series or Subseries of Bonds from time to time pursuant to the provisions of this First Supplemental Trust Agreement or any other Supplemental Trust Agreement.

THIRD: To the payment of debt service on any indebtedness other than Outstanding Bonds, including Subordinated Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of debt service on such indebtedness;

FOURTH: To the payment of any reserve requirement for debt service for any indebtedness other than Outstanding Bonds, including Subordinated Obligations, if any, but only to the extent a specific pledge of Pledged Revenues has been made in writing to the payment of any such reserve requirement on such indebtedness.

Notwithstanding the provisions of this Trust Agreement, nothing herein shall preclude the City from making the payments described in paragraphs FIRST through FOURTH above from sources other than Pledged Revenues. Earnings on the Pledged Revenues Account shall be withdrawn and paid to the City or applied as directed by the City in writing on or after June 30 of each Fiscal Year unless an Event of Default exists under the Trust Agreement, in which

event the earnings shall be retained in such Fund. After application of the Pledged Revenues as set forth above in each Fiscal Year, any balance of Pledged Revenues remaining in the Pledged Revenues Account shall be applied pursuant to Section 5.07 of the Trust Agreement.

Section 4.05. ***Series 1997 Costs of Issuance Fund.*** There shall be deposited into the Costs of Issuance Fund the amounts provided in Section 4.02 above. The Trustee shall make payments or disbursements from the Costs of Issuance Fund upon receipt from the City of a written requisition executed by an Authorized City Representative, which requisition shall state, with respect to each amount requested thereby, (i) that such amount is to be paid from the Costs of Issuance Fund, (ii) the number of the requisition from such account, (iii) the amount to be paid, the name of the entity to which the payment is to be made and (iv) describe the Costs of Issuance represented by such payment. On December 15, 1997, all amounts remaining on deposit in the Series 1997 Costs of Issuance Fund shall be transferred to the City to be used for any lawful purpose.

Section 4.06. ***Sources of Payment of Series 1997 Bonds.*** The City agrees to make the Payments to the Trustee at such times and in such amounts as are necessary to cause all amounts payable to the Bondholders hereunder to be made by the Trustee as and when due in accordance with the provisions hereof. The Series 1997 Bonds shall be secured by and payable from the Payments as provided in the Trust Agreement and the other funds and accounts created hereunder.

ARTICLE V

PROVISIONS RELATING TO SERIES 1997 BOND INSURER AND BOND INSURANCE POLICY

Section 5.01. ***Provisions Relating To the Series 1997 Bond Insurer.***

(a) If less than all of the Series 1997 Bonds are insured by the Bond Insurance Policy, the provisions of this Section 5.01 shall be effective only as to the Series 1997 Bonds so insured and only for so long as the insured Series 1997 Bonds are outstanding.

(b) In the event that, on the second Business Day, and again on the Business Day, prior to any payment date on the Series 1997 Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Series 1997 Bonds due on the second following or following, as the case may be, Business Day, the Trustee shall immediately notify the Series 1997 Bond Insurer or its designee on the same Business Day by Electronic Notice, confirmed in writing by express overnight delivery, or registered or certified mail, of the amount of the deficiency.

(c) If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Series 1997 Bond Insurer or its designee.

(d) In addition, if the Trustee has notice that any Bondholder has been required to disgorge payments of principal or interest on the Series 1997 Bond to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Series 1997 Bond Insurer or its designee of such fact by Electronic Notice, confirmed in writing by express overnight delivery, or by registered or certified mail.

(e) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Series 1997 Bonds as follows: (A) If and to the extent there is a deficiency, in amounts required to pay interest on the Series 1997 Bonds, the Trustee shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Bond Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Series 1997 Bond Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignment to the Series 1997 Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Series 1997 Bond Insurer, (b) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Owners; and (B) if and to the extent of a deficiency in amounts required to pay principal of the Series 1997 Bonds, the Trustee shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Series 1997 Bond Insurer as agent for such Owner in any legal proceeding relating to the payment of such principal and an assignment to the Series 1997 Bond Insurer of any of the Series 1997 Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Owners.

(f) Payments with respect to claims for interest on and principal of Series 1997 Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Series 1997 Bond Insurer with respect to such Series 1997 Bonds, and the Series 1997 Bond Insurer shall become the owner of such unpaid Series 1997 Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(g) Irrespective of whether any such assignment is executed and delivered, the City and the Insurance Paying Agent hereby agree for the benefit of the Series 1997 Bond Insurer that:

(i) They recognize that to the extent the Series 1997 Bond Insurer makes payments, directly or indirectly (as by paying through the Insurance Paying Agent), on

account of principal of or interest on the Series 1997 Bonds, the Series 1997 Bond Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in this First Supplemental Trust Agreement and the Series 1997 Bonds and in the event of default by the City under this First Supplemental Trust Agreement, so long as the Series 1997 Bond Insurer is not in default under the Bond Insurance Policy, the Series 1997 Bond Insurer shall have the right to control any proceedings relating to such default; and

(ii) They will accordingly pay to the Series 1997 Bond Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this First Supplemental Trust Agreement and the Series 1997 Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series 1997 Bonds to Holders, and will otherwise treat the Series 1997 Bond Insurer as the owner of such rights to the amount of such principal and interest.

(h) In connection with the issuance of Additional Bonds, the City shall deliver to the Series 1997 Bond Insurer a copy of the disclosure document, if any, circulated with respect to such Additional Bonds.

(i) Copies of any amendments made to the documents executed in connection with the issuance of the Series 1997 Bonds which are consented to by the Series 1997 Bond Insurer shall be sent by the City to Moody's Investors Service, 99 Church Street, New York, New York 10007, Attention: Public Finance Rating Desk/Refunded Bonds; Standard & Poor's Corporation, Called Bond Record, 25 Broadway, 3rd Floor, New York, New York 10004.

(j) The Series 1997 Bond Insurer shall receive notice from the City of the resignation or removal of the Trustee, or any paying agent for the Series 1997 Bonds, and the appointment of any successor thereto.

(k) The Series 1997 Bond Insurer shall receive copies from the City of all notices required to be delivered to Series 1997 Bondholders and, on an annual basis, copies of the City's adopted budget report.

(l) Any notice that is required to be given to a holder of the Series 1997 Bonds or to the Series 1997 Bond Insurer pursuant to the this First Supplemental Trust Agreement shall also be provided by the City to the Series 1997 Bond Insurer. All notices required to be given to the Series 1997 Bond Insurer under this First Supplemental Trust Agreement shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Portfolio Surveillance.

Section 5.02. ***Limitation on Rights of Series 1997 Bond Insurer***. Notwithstanding any contrary provisions in this First Supplemental Trust Agreement, any and all rights granted to the Series 1997 Bond Insurer under this First Supplemental Trust Agreement, including but not limited to rights to consent to actions, rights to receive notices and documents and rights to act as Owner of Series 1997 Bonds, shall be effective only so long as Series 1997 Bonds which are insured by the Bond Insurance Policy are outstanding and the Bond Insurer is not in default under the Bond Insurance Policy.

Section 5.03 ***Waiver of Rights of the Series 1997 Bond Insurer***. Notwithstanding any provision of this First Supplemental Trust Agreement to the contrary, including Section 5.01, the Series 1997 Bond Insurer may waive any of its rights under this First Supplemental Trust Agreement and may waive any provisions of this First Supplemental Trust Agreement specifically effective only while the Series 1997 Bonds insured by the Bond Insurance Policy are Outstanding and the Series 1997 Bond Insurer is not in default under the Bond Insurance Policy, without the consent of the Owners. No such waiver shall be effective unless the Series 1997 Bond Insurer has previously consented to such specific waiver in writing.

ARTICLE VI

MISCELLANEOUS

Section 6.01. ***Notices.***

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this First Supplemental Trust Agreement or the Series 1997 Bonds must be in writing except as expressly provided otherwise in this First Supplemental Trust Agreement or the Series 1997 Bonds.

(b) Any notice or other communication, unless otherwise specified, shall be sufficiently given and deemed given when mailed or when delivered and received by the City or the Trustee at the addresses provided in the Trust Agreement. Any addressee may designate additional or different addresses for purposes of this Section.

Section 6.02. ***Modification of Trust Agreement and this First Supplemental Trust Agreement.*** The City and the Trustee may, from time to time and at any time, with the written consent of the Series 1997 Bond Insurer only with respect to any amendment or supplement requiring the consent of Bond Owners as set forth in Section 10.03 of the Trust Agreement, which consent shall not be unreasonably withheld, execute and deliver Supplemental Trust Agreements supplementing and/or amending the Trust Agreement and this First Supplemental Trust Agreement to the extent and in the manner set forth in Article X of the Trust Agreement.

Section 6.03. ***Third Party Beneficiary.*** The Insurer is hereby expressly designated as a third party beneficiary of this First Supplemental Trust Agreement, and the terms, conditions and obligations of the Trust Agreement and this First Supplemental Trust Agreement which specifically benefit the Insurer shall be specifically enforceable by the Series 1997 Bond Insurer.

Section 6.04. ***Limitation of Rights.*** Nothing expressed or implied in this First Supplemental Trust Agreement or the Series 1997 Bonds shall give any person other than the Trustee, the City and the Bondholders any right, remedy or claim under or with respect to this First Supplemental Trust Agreement.

Section 6.05. ***Severability.*** If any provision of this First Supplemental Trust Agreement shall be determined to be unenforceable, that shall not affect any other provision of this First Supplemental Trust Agreement.

Section 6.06. ***Governing Law.*** This First Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State.

Section 6.07. ***Captions.*** The captions in this First Supplemental Trust Agreement are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this First Supplemental Trust Agreement.

Section 6.08. ***Counterparts.*** This First Supplemental Trust Agreement may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

ARTICLE VII

AMENDMENTS TO TRUST AGREEMENT

Section 7.01. ***New Definition of Permitted Investments.*** The Master Trust Agreement is hereby amended to substitute for the definition of Permitted Investments set forth therein the definition of Permitted Investments set forth in Section 1.01 hereof.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Trust Agreement to be duly executed all as of the date first above written.

[SEAL]

CITY OF OAKLAND, CALIFORNIA

Attest:

By _____
City Clerk

By _____
Acting City Manager

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Officer

Approved as to form and legality as of this 1st day of February, 1997.

CITY ATTORNEY

By _____
Deputy City Attorney

EXHIBIT A

FORM OF CURRENT INTEREST SERIES 1997 BOND

No. 1 **$**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

United States of America
State of California

CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BOND
SERIES 1997, SUBSERIES ___

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
%	DECEMBER 15, ___	FEBRUARY 1, 1997	

REGISTERED OWNER: **CEDE & CO. (TAX I.D. #13-25551199)----------**

PRINCIPAL AMOUNT: **DOLLARS**

The City of Oakland, California (the "City"), acting pursuant to the PFRS Pension Obligation Bond Law and the Master Trust Agreement and First Supplemental Trust Agreement, each dated as of February 1, 1997 (collectively, the "Trust Agreement") between the City and Texas Commerce Bank National Association, Houston, Texas (the "Trustee"), promises to pay, to the registered owner named above, or registered assigns, the principal sum shown above on the Maturity Date set forth above (or earlier as hereinafter referred to), upon the presentation

and surrender hereof, at the designated corporate trust office of the Trustee the principal amount identified above. The City also promises to pay interest thereon on each June 15 and December 15, commencing June 15, 1997, from the interest payment date next preceding the date on which this Bond is authenticated unless this Bond is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated on or before June 1, 1997, in which event it shall bear interest from the dated date set forth above or unless it is authenticated between a Record Date (as hereinafter defined) and an interest payment date in which event it shall bear interest from such interest payment date, at the interest rate per annum set forth above until the principal sum hereof is paid. The interest so payable and punctually paid or duly provided for, on any interest payment date, will be paid to the person in whose name this Bond is registered at the close of business on the Record Date for such interest, which shall be the June 1 preceding each June 15 Interest Payment Date and December 1 preceding each December 15 Interest Payment Date (whether or not a business day). Such payment of interest shall be made by check mailed by the Trustee by first class mail to the owner at the address as it appears on the bond registration books maintained by the Trustee or, upon written request filed with the Trustee prior to the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of the Bonds, by wire transfer in immediately available funds to the account in the continental United States designated by said Owner in such written request. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This Bond is, as provided in the Master Trust Agreement and First Supplemental Trust Agreement, together with all other Series 1997, Sub-series A Bonds and Sub-series B Bonds, payable from the "Payments" (defined in the Master Trust Agreement as payments made by the City to the Trustee from any available source of revenues of the City and the Pledged Revenues, as and to the extent provided in the Trust Agreement). The Sub-series B Bonds are not secured by any Pledged Revenues.

THE PRINCIPAL OF AND INTEREST ON THIS BOND ARE PAYABLE BY THE CITY SOLELY FROM THE REVENUES OF THE CITY LEGALLY AVAILABLE THEREFOR, AND NEITHER THE TAX REVENUES OF THE CITY NOR THE TAXING POWER OF THE CITY ARE SPECIFICALLY PLEDGED FOR THE PAYMENT OF THE BONDS OR THE INTEREST THEREON, EXCEPT THE PLEDGED REVENUES AS AND TO THE EXTENT PROVIDED IN THE TRUST AGREEMENT. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE PLEDGED REVENUES AS AND TO THE EXTENT PROVIDED IN THE TRUST AGREEMENT. THE OWNER HEREOF HAS NO RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE CITY.

Additional provisions of this Bond are set forth on the following pages of this Bond. This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit

or security under the Trust Agreement until it shall have been authenticated by the execution by the Trustee of the Certificate of Authentication endorsed hereon.

All acts, conditions and other matters required to exist, to happen and to be performed, precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law and the Charter of the City of Oakland.

IN WITNESS WHEREOF, I hereunto set my hand this First day of February, 1997.

CITY OF OAKLAND, CALIFORNIA

By _____
Mayor

[Seal]

Attest:

By_____
City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Trust Agreement.

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Trustee

By:_____
Authorized Officer

Date of Authentication:

_____

[FORM OF REVERSE OF BOND OR SUBSEQUENT PAGES]

The City has entered into a Master Trust Agreement dated as of February 1, 1997, as amended (the "Trust Agreement"), with Texas Commerce Bank National Association, Houston, Texas, as trustee (the "Trustee"). Such Trust Agreement provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Trust Agreement and Supplemental Trust Agreements. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Bonds."

This Bond is part of a series of Bonds of the City issued under the Trust Agreement and the First Supplemental Trust Agreement dated as of February 1, 1997 (the "First Supplemental Trust Agreement") between the City and the Trustee and authorized by Resolution No. 72446 and Resolution No. 72447 adopted by the City Council on February 6, 1996 and Resolution No. 73256 adopted by the City Council on February 4, 1997. The series of Bonds of which this Bond is a part is being issued in the original principal amount of $436,289,659.15 and designated as City of Oakland, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"). The Trust Agreement also provides for the incurrence of additional debt, including the issuance of additional bonds, to be secured under the Trust Agreement equally and ratably with the Series 1997 Bonds. The Series 1997 Bonds are being issued primarily to fund the balance of the City's normal contribution owed to the System for the Fiscal Year 1996-97 and to refund a portion of the City's outstanding unfunded pension liability, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement).

The terms of the Series 1997 Bonds include the terms set forth in the Master Trust Agreement and First Supplemental Trust Agreement. Bondholders are referred to the Master Trust Agreement and First Supplemental Trust Agreement, as amended and supplemented from time to time, for a statement of those terms.

The Series 1997 Bonds are, as provided in the Master Trust Agreement and First Supplemental Trust Agreement, together with all other Bonds, payable from the "Payments" (defined in the Master Trust Agreement as payments made by the City to the Trustee from any available source of revenues of the City and any Pledged Revenues). The City is not required to provide for the payment of the Series 1997 Bonds from any special source of funds, but has pledged to payment of the Sub-series A Bonds the Tax Override Revenues (as defined in the Trust Agreement).

This Bond shall bear interest until the principal amount of this Bond has been paid at maturity at the rate shown on the face of this Bond.

Interest on this Bond shall be calculated on the basis of a year of 360 days and twelve 30-day months.

Interest hereon will be due and payable on June 15, 1997 and each June 15 and December 15 thereafter and will be paid to the party who is the owner hereof on the Record Date for such payment. The Record Date for an interest payment is the preceding June 1and December 1, and the Record Date for a principal payment is the preceding December 1. If this Bond is not a Book-Entry Bond, as defined in the First Supplemental Trust Agreement, interest hereon will be paid by check mailed to the holder's registered address, and, if this Bond is a Book-Entry Bond, as defined in the First Supplemental Trust Agreement, interest will be paid as provided in the First Supplemental Trust Agreement.

Payment of principal on Series 1997 Bonds will be paid at maturity upon surrender of such Bonds to the Trustee or its agent except that with respect to Series 1997 Bonds which are Book-Entry Bonds, the Trustee may make other agreements for payment of principal. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money. If any payment on the Series 1997 Bonds is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

The Series 1997 Bonds are not subject to redemption in advance of their stated maturities.

This Bond is available in denominations of $5,000 principal amount and integral multiples thereof. A holder may transfer or exchange this Bond in accordance with the Trust Agreement and the First Supplemental Trust Agreement. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Trust Agreement.

The registered owner of this Bond shall be treated as the owner of it for all purposes. The Trustee, the Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of this Bond registered in its name for the purposes of payment of the principal or interest on this Bond, giving any notice permitted or required to be given to Bondholders under the Trust Agreement, registering the transfer of this Bond, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the City shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in this Bond under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal of or interest on this Bond; any notice which is permitted or required to be given to Bondholders under the Trust Agreement; any consent given or other action taken by DTC as Bondholder; or any other purpose. The Trustee shall pay all principal of and interest on this Bond only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and interest on this Bond to the extent of the sum or sums so paid.

If money for the payment of principal or interest remains unclaimed for one year, the Trustee will pay the money to or for the account of the City. After that, holders entitled to the money must look only to the City and not to the Trustee for payment.

If the City at any time deposits with the Trustee money or Government Obligations as described in the Trust Agreement sufficient to pay at maturity principal of and interest on this Bond, and if the City also pays all other sums then payable by the City under the Trust Agreement, the Trust Agreement will be discharged as to this Bond. If the City at any time deposits with the Trustee money or Government Obligations as described in the Trust Agreement sufficient to pay at maturity, principal of and interest on this Bond, this Bond shall no longer be deemed to be outstanding and shall no longer be secured by the Trust Agreement except to the extent of the funds set aside therefor. After discharge, the holder of this Bond must look only to the deposited money and securities for payment.

The Master Trust Agreement, the First Supplemental Trust Agreement and the Series 1997 Bonds, including this Bond, may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Trust Agreement. Any consent given by the owner of this Bond shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

The Trust Agreement provided that the occurrences of certain events constitute Events of Default. An Event of Default and its consequences may be waived as provided in the Trust Agreement. Bondholders may not enforce the Trust Agreement or the terms of the Series 1997 Bonds, including this Bond, except as provided in the Trust Agreement. The Trustee may refuse to enforce the Trust Agreement or the terms of the Series 1997 Bonds, including this Bond, unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority of the principal amount of the Series 1997 Bonds (determined in accordance with the terms of the Trust Agreement) may direct the Trustee in its exercise of any trust or power.

No member, director, officer or employee of the City Council shall have any personal liability for any obligations of the City under this Bond or the Trust Agreement or be subject to any personal liability or accountability by reason of the issuance thereof. Each Bondholder, by accepting a Bond, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of this Bond.

Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (=tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= custodian) and U/G/M/A (=Uniform Gifts to Minors Act).

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____

_____

[Please Print or Typewrite Name and Address and Taxpayer Identification Number of Transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____

NOTICE: The signature of this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

PLEASE INSERT SOCIAL SECURITY NUMBER, TAXPAYER IDENTIFICATION NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

NOTICE: The signature of this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

_____

Signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan institutions and credit unions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17 Ad-15.

CERTIFICATE

The following is a true and correct copy of the legal opinion of Preston Gates & Ellis LLP, Bond Counsel, delivered on the date of issuance and delivery of the City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997 (the "Bonds"), which opinion is on file in the office of the City Clerk of the City of Oakland, California.

By: _____

Ceda S. Floyd
City Clerk
City of Oakland, California

OPINION OF BOND COUNSEL

February __, 1997

City Council
City of Oakland, California

Re: $436,289,659.15 City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B

Members of the City Council:

We have examined a record of proceedings relating to the issuance and delivery on the date hereof by the City of Oakland, California (the "City") of $436,289,659.15 aggregate principal amount of Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"). The Series 1997 Bonds have been issued pursuant to Section 218 and Article XXVI (referred to herein as the "Retirement Law") of the Charter of the City adopted by the electorate of the City on November 5, 1968, as amended; Ordinance No. 11851, adopted by the Council of the City on January 23, 1996 and now codified as Chapter 20 of the Oakland Municipal Code (the "PFRS Pension Obligations Bond Law"), to establish a program for the financing and refinancing of the City's obligations to the Police and Fire Retirement System (the "System") under the Retirement Law; authorizing resolutions of the Council adopted on February 6, 1996 and February 4, 1997; a Master Trust Agreement dated as of February 1, 1997 (the "Master Trust Agreement"), by and between the City and Texas Commerce Bank National Association, Houston, Texas, as trustee (the "Trustee") and a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1997 between the City and the Trustee, supplementing and amending the Master Trust Agreement (collectively, the Master Trust Agreement and the First Supplemental Trust Agreement being referred to herein collectively as the "Trust Agreement").

The Series 1997 Bonds are issued to fund the payment to the System of the balance of the City's normal contribution owed to the System under the Retirement Law for the Fiscal Year 1996-97, to refund a portion of the City's outstanding unfunded pension liability to the System under the Retirement Law, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement), and to pay costs and expenses incidental to the issuance of the Series 1997 Bonds. Capitalized terms used herein and not defined shall have the meanings given such terms in the Trust Agreement.

The Series 1997 Bonds are secured under the Trust Agreement by a covenant by the City of payment of principal and interest thereon from the general revenues of the City and, in the case of the Sub-series A Bonds only, are further secured by a pledge of Tax Override Revenues levied and collected by the City within each Fiscal Year, net of certain collection and administrative costs (the "Pledged Revenues"). The City reserves the right to issue additional bonds secured by the Pledged Revenues on a parity with the Series 1997 Bonds as stated in the Trust Agreement. In addition, the City has the unrestricted right to incur additional debt and liabilities payable from its general revenues.

We have also examined originals, or copies authenticated or otherwise identified to our satisfaction, of such other agreements, documents and certificates of public officials and representatives of the City, and we have made such investigation of law and of facts as we have deemed necessary or advisable for purposes of the opinions herein expressed.

Based upon the foregoing, we are of the opinion that:

(1) The City is authorized and empowered by law to execute and deliver the Master Trust Agreement and the First Supplemental Trust Agreement, to issue the Series 1997 Bonds, to use the proceeds from the sale thereof for the purposes stated in the First Supplemental Trust Agreement, to pledge the Pledged Revenues to the payment of the Series 1997, Sub-series A Bonds and to carry out its obligations under the Master Trust Agreement and the First Supplemental Trust Agreement.

(2) The Master Trust Agreement, the Funding Agreement and the First Supplemental Trust Agreement have been duly authorized and approved by the City Council in accordance with law and constitute the legal, valid and binding obligations of the City enforceable in accordance with their terms.

(3) The Series 1997 Bonds have been duly and validly authorized, executed and delivered in accordance with law and are the legal, valid and binding obligations of the City. The Series 1997 Bonds are enforceable in accordance with their terms and the terms of the Trust Agreement and are entitled to the benefits of the Trust Agreement. The Series 1997 Bonds are general obligations of the City and are not limited as to payment from any special source of funds of the City. The Series 1997, Sub-series A Bonds are secured by a pledge of the Pledged Revenues, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

(4) The Trust Agreement creates a valid lien upon the Pledged Revenues and certain of the funds and accounts securing the Series 1997, Sub-series A Bonds in accordance with, and subject to the terms of, the Trust Agreement.

(5) We are of the opinion that interest on the Series 1997 Bonds is to be included in the gross income of the recipient thereof for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code"). We are also of the opinion that the Series 1997 Bonds and the interest thereon is exempt from personal income taxation in the State of California.

We express no opinion regarding any other specific federal, state or local tax consequences arising with respect to ownership of the Series 1997 Bonds. The ownership of the Series 1997 Bonds may result in collateral tax consequences to the owners thereof.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the owners of the Series 1997 Bonds may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization or moratorium or other similar laws or judicial decisions or principles of equity relating to or generally affecting the enforcement of creditor's rights or contractual obligations and limiting legal remedies against public agencies in the State of California.

Our opinion is limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is furnished by us, as bond counsel to the City, to you and is for your exclusive benefit and no other person shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at Texas Commerce Bank National Association, Houston, Texas.

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 Texas Commerce Bank National Association, Houston, Texas, 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:

$436,289,659.15 (Original Principal Value)
$481,540,000(Maturity Value)
City of Oakland, California
Taxable Pension Obligation Bonds,
Series 1997, Sub-series A and Sub-series B

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-cancelable 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.

MBIA Insurance Corporation

EXHIBIT B

FORM OF CAPITAL APPRECIATION BOND

No. 15 **$26,704,659.15**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

United States of America
State of California

CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BOND
SERIES 1997, SUBSERIES A

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
7.310%	DECEMBER 15, 2010	FEBRUARY 25, 1997	672319AM2

REGISTERED OWNER: **CEDE & CO. (TAX I.D. #13-25551199)----------**

PRINCIPAL AMOUNT: **Seventy One Million Nine Hundred Fifty Five Thousand DOLLARS**

The City of Oakland, California (the "City"), acting pursuant to the PFRS Pension Obligation Bond Law and the Master Trust Agreement and First Supplemental Trust Agreement, each dated as of February 1, 1997 (collectively, the "Trust Agreement") between the City and Texas Commerce Bank National Association, Houston, Texas (the "Trustee"), promises to pay, to the registered owner named above, or registered assigns, the principal sum shown above on the Maturity Date set forth above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the designated corporate trust office of the Trustee the principal amount identified above. This Bond will accrete in principal value from its dated date set forth above so that the Accreted Value represented by this Bond on the Maturity Date

will be $5,000 or any integral multiple thereof per each $1,855.65 in Denominational Amount of this Bond. The Accreted Value of this Bond shall compound at the rate set forth above on June 15, 1997 and semiannually thereafter on June 15 and December 15 of each year to the Maturity Date . The Accreted Value of this Bond shall be computed on the basis of a 360-day year comprised of twelve 30-day months. This Bond shall mature on December 15, 2010. No payments shall be made on this Bond prior to the maturity thereof. This Bond shall not be subject to redemption prior to its stated maturity.

This Bond will accrue value compounded at the rate set forth above on each June 15 and December 15, commencing June 15, 1997, from the interest payment date next preceding the date on which this Bond is authenticated unless this Bond is authenticated on an interest payment date, in which event it shall accrue value from such date, or unless it is authenticated on or before June 1, 1997, in which event it shall accrue value from the dated date set forth above or unless it is authenticated between a Record Date (as hereinafter defined) and an interest payment date in which event it shall accrue value from such interest payment date, at the interest rate per annum set forth above until the principal sum hereof is paid. The principal amount so payable and punctually paid or duly provided for, will be paid to the person in whose name this Bond is registered at the close of business on the Record Date for such payment. The Record Date shall be the June 1 preceding each June 15 Interest Payment Date and the December 1 preceding each December 15 Interest Payment Date (whether or not a business day). Such payment shall be made by check mailed by the Trustee by first class mail to the owner at the address as it appears on the bond registration books maintained by the Trustee or, upon written request filed with the Trustee prior to the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of the Bonds, by wire transfer in immediately available funds to the account in the continental United States designated by said Owner in such written request. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This Bond is, as provided in the Master Trust Agreement and First Supplemental Trust Agreement, together with all other Series 1997, Sub-series A Bonds and Sub-series B Bonds, payable from the "Payments" (defined in the Master Trust Agreement as payments made by the City to the Trustee from any available source of revenues of the City and the Pledged Revenues).

THE PRINCIPAL OF AND INTEREST ON THIS BOND ARE PAYABLE BY THE CITY SOLELY FROM THE REVENUES OF THE CITY LEGALLY AVAILABLE THEREFOR, AND NEITHER THE TAX REVENUES OF THE CITY NOR THE TAXING POWER OF THE CITY ARE SPECIFICALLY PLEDGED, FOR THE PAYMENT OF THE BONDS OR THE INTEREST THEREON, EXCEPT AS AND TO THE EXTENT OF THE PLEDGED REVENUES AS PROVIDED IN THE TRUST AGREEMENT. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT AS AND TO THE EXTENT OF THE PLEDGED REVENUES AS PROVIDED IN THE TRUST AGREEMENT. THE OWNER HEREOF

HAS NO RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE CITY.

Additional provisions of this Bond are set forth on the following pages of this Bond. This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Trust Agreement until it shall have been authenticated by the execution by the Trustee of the Certificate of Authentication endorsed hereon.

All acts, conditions and other matters required to exist, to happen and to be performed, precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law and the Charter of the City of Oakland.

IN WITNESS WHEREOF, I hereunto set my hand as of this 25th day of February, 1997.

CITY OF OAKLAND, CALIFORNIA

By _____
Mayor

[Seal]

Attest:

By_____
City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned First Supplemental Trust Agreement.

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Trustee

By:_____
Authorized Officer

Date of Authentication:

_____

[FORM OF REVERSE OF BOND OR SUBSEQUENT PAGES]

The City has entered into a Master Trust Agreement dated as of February 1, 1997, as amended (the "Trust Agreement"), with Texas Commerce Bank National Association, Houston, Texas, as trustee (the "Trustee"). Such Trust Agreement provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Trust Agreement and Supplemental Trust Agreements. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Bonds."

This Bond is part of a series of Bonds of the City issued under the Trust Agreement and the First Supplemental Trust Agreement dated as of February 1, 1997 (the "First Supplemental Trust Agreement") between the City and the Trustee and authorized by Resolution No. 72446 adopted by the City Council on February 6, 1996 and Resolution No. 73256 adopted by the City Council on February 4, 1997. The series of Bonds of which this Bond is a part is being issued in the original principal amount of $436,289,659.15 and designated as City of Oakland, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"). The Trust Agreement also provides for the incurrence of additional debt, including the issuance of additional bonds to be secured under the Trust Agreement equally and ratably with the Series 1997 Bonds. The Series 1997 Bonds are being issued primarily to fund the balance of the City's normal contribution owed to the System for the Fiscal Year 1996-97 and to refund a portion of the City's outstanding unfunded pension liability, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement).

The terms of the Series 1997 Bonds include the terms set forth in the Master Trust Agreement and First Supplemental Trust Agreement. Bondholders are referred to the Master Trust Agreement and First Supplemental Trust Agreement, as amended and supplemented from time to time, for a statement of those terms.

The Series 1997 Bonds are, as provided in the Master Trust Agreement and First Supplemental Trust Agreement, together with all other Bonds, payable from the "Payments" (defined in the Master Trust Agreement as payments made by the City to the Trustee from any available source of revenues of the City and the Pledged Revenues). The City is not required to provide for the payment of the Series 1997 Bonds from any special source of funds, but has pledged to payment of the Sub-series A Bonds the Tax Override Revenues (as and to the extent provided in the Trust Agreement).

This Bond shall accrue value until the principal amount of this Bond has been paid at maturity at the rate shown on the face of this Bond, calculated on the basis of a year of 360 days and twelve 30-day months.

The Record Date for calculation of the Accreted Value of this Bond is the December 1 and June 1 preceding an Interest Payment Date.

Payment of this Bond will be paid at maturity upon surrender of this Bond to the Trustee or its agent except that with respect to Series 1997 Bonds which are Book-Entry Bonds, the Trustee may make other agreements for payment of principal. Payment of this Bond will be made in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money. If any payment on the Series 1997 Bonds is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

This Bond is available in original Denominational Amounts of $1, 855.65 per $5,000 Maturity Amount and integral multiples thereof. A holder may transfer or exchange this Bond in accordance with the Trust Agreement and the First Supplemental Trust Agreement. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Trust Agreement.

The registered owner of this Bond shall be treated as the owner of it for all purposes. The Trustee, the Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of this Bond registered in its name for the purposes of payment of the principal of or interest on this Bond, selecting the Series 1997 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Trust Agreement, registering the transfer of this Bond, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the City shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in this Bond under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal of or interest on this Bond; any notice which is permitted or required to be given to Bondholders under the Trust Agreement; any consent given or other action taken by DTC as Bondholder; or any other purpose. The Trustee shall pay all principal of and interest on this Bond only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and interest on this Bond to the extent of the sum or sums so paid.

If money for the payment of any amount payable hereunder remains unclaimed for one year, the Trustee will pay the money to or for the account of the City. After that, holders entitled to the money must look only to the City and not to the Trustee for payment.

If the City at any time deposits with the Trustee money or Government Obligations as described in the Trust Agreement sufficient to pay at maturity principal of and interest on this Bond, and if the City also pays all other sums then payable by the City under the Trust Agreement, the Trust Agreement will be discharged as to this Bond. If the City at any time deposits with the Trustee money or Government Obligations as described in the Trust

Agreement sufficient to pay at maturity, principal of and interest on of this Bond, this Bond shall no longer be deemed to be outstanding and shall no longer be secured by the Trust Agreement except to the extent of the funds set aside therefor. After discharge, the holder of this Bond must look only to the deposited money and securities for payment.

The Master Trust Agreement, the First Supplemental Trust Agreement and the Series 1997 Bonds, including this Bond, may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Trust Agreement. Any consent given by the owner of this Bond shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

The Trust Agreement provided that the occurrences of certain events constitute Events of Default. An Event of Default and its consequences may be waived as provided in the Trust Agreement. Bondholders may not enforce the Trust Agreement or the terms of the Series 1997 Bonds, including this Bond, except as provided in the Trust Agreement. The Trustee may refuse to enforce the Trust Agreement or the terms of the Series 1997 Bonds, including this Bond, unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority of the principal amount of the Series 1997 Bonds (determined in accordance with the terms of the Trust Agreement) may direct the Trustee in its exercise of any trust or power.

No member, director, officer or employee of the City Council shall have any personal liability for any obligations of the City under this Bond or the Trust Agreement or be subject to any personal liability or accountability by reason of the issuance thereof. Each Bondholder, by accepting a Bond, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of this Bond.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____

_____

[Please Print or Typewrite Name and Address and Taxpayer Identification Number of Transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____

NOTICE: The signature of this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

PLEASE INSERT SOCIAL SECURITY NUMBER, TAXPAYER IDENTIFICATION NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

NOTICE: The signature of this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

_____

Signature(s) must be guaranteed by an eleigible guarantor institution (banks, stockbrokers,savings and loan institutions and crdeit unions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17 Ad-15.

Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (=tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= custodian) and U/G/M/A (=Uniform Gifts to Minors Act).

CERTIFICATE

The following is a true and correct copy of the legal opinion of Preston Gates & Ellis LLP, Bond Counsel, delivered on the date of issuance and delivery of the City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-Series A and Sub-series B (the "Bonds"), which opinion is on file in the office of the City Clerk of the City of Oakland, California.

By: _____

Ceda Floyd
City Clerk
City of Oakland, California

OPINION OF BOND COUNSEL

City Council
City of Oakland, California

Re: $436,289,659.15, City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B

Members of the City Council:

We have examined a record of proceedings relating to the issuance and delivery on the date hereof by the City of Oakland, California (the "City") of $436,289,659.15 aggregate principal amount of Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"). The Series 1997 Bonds have been issued pursuant to Section 218 and Article XXVI (referred to herein as the "Retirement Law") of the Charter of the City adopted by the electorate of the City on November 5, 1968, as amended; Ordinance No. 11851, adopted by the Council of the City on January 23, 1996 and now codified as Chapter 20 of the Oakland Municipal Code (the "PFRS Pension Obligations Bond Law"), to establish a program for the financing and refinancing of the City's obligations to the Police and Fire Retirement System (the "System") under the Retirement Law; authorizing resolutions of the Council adopted on February 6, 1996 and February 4, 1997; a Master Trust Agreement dated as of February 1 1997 (the "Master Trust Agreement"), by and between the City and Texas Commerce Bank, Houston, Texas, as trustee (the "Trustee") and a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1997 between the City and the Trustee, supplementing and amending the Master Trust Agreement (collectively, the Master Trust Agreement and the First Supplemental Trust Agreement being referred to herein collectively as the "Trust Agreement").

The Series 1997 Bonds are issued to fund the payment to the System of the balance of the City's normal contribution owed to the System under the Retirement Law for the Fiscal Year 1996-97, to refund a portion of the City's outstanding unfunded pension liability to the System under the Retirement Law, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement), and to pay costs and expenses incidental to the issuance of the Series 1997 Bonds. Capitalized terms used herein and not defined shall have the meanings given such terms in the Trust Agreement.

The Series 1997 Bonds are secured under the Trust Agreement by a covenant by the City of payment of principal and interest thereon from the general revenues of the City and, in the case of the Sub-series A Bonds only, are further secured by a pledge of Tax Override Revenues levied and collected by the City within each Fiscal Year, net of certain collection and administrative costs (the "Pledged Revenues"). The City reserves the right to issue additional bonds secured by the Pledged Revenues on a parity with the Series 1997 Bonds as stated in the Trust Agreement. In addition, the City has the unrestricted right to incur additional debt and liabilities payable from its general revenues.

We have also examined originals, or copies authenticated or otherwise identified to our satisfaction, of such other agreements, documents and certificates of public officials and representatives of the City, and we have made such investigation of law and of facts as we have deemed necessary or advisable for purposes of the opinions herein expressed.

Based upon the foregoing, we are of the opinion that:

(1) The City is authorized and empowered by law to execute and deliver the Master Trust Agreement and the First Supplemental Trust Agreement, to issue the Series 1997 Bonds, to use the

proceeds from the sale thereof for the purposes stated in the First Supplemental Trust Agreement, to pledge the Pledged Revenues to the payment of the Series 1997, Sub-series A Bonds and to carry out its obligations under the Master Trust Agreement and the First Supplemental Trust Agreement.

(2) The Master Trust Agreement, the Funding Agreement and the First Supplemental Trust Agreement have been duly authorized and approved by the City Council in accordance with law and constitute the legal, valid and binding obligations of the City enforceable in accordance with their terms.

(3) The Series 1997 Bonds have been duly and validly authorized, executed and delivered in accordance with law and are the legal, valid and binding obligations of the City. The Series 1997 Bonds are enforceable in accordance with their terms and the terms of the Trust Agreement and are entitled to the benefits of the Trust Agreement. The Series 1997 Bonds are general obligations of the City and are not limited as to payment from any special source of funds of the City. The Series 1997, Sub-series A Bonds are secured by a pledge of the Pledged Revenues, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

(4) The Trust Agreement creates a valid lien upon the Pledged Revenues and certain of the funds and accounts securing the Series 1997, Sub-series A Bonds in accordance with, and subject to the terms of, the Trust Agreement.

(5) We are of the opinion that interest on the Series 1997 Bonds is to be included in the gross income of the recipient thereof for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code"). We are also of the opinion that the Series 1997 Bonds and the interest thereon is exempt from personal income taxation in the State of California.

We express no opinion regarding any other specific federal, state or local tax consequences arising with respect to ownership of the Series 1997 Bonds. The ownership of the Series 1997 Bonds may result in collateral tax consequences to the owners thereof.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the owners of the Series 1997 Bonds may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization or moratorium or other similar laws or judicial decisions or principles of equity relating to or generally affecting the enforcement of creditor's rights or contractual obligations and limiting legal remedies against public agencies in the State of California.

Our opinion is limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is furnished by us, as bond counsel to the City, to you and is for your exclusive benefit and no other person shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

Preston Gates & Ellis LLP

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a financial guaranty insurance policy containing the following provisions, such policy being on file at Texas Commerce Bank National Association, Houston, Texas.

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 Texas Commerce Bank National Association, Houston, Texas, 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:

$436,289,659.15 (Original Principal Value)
$481,540,000 (Maturity Value)
City of Oakland, California
Taxable Pension Obligation Bonds,
Series 1997, Sub-series A and Sub-series B

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-cancelable 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.

MBIA Insurance Corporation

EXHIBIT C

TABLE OF ACCRETED VALUES

For Capital Appreciation Bonds, the Accreted Value (which includes the principal amount and accrued interest thereon) per each $5,000 Maturity Amount as of June 15 and December 15, is set forth in the following table of Accreted Values.

Accrual Date	Accreted Value
February 25, 1997	$ 1,855.65
June 15, 1997	1,896.85
December 15, 1997	1,966.15
June 15, 1998	2,038.00
December 15, 1998	2,112.50
June 15, 1999	2,189.70
December 15, 1999	2,269.75
June 15, 2000	2,352.70
December 15, 2000	2,438.70
June 15, 2001	2,527.85
December 15, 2001	2,620.25
June 15, 2002	2,716.00
December 15, 2002	2,815.30
June 15, 2003	2,918.20
December 15, 2003	3,024.85
June 15, 2004	3,135.40
December 15, 2004	3,250.00
June 15, 2005	3,368.80
December 15, 2005	3,491.90
June 15, 2006	3,619.55
December 15, 2006	3,751.85
June 15, 2007	3,889.00
December 15, 2007	4,031.10
June 15, 2008	4,178.45
December 15, 2008	4,331.20
June 15, 2009	4,489.50
December 15, 2009	4,653.60
June 15, 2010	4,823.65
December 15, 2010	5,000.00

FUNDING AGREEMENT

This FUNDING AGREEMENT (this "Agreement") dated as of June 1, 1996 is between the CITY OF OAKLAND, CALIFORNIA (the "City"), a duly constituted chartered city operating, organized and existing under the Constitution and laws of the State of California pursuant to a freeholder's charter adopted by the voters of the City on November 5, 1968, as amended (the "City Charter"), and THE POLICE AND FIRE RETIREMENT SYSTEM, a retirement system operating pursuant to Article XXVI of the City Charter of the City (the "System").

RECITALS

WHEREAS, Article XXVI of the City Charter, as such may be amended from time to time ("Retirement Law"), provides that the City shall make such contributions to the System periodically during the year that when added to the contributions of the System's members will actuarially fund all liabilities for all System members by July 1, 2026; and

WHEREAS, the most recent adopted actuarial study of the System, dated July 1, 1994 (the "Actuarial Study"), determined that the actuarial present value of future employer normal costs ("Employer Liability") is $670 million and is now estimated by the System's actuary (the "Actuary") to exceed $705 million as of April 1, 1996; and

WHEREAS, the City's past practice with regard to paying down the Employer Liability has been to make monthly payments to the System calculated in accordance with the Actuarial Study so that the entire Employer Liability will be satisfied by the year 2026, as prescribed by the City's Charter; and

WHEREAS, the City, in accordance with Section 219(5) and Section 812 of the City Charter, has enacted Ordinance No. 72466 C.M.S. (being Chapter 20 of the Municipal Code of the City of Oakland) (the "Ordinance") to establish a program for the financing and refinancing of its obligations to the System and bonds for the purpose of funding or refunding any debenture; and

WHEREAS, pursuant to the Program the City may issue debentures to evidence all or a portion of its obligations to the System and bonds for the purpose of funding or refunding any debenture; and

WHEREAS, the City has determined to issue a debenture (the "1996 Debenture") for the purpose of evidencing a portion of the Employer Liability of the City to the System and to issue its City of Oakland Pension Obligation Refunding Bonds, in one or more series (the "Bonds"), for the purpose of refunding the 1996 Debenture thus resulting in a receipt by the System of a corresponding lump sum payment of up to $425 million (the "Payment"); and

WHEREAS, the Payment shall be paid to and become part of the assets of the System with the System having the fiduciary responsibility for investing such Payment together with the existing

assets of the System, in accordance with the prudent person standard, the City Charter, the State Constitution and other applicable law; and

WHEREAS, the ultimate economic benefit to be derived by the City from said refunding shall be influenced, in part, by the future investment performance of the System; and

WHEREAS, the ultimate economic benefit to be derived by the City from said refunding also shall be influenced, in part, by compensation increases paid by the City to sworn members of the City's Police and Fire Departments and judgments and settlements that require the System to pay additional retirement benefits to System members; and

WHEREAS, the obligation of the City to make payments to the System in accordance with the terms of Article XXVI of the City Charter is absolute and unconditional, without any right of set-off or counterclaim; and

WHEREAS, pursuant to Section 1.07 of this Agreement, the City may issue additional debentures and additional series of bonds to refinance its obligations to the System, including the Unfunded Balance (as herein defined);

NOW, THEREFORE, the City and the System hereby covenant and agree, as follows:

ARTICLE I

Section 1.01 **Plan of Financing and Cooperation of System and City.** The System and the City agree to cooperate as necessary to accomplish the purposes of this Agreement; provided that such cooperation is consistent with the System's Board's fiduciary obligations and the provisions of the Oakland City Charter and other applicable law. The City will cause to be prepared and reviewed by the System and the City's designated financing team all related documents and proceedings (which proceedings will include the validation complaint and court papers to be filed in connection therewith, resolutions to be adopted by the System Board to approve the various matters relating to issuance of the Bonds and the Debenture, and similar official actions and documents.) The System and the City will cooperate in the preparation and filing of a validation action pursuant to section 860 et seq. of the California Code of Civil Procedure relating to the issuance of the 1996 Debenture and the Bonds (the "Validation Action") in which Validation Action both the City and the System will be the named plaintiffs, which Validation Action will seek a final approving judgment from a court of competent jurisdiction binding on all interested parties holding that such proceedings and documents and agreements relating thereto (including the provisions of this Agreement) are valid and enforceable by the City and the System under all applicable law, including but not limited to section 2619(6) and other applicable provisions of the City Charter and the laws that establish the fiduciary duties of the System's Board. All such documents and proceedings will be consistent with the provisions of this Agreement.

Section 1.02 **Issuance and Cancellation of Debenture.** The 1996 Debenture shall be issued by the City in an amount not to exceed $425 million representing a portion of the Employer Liability as determined by the Actuary. After making the Payment (as defined below), the current unfunded balance of the Employer Liability (the "Unfunded Balance") is estimated to be not less than $280

million. The Debenture will be in the form attached hereto as Exhibit A, with such changes and additions thereto as the City and the System shall approve. The System will return the paid Debenture to the City concurrently with the delivery of the Bonds to the original purchasers thereof. The Bond proceeds paid to the System to refund the Debenture shall be assets of the System and shall be used and invested in accordance with the provisions of the Charter, the state constitution and other applicable law. The Bond proceeds so paid to the System are hereinafter occasionally referred to as the "Payment.".

Section 1.03. **Treatment of Payment.** The Payment shall be credited against the Employer Liability to the System, as the actuarial equivalent of a prepayment to the System for the period and in the scheduled annual amounts shown on certain schedules to be prepared by the Actuary in accordance herewith. In connection with the issuance of the 1996 Debenture and the Bonds (at least 45 days prior to the date of sale of the Bonds), the Actuary will prepare schedules that set forth for each year the annual payments to eliminate the Employer Liability by 2026, based on the most recent available actuarial valuation study for the System. The schedules will include the present values of the payments to eliminate the Employer Liability by 2026. The present value payments shall be calculated from the scheduled monthly Employer Liability payment dates to the closing date of the Bonds, using the City's contribution rate as determined by the Actuary. The schedules also shall cumulatively aggregate the present values of the Employer Liability payments for each year to 2026. The City in return for making the Payment to the System shall not be required to make any further periodic payments to the System for the period of time determined pursuant to said schedules based upon the amount of the Payment, said period being hereinafter referred to as the "Suspension Period". The City shall resume monthly payments with respect to the Employer Liability at the contribution rate determined by the Actuary in accordance with the requirements of the City Charter in the month immediately following the end of the Suspension Period.. In accordance with its current practices, and the requirements of the City Charter, the City shall continue to collect and make payments to the System of amounts representing employee contributions. The System also shall continue to conduct and report the results of periodic actuarial valuations in accordance with the requirements of the City Charter. Such future valuations may result in the Employer Liability becoming larger or smaller than the Employer Liability currently projected by the Actuary.

Section 1.04. **Investment of System Assets.** The System, in its fiduciary capacity, shall be solely responsible for investment of the Payment once same is transferred to the System. The System shall invest the Payment in accordance with the City Charter, the prudent person standard, the state constitution and other applicable law. The System will provide to the City a copy of all written reports of its investment advisers and firms retained to evaluate the performance of the System's investment advisers to the extent required by applicable law and will provide the City a copy of meeting agendas and notices to the extent required by applicable law.

Section 1.05. **Informational Reports.**

(a) The System agrees to timely provide copies of unprivileged investment reports it receives from professionals retained by the System, such as asset managers and investment, to such City staff as the City shall designate, to the extent applicable law requires that the System advisors provide copies of such reports.

(b) The System agrees to provide the City Council a copy of its annual report and to provide the City Council a copy of its actuary's valuations to the extent applicable law requires that the System provide copies of such reports.

Section 1.06. **Valuation of System Assets.** The investments of System assets shall be evaluated in accordance with generally accepted actuarial, accounting and auditing principles and the standards of the Governmental Accounting Standards Board as applied by the Actuary and the System's Board.

Section 1.07. **Additional Debentures and Bonds.** The City may issue additional bonds to refund debentures evidencing any additional portion of the Employer Liability. The System agrees to review and evaluate the issuance of such debentures upon request of the City.

Section 1.08. **Fiduciary Obligations of System.** It is the intention of the City and the System that this Agreement never be interpreted to interfere with the fiduciary obligations of the System's Board.

Section 1.09. **Effective Date; Term of Agreement.** This Agreement will take effect immediately upon its execution and delivery by the parties. This Agreement shall terminate upon the final maturity date of the Bonds; provided, however, that this Agreement shall terminate and be of no force and effect if the 1996 Debenture and the Bonds shall not have been issued by the date which is eighteen months following the date of the Validation Action, or if there shall not have been issued by such date an approving final judgment of a court of competent jurisdiction in the Validation Action, binding on all interested parties holding that such proceedings and documents and agreements relating thereto (including the provisions of this Agreement) are valid and enforceable by the City and the System under all applicable law, including but not limited to section 2619(6) and other applicable provisions of the City Charter and the laws that establish the fiduciary duties of the System's Board.

Section 1.10 **Indemnification.** This indemnification provision shall apply solely to those claims, causes of action, actions or lawsuits challenging the legality of this Agreement or any provision hereof that are substantively related to this Agreement (herein referred to as "Claim"). The City shall indemnify, defend and hold harmless the System, the System's Fund, the System's Board, each member of the System's Board, and its officers, agents and employees, (all of such parties being herein referred to as the "System"), from and against any and all losses and expenses (including attorney's fees) and liability that may accrue or result to the System in connection with or as a result of any Claim, as provided herein. With respect to any such Claim, the System shall tender to the City, and the City shall accept, the prosecution and/or defense of such Claim. The term "System" shall not include any third-party consultants or advisors retained by the System for any purpose. The System understands and agrees that it shall be solely responsible for the payment of any and all losses and expenses (including attorney's fees) and liability, that may accrue or result to the System in connection with or as a result of any claim or cause of action filed against the System that does not challenge the legality of this Agreement , or any provision hereof.

ARTICLE II

MISCELLANEOUS PROVISIONS

Section 2.01. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Agreement must be in writing except as expressly provided otherwise in this Agreement.

(b) Any notice or other communication, unless otherwise specified, shall be sufficiently given and deemed given when mailed by first-class mail, postage prepaid, addressed to the City Director of Budget and Finance and the Director of Retirement and Risk Administration at the addresses provided below or when delivered by hand and received by the City or the System at the addresses provided below. Any addressee may designate in writing to the other party additional or different addresses for purposes of this Section.

If to the City:

Dolores Blanchard
Director of Budget and Finance
City of Oakland
One City Hall Plaza, 10th Floor
Oakland, CA 94612

If to the System:

Walter L. Johnson
Director of Retirement and Risk Administration
Police & Fire Retirement System
1333 Broadway, Suite 310
Oakland, CA 946122

Section 2.02. **Modification of This Agreement.** The City and System may, from time to time and at any time, execute and deliver supplemental agreements signed by both parties supplementing and/or amending this Agreement.

Section 2.03. **Severability.** If any provision of this Agreement shall be determined to be unenforceable, that shall not affect any other provision of this Agreement.

Section 2.04. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of this state.

Section 2.05. **Captions.** The captions in this Agreement are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Agreement.

Section 2.08. **Counterparts.** This Agreement may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed all as of the date first above written.

CITY OF OAKLAND, CALIFORNIA

By _____
City Manager

THE POLICE AND FIRE RETIREMENT SYSTEM

By _____
Title: Chairperson

Approved as to form and legality
this 7th day of June, 1996.

CITY ATTORNEY

By _____
Deputy City Attorney

7580-1

No. 1 $432,867,300

CITY OF OAKLAND

PENSION OBLIGATION DEBENTURE

The City of Oakland (the "City"), a municipal corporation duly organized and existing under the Constitution and laws of the State of California and a freeholders' charter adopted by the voters of the City on November 5, 1968, as amended (the "City Charter"), acknowledges itself indebted, and for value received hereby promises to pay, to The Police and Fire Retirement System of the City (the "System"), a retirement system existing under Article XXVI of the City Charter or assigns (the "Holder"), the sum of Four Hundred Thirty Two Million Eight Hundred Sixty Seven Thousand Three Hundred Dollars ($432,867,300), which amount represents a portion of the normal contribution of the City to the System for the fiscal year 1996-97 in the amount of $15, 694,000 and a portion of the accrued actuarial unfunded liability of the City to the System, in the amount of $417,173,300, together with interest thereon from the date hereof at the rate of eight and one-half percent (8.50%) per annum. Principal and interest shall be paid at such address as shall have been agreed upon by the Holder hereof and the City. Interest on such principal amount shall be payable from the date of this Debenture or from the most recent interest payment date to which interest has been paid or duly provided for, commencing on February 25, 1997, and semiannually thereafter on June 15 and December 15, at the rate set forth above, until the principal hereof is paid or made available for payment and principal shall be payable on June 30, 2011.

PAID

This Debenture is a duly authorized debenture of the City designated its "Pension Obligation Debenture" (the "Debenture") in the aggregate principal amount of $436,289,659.15 issued under and in full compliance with Article XXVI of the City Charter (the "Retirement Law") and the PFRS Pension Obligation Bond Law, Ordinance No.11851 (being Chapter 20 of the Municipal Code of the City of Oakland) (the "Ordinance"), and under and pursuant to Resolution No.72446 and Resolution No.72447 adopted by the City Council of the City of Oakland on February 6, 1996 and Resolution No.73256 adopted by the City Council of the City of Oakland on February 4, 1997 (the "Resolution"). This Debenture and payment hereunder are subject to the terms and conditions of the Resolution, copies of which are on file at the office of the City Clerk of the City of Oakland, and reference to the Resolution, the PFRS Pension Obligation Bond Law and any and all supplements thereto and modifications and amendments thereof and to the Retirement Law is made for a complete statement of such terms and conditions.

This Debenture may, at any time and from time to time, be prepaid in whole or in part without premium and without prior notice.

This Debenture evidences a portion of the total unfunded accrued actuarial liability of the City to the System owed pursuant to the Retirement Law, particularly Section 2619(6) of the Charter, and the balance of the normal contribution of the City owed to the System for the current fiscal year and shall be payable by the City in accordance with the terms of the PFRS Pension Obligation Bond Law.

Notwithstanding any dispute between the City and the System, or any assignee of the System or any assigns of the System, the City shall make all payments required hereunder when due, unless made earlier pursuant to optional prepayment, and shall not withhold any such payments pending the final resolution of such dispute or for any other reason whatsoever. The City hereby waives presentment, protest, notice, demand or any action on delinquency.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the CITY OF OAKLAND, CALIFORNIA has caused this Debenture to be signed in its name and on its behalf by the manual or facsimile signature of the City Manager of the City and its seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced, as of the 25th day of February, 1997.

CITY OF OAKLAND, CALIFORNIA

By _____
Acting City Manager

[SEAL]

Attest:

By _____
City Clerk

CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS

SERIES 1997

PURCHASE CONTRACT

February 13, 1997

City of Oakland
One City Hall Plaza
Oakland, California 94612

Ladies and Gentlemen:

The undersigned, acting as representative (the "Representative") on behalf of itself and each of the other underwriters listed as signatories hereto (collectively, the "Underwriters") hereby offers to enter into this Purchase Contract (the "Purchase Contract") with you, the City of Oakland (the "City") for the purchase by the Underwriters of the City's Taxable Pension Obligation Bonds, Series 1997 (the "Bonds") which will be issued and delivered by the City pursuant to the Master Trust Agreement, dated as of February 1, 1997 (the "Master Trust Agreement"), between Texas Commerce Bank National Association, as trustee (the "Trustee") and the City and a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") by and between the City and the Trustee dated as of February 1, 1997 (the Master Trust Agreement and the First Supplemental Trust Agreement are sometimes referred to collectively as the "Trust Agreement"). This offer is made subject to acceptance by you prior to 11:59 p.m., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriters upon written notice delivered to you at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriters.

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase and the City agrees to issue and deliver to the Underwriters all (but not less than all) of the Bonds, in the aggregate principal amount of $436,289,659.15, dated as of February 1, 1997.

(b) The Bonds shall be issued pursuant to the PRFS Pension Obligation Bond Law, consisting of Chapter 20 of the Oakland Municipal Code (the "Act")), resolutions (the "Resolution") adopted by the City on February 6, 1996 and February 4, 1997 authorizing the issuance of the Bonds, the issuance of debentures, the form and execution of a funding agreement, the Trust Agreement and the Legal Documents (as defined below) to which the City is a party, the Official Statement, this Purchase Contract and the Continuing Disclosure Certificate (as defined below). The Bonds shall have the maturities and bear interest (or, in the case of Capital Appreciation Bonds, accrue interest) at the rates per annum shown on Exhibit A hereto. The Bonds shall be substantially in the form described in, and shall be issued and secured under, the provisions of the Trust Agreement. The Bonds shall be payable from any legally available source of revenues of the City.

The Bonds are being issued by the City for the purpose of providing funds to finance (i) a portion of the current balance of the City's unfunded actuarial accrued liability for retirement benefits to members of the City of Oakland Police and Fire Retirement System (the "System"), (ii) a portion of the City's current normal contribution for the fiscal year ending June 30, 1997 and (iii) the payment of costs of issuance of the Bonds.

Payment of the principal of and interest (but not redemption premium) on the Bonds shall be insured pursuant to a municipal bond insurance policy issued on the date of delivery of the Bonds (the "Policy") by MBIA Insurance Corporation (the "Bond Insurer").

The Bonds, the Trust Agreement, the Funding Agreement, dated as of June 1, 1996, by and between the City and the System, the debenture issued by the City to the System dated February 25, 1997 (the "Debenture") in the amount of $432,867,300, and the Continuing Disclosure Certificate, dated as of February 1, 1997, by and between the City and the Trustee (the "Disclosure Certificate") shall be collectively referred to herein as the "Legal Documents." Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Legal Documents.

(c) The purchase price for all the Bonds will be (a) $434,326,355.58, which represents the principal amount of the Bonds less an underwriters' discount of $1,963,303.57, plus (b) accrued interest on the Current Interest Bonds from February 1, 1997 to the Closing Date (as hereinafter defined).

(d) If the Underwriters fail (other than for a reason permitted hereby) to accept and pay for the Bonds upon tender by the City as provided herein, the Underwriters shall pay $2,500,000 (the "Liquidated Damages Amount") to the City as and for full liquidated damages for such failure and for any and all defaults on the part of the Underwriters, and the Underwriters will be fully released and discharged of all claims and damages for such failure and for any and all such defaults, inasmuch as the parties have agreed that the City's actual damages, in the event of such failure by the Underwriters, would be extremely difficult or impracticable to determine. The parties acknowledge that the Liquidated Damages Amount has been agreed upon, after negotiation, as the parties' reasonable estimate of the City's damages and as the City's exclusive remedy at law or inequity against the Underwriters in the event of the Underwriters' failure to fulfill their obligations under the Purchase Contract.

(e) At 8:00 a.m., California time, on February 25, 1997, or at such other time or on such other date as the City and the Underwriters mutually agree upon (the "Closing Date"), the City will deliver or cause to be delivered to the Underwriters, at a location or locations to be designated by the Underwriters in New York, New York, the Bonds (delivered through the book-entry system of The Depository Trust Company) in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities (all of the Bonds to bear CUSIP numbers), duly executed, and at the offices of Preston Gates & Ellis LLP, Los Angeles, California, or at such other place as shall have been mutually agreed upon by the City and the Underwriters, the other documents mentioned herein. Delivery pursuant to DTC-FAST procedures shall also be permissible at the option of the City. The Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in subparagraph (c) above (such delivery and payment being herein referred to as the "Closing") payable to the order of the Trustee in an amount equal to the purchase price.

(f) The Underwriters agree to make a bona fide public offering of the Bonds at the initial offering prices set forth in the Official Statement, which prices may be changed from time to time by the Underwriters after such offering.

2. Use and Preparation of Official Statement.

The City hereby ratifies, confirms and approves of the use and distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement dated February 5, 1997 relating to the Bonds (the "Preliminary Official Statement"). The City has deemed final the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The City hereby agrees to deliver, or cause to be delivered, to the Underwriters, within seven business days of the date hereof, copies of the final Official Statement dated the date hereof, relating to the Bonds (including all information permitted to be omitted from the Preliminary Official Statement by Rule 15c2-12, and any amendments or supplements to such Official Statement as have been approved by the City and the Underwriters (the "Official Statement")) in sufficient quantity to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The City hereby approves of the use and distribution by the Underwriters of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date, the Underwriters shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board and with a nationally recognized securities information repository. The Underwriters shall advise the City in writing of the date and repository of filing.

3. Representations, Warranties and Agreements of the City. The City hereby represents, warrants and agrees with the Underwriters as follows:

(a) the City is and will be on the Closing Date a Charter City and municipal corporation of the State of California organized and operating pursuant to the laws of the State of California, including the City Charter, with full power and authority to execute and deliver the Official Statement, this Purchase Contract and the Legal Documents to be executed by it;

(b) by official action of the City prior to or concurrently with the acceptance hereof, or prior to the Closing Date, the City has duly approved, ratified and confirmed the distribution of the Preliminary Official Statement and the execution and delivery of, and the performance by the City of the obligations on its part contained in, the Legal Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Contract;

(c) the execution and delivery of the Legal Documents to be executed by the City, this Purchase Contract, the Official

Statement and compliance with the provisions on the City's obligations contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Legal Documents;

(d) the City is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State of California or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a default or an event of default under any such instrument;

(e) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the knowledge of the City, threatened against the City, or the titles of its officers to their respective offices, seeking to prohibit, restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the payment of any payments to the System by the City or in any way contesting or affecting the validity or enforceability of the Bonds, the Legal Documents or this Purchase Contract or contesting the powers of the City to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Legal Documents or this Purchase Contract;

(f) at the sole cost of the Underwriters, the City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order for the Underwriters (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the

eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the City be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(g) As of the date thereof, the Preliminary Official Statement did not, except as revised by the Official Statement, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect;

(h) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(i) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the City will notify the Underwriters, and, if in the opinion of the Underwriters, the City or its counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish to the Underwriters (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the City will furnish such information with respect to itself as the Underwriters may from time to time reasonably request;

(j) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (i) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(k) After the Closing, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriters shall reasonably object in writing;

(l) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Bonds shall mean the earlier of (i) the Closing Date unless the City shall have been notified in writing to the contrary by the Underwriters on or prior to the Closing Date, or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12; provided, however, that the City may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriters stating the date which is the End of the Underwriting Period;

(m) Except as contemplated by the Official Statement, since the date of the financial statements of the City included in Appendix B to the Official Statement, the City has not incurred, as of the date hereof, and will not have incurred, as of the date of Closing, any material liabilities, direct or contingent, or entered into any material transaction, in each case other than in the ordinary course of its business, and, as of the date hereof and as of the date of Closing, there has not been and there shall not have been any change in the condition, financial or otherwise, of the City or its properties or other assets that would materially adversely impact the City's ability to timely pay the principal of and interest on the Bonds.

4. Conditions to the Obligations of the Underwriters. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both

on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriters' obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned, at the option of the Underwriters, upon the performance by the City of its obligations to be performed hereunder and under the Legal Documents at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriters shall receive within seven business days of the date hereof, copies of the Official Statement (including all information permitted to have been omitted from the Preliminary Official Statement by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriters), in such reasonable quantity as the Underwriters shall have requested;

(b) The representations and warranties of the City contained herein shall be true and correct on the date hereof and on the Closing Date, as if made on and at the Closing and the statements of the officers and other officials of the City made in any certificate or any other document furnished pursuant to the provisions hereof are accurate;

(c) At the time of the Closing, the Legal Documents shall have been duly authorized, executed and delivered by the City, all in substantially the forms heretofore submitted to the Underwriters, with only such changes as shall have been agreed to by the Underwriters, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions, including the Resolution, of the City Council of the City (the "City Resolutions") as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth in the Official Statement, of the Bonds shall not have been materially adversely affected, in the reasonable judgment of the Underwriters (evidenced by a written notice to the City terminating the obligation of the Underwriters to accept delivery of and make any payment for the Bonds), by reason of any of the following:

(1) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to

any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the City or upon interest received with respect to obligations of the general character of the Bonds which, in the reasonable judgment of the Underwriters, may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, property or income of the City, securities (including the Bonds) issued by the City or the interest thereon, or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Underwriters, materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(2) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Bonds, or the

Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(3) the declaration of war or the escalation of, or engagement in, major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(4) the declaration of a general banking moratorium by federal, State of New York or State of California authorities, or the general suspension of trading on any national securities exchange;

(5) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriters;

(6) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(7) the withdrawal or downgrading of any rating of the Bonds by a national rating agency; or

(8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriters, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of

the circumstances under which they were made, not misleading;

(e) At or prior to the Closing Date, the Underwriters shall have received the following documents, in each case satisfactory in form and substance to the Underwriters:

(1) Two copies of the Legal Documents, each duly executed and delivered by the respective parties thereto;

(2) The approving opinion, dated the Closing Date and addressed to the City, substantially in the form of Appendix E to the Official Statement, of Preston Gates & Ellis LLP ("Bond Counsel") and a letter of such counsel, dated the Closing Date and addressed to the Underwriters, to the effect that such opinion may be relied upon by the Underwriters to the same extent as if such opinion were addressed to them;

(3) The supplemental opinion, dated the Closing Date and addressed to the Underwriters, of Bond Counsel, to the effect that (i) the statements contained in the Official Statement on the cover pages, on the page entitled "SUMMARY OF SELECTED INFORMATION," under the captions "INTRODUCTORY STATEMENT," "THE BONDS," SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS," "TAX MATTERS," "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES" and "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" insofar as such statements purport to summarize certain provisions of the Bonds, the Trust Agreement, the Funding Agreement, matters relating to the income tax treatment of interest received on the Bonds under federal and state law and information with respect to the above on the cover page, fairly and accurately summarize the information presented therein (excluding therefrom the information under captions "APPENDIX A - CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND", "APPENDIX B - CITY OF OAKLAND AUDITED FINANCIAL STATEMENTS, June 30, 1996", "APPENDIX D - CITY OF OAKLAND INVESTMENT POLICY, FISCAL YEAR 1996-1997", "APPENDIX G - FORM OF CONTINUING DISCLOSURE CERTIFICATE", "APPENDIX H - DTC BOOK-ENTRY SYSTEM," "APPENDIX F - FORM OF MUNICIPAL BOND INSURANCE POLICY" and other financial statements and statistical data as to which no opinion need be expressed); (ii) the Bonds and the Debenture are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (iii) no information has come to their attention which would cause them to believe that the Official Statement as of its

date and as of the date of such opinion (except for the financial and statistical date included therein and in the Appendices thereto, as to which no view need be expressed) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(4) The opinion of counsel for the City, dated the Closing Date and addressed to the Underwriters and the City, to the effect that (i) the City is a charter city and a municipal corporation of the State of California; (ii) the City Resolutions were duly adopted at meetings of the City Council of the City which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout; (iii) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending (with service of process accomplished), or to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the City, to restrain or enjoin any payments to the System, or in any way contesting or affecting the validity of the Bonds, the Legal Documents or the Purchase Contract; (iv) the execution, delivery and issuance, where applicable, of the Legal Documents to which the City is a party, the Purchase Contract, the adoption of the City Resolutions, and compliance by the City with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a breach or default under any agreement or other instrument to which the City is a party (and of which such counsel is aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the City is subject; (v) the Legal Documents to which the City is a party and the Purchase Contract have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought; (vi) no authorization, approval, consent or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the City is required for the valid authorization, execution, delivery and

performance by the City of the Legal Documents to which the City is a party, the Official Statement or the Purchase Contract or for the adoption of the City Resolutions which has not been obtained; (viii) the information relating to the City contained in the Official Statement under the captions "INTRODUCTORY STATEMENT," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," "PLAN OF FINANCING," "CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM," "GENERAL CITY INFORMATION," "ESTIMATED SOURCES AND USES OF FUNDS," "RISK FACTORS," "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS," "LITIGATION," "APPENDIX A - CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and "APPENDIX D - CITY OF OAKLAND INVESTMENT POLICY, FISCAL YEAR 1996-1997" is true and correct in all material respects and nothing has come to such counsel's attention which would lead such counsel to believe that such sections of the Official Statement contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (ix) the City has never failed to comply with its existing undertakings under Rule 15c2-12 to provide annual reports or notices of material events;

(5) The opinion of counsel to the System, dated the Closing Date and addressed to the Underwriters, to the effect that (i) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending (with service of process accomplished), or to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the Funding Agreement or the Funding Agreement Certificate (as hereinafter defined), to restrain or enjoin any payments under the Funding Agreement or in any way contesting or affecting the validity of the Funding Agreement or the Funding Agreement Certificate; (ii) the Funding Agreement and the Funding Agreement Certificate collectively constitute a legal, valid and binding agreement of the System enforceable in accordance with their terms, subject to the laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought; (iii) no authorization, approval, consent or other order of the State of California or other governmental authority or agency having jurisdiction over the City or the System is required for the valid authorization, execution and delivery and performance by the System of the Funding Agreement and the Funding Agreement Certificate or for the adoption of or giving effect to

the resolutions of the Police and Fire Retirement Board (the "Board"); and (iv) the statements relating to the System contained in the Official Statement under the captions "CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM" and "APPENDIX A - CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND - Retirement Program" are true and correct in all material respects and nothing has come to such counsel's attention which would lead such counsel to believe that such section of the Official Statement and the above referenced appendix contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(6) The opinion of counsel to the Trustee dated the Closing Date and addressed to the Underwriters and the City to the effect that (i) the Trustee is a banking corporation with trust powers, duly created and qualified to do business in the State of California; (ii) the Trustee has duly authorized by all necessary corporate action the execution, delivery and performance of the Trust Agreement; (iii) the Trustee has all necessary trust powers required to carry out the trusts intended under the Trust Agreement; (iv) the Trust Agreement has been duly executed and delivered by the Trustee and constitutes the valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought; and (v) no authorization, consent or other order of the State of California, any other state or the United States or any state or federal government authority or agency having jurisdiction on the matter is required to be obtained by the Trustee for the valid authorization, execution and delivery by the Trustee of the Trust Agreement; except such counsel is not required to include an opinion regarding state or federal securities laws;

(7) A certificate, or certificates, dated the Closing Date, signed by the duly authorized director of the Board or other duly authorized representative of the System (the "Funding Agreement Certificate"), in form and substance satisfactory to the City and the Underwriters, to the effect that for purposes of Section 1.03 of the Funding Agreement the amount of the "Payment" (as such term is defined in the Funding Agreement) is $417,173,300 and the "Suspension Period" (as such term is defined in the Funding Agreement) is from February 25, 1997, to June 30, 2011;

(8) A certificate, or certificates, dated the Closing Date, signed by the duly authorized director of the Board or other duly authorized representative of the System (the "Funding Agreement Certificate"), in form and substance satisfactory to the Underwriters, to the effect that the statements relating to the System contained in the Official Statement under the captions "CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM" and "APPENDIX A - CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND - Retirement Program" are true and correct in all material respects and nothing has come to such representative's attention which would lead such representative to believe that such section of the Official Statement and the above referenced appendix contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(9) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the City satisfactory to the Underwriters, in form and substance satisfactory to the Underwriters, to the effect that (i) the representations and warranties of the City contained in the Purchase Contract are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) no litigation is pending (with service of process accomplished), or, to the best of his or her knowledge, threatened (A) to restrain or enjoin the issuance, sale or delivery of any of the Bonds or any payments to the System, (B) in any way contesting or affecting the validity of the Bonds, the Purchase Contract or the Legal Documents to which the City is a party, or (C) in any way contesting the existence or powers of the City; and (iii) no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement relating to the City or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect;

(10) A certificate, dated the Closing Date, signed by a duly authorized officer of the Trustee, satisfactory in form and substance to the Underwriters, to the effect that (i) the Trustee is a banking corporation organized and existing under and by virtue of the laws of the State of Texas, duly qualified to do business in the State of California, having the full power and being qualified to

enter into and perform its duties under the Trust Agreement, (ii) the Trustee is duly authorized to enter into the Trust Agreement, (iii) the execution and delivery of the Trust Agreement and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (excluding any representation regarding compliance with state or federal securities laws), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the Trust Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Trust Agreement, (iv) it has not been served or, to the best of such officer's knowledge, threatened with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, affecting the existence of the Trustee, or the titles of its officers to their respective offices in seeking to prohibit, restrain or enjoin the collection of revenues to be applied to pay the principal, premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Trust Agreement, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Trust Agreement, and (v) subject to the provisions of the Trust Agreement and applicable law, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Trust Agreement;

(11) Two copies of the Official Statement, executed on behalf of the City by an authorized representative;

(12) Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of the Legal Documents to which the Trustee is a party;

(13) Two certified copies of the City Resolutions authorizing the execution and delivery of the Legal Documents to which the City is a party, the Official Statement and the Purchase Contract;

(14) Copies of the resolutions adopted by the System Board certified by the Secretary of the System, authorizing acceptance of the Debenture and the execution of the Funding Agreement;

(15) A certificate dated the date of Closing of an independent actuary as to the amount of the City's unfunded accrued actuarial liability to the System as of the date of Closing;

(16) Evidence that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(17) A certificate, satisfactory in form and substance to the Representative, of an authorized officer of the Bond Insurer, dated the date of Closing, to the effect that the information in the Official Statement about the Bond Insurer and the Insurance Policy is true and correct in all material respects;

(18) An opinion of counsel to the Bond Insurer, satisfactory in form and substance to the Representative, dated the date of Closing, to the effect that the Insurance Policy is in effect and is a legal, valid and binding obligation of the Bond Insurer, enforceable in accordance with its terms;

(19) The executed Policy issued by the Bond Insurer for the Bonds and such certificates of, and opinions of counsel to, the Bond Insurer as the Representative may request; and

(20) Such additional legal opinions, certificates, proceedings, instruments, other insurance policies or evidences thereof and other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the City herein and of the statements and information contained in the Official Statement, and such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel may reasonably request to evidence the due performance or satisfaction by the Trustee, the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Legal Documents.

5. Expenses. Except as herein described, all expenses and costs of the City incident to the performance of their obligations

in connection with the authorization, issuance, sale and delivery of the Bonds to the Underwriters shall be paid for by the City. The City shall pay all fees and expenses of Bond Counsel and for any other experts or consultants retained by the City; rating agency fees; Trustee fees; all printing costs for the preliminary and final Official Statements, including all costs of reproduction and distribution thereof; all costs of preparing the Legal Documents, including all costs of reproduction and distribution thereof; and all costs of any credit enhancement for the Bonds. All out-of-pocket expenses of the Underwriters (including travel and other expenses, any CUSIP Service Bureau fees, CDAC filing fees and any other filing fees, and the fees and expenses of Underwriters' Counsel) shall be paid by the Underwriters.

6. Notices. Any notice or other communication to be given to the parties to this Purchase Contract may be given by delivering the same in writing to the respective party at the following address:

Underwriters:	PaineWebber Incorporated 1285 Avenue of the Americas New York, New York 10019 Attention: Municipal Underwriting
the City:	City of Oakland One City Hall Plaza Oakland, California 94612 Attention: Treasury Manager

7. Survival of Representations and Warranties. The representations and warranties of the City set forth in or made pursuant to this Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriters and regardless of delivery of any payment for the Bonds.

8. Effectiveness. This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by a duly authorized officer of the City and shall be valid and enforceable as of the time of such acceptance.

9. Counterparts. This Purchase Contract may be executed in several counterparts, each of which shall be regarded for all purposes as one original and all of which shall constitute one and the same instrument.

10. Governing Law. This Purchase Contract shall be construed in accordance with the laws of the State of California.

12. Authorization. PaineWebber Incorporated has been duly authorized to act as the representative of the other Underwriters listed below, and is duly authorized to make this offer on their behalf and to take all actions required to be taken by the Underwriters hereunder.

Very truly yours,
PAINEWEBBER INCORPORATED
BEAR, STEARNS & CO., INC.
COAST PARTNERS SECURITIES
GRIGSBY & ASSOCIATES
HENDERSON CAPITAL PARTNERS, INC.
LEHMAN BROTHERS
MERRILL LYNCH & CO.
SAMUEL H. RAMIREZ & CO., INC.

By: PAINEWEBBER INCORPORATED,
as representative of
the Underwriters

By: _____
Theodore Sobel, Vice President
Authorized Representative

ACCEPTED:

CITY OF OAKLAND

By: _____
Acting City Manager

12. Authorization. PaineWebber Incorporated has been duly authorized to act as the representative of the other Underwriters listed below, and is duly authorized to make this offer on their behalf and to take all actions required to be taken by the Underwriters hereunder.

Very truly yours,
PAINEWEBBER INCORPORATED
BEAR, STEARNS & CO., INC.
COAST PARTNERS SECURITIES
GRIGSBY & ASSOCIATES
HENDERSON CAPITAL PARTNERS, INC.
LEHMAN BROTHERS
MERRILL LYNCH & CO.
SAMUEL H. RAMIREZ & CO., INC.

By: PAINEWEBBER INCORPORATED,
as representative of
the Underwriters

By: _____
Theodore Sobel, Vice President
Authorized Representative

ACCEPTED:

CITY OF OAKLAND

By: _____
Acting City Manager

EXHIBIT A

MATURITY SCHEDULES

$393,790,000 Sub-series A Current Interst Bonds

Maturity Dates (December 15)	Principal Amount	Interest Rate	Price
1999	$13,215,000.00	6.200%	100%
2000	16,745,000.00	6.380	100
2001	20,250,000.00	6.480	100
2002	24,140,000.00	6.520	100
2003	28,450,000.00	6.650	100
2004	33,235,000.00	6.730	100
2005	36,535,000.00	6.810	100
2006	44,405,000.00	6.880	100
2007	50,865,000.00	6.910	100
2008	58,030,000.00	6.950	100
2009	65,900,000.00	6.980	100

$26,704,659.15 Sub-series A Capital Appreciation Bonds

Maturity Date (December 15)	Initial Principal Amount	Yield to Maturity	Initial Amount per $5,000 Accreted Value at Maturity
2010	$26,704,659.15	7.310%	$1,855.65

$15,795,000 Sub-series B Bonds

Maturity Dates (December 15)	Principal Amount	Interest Rate	Yield
1997	$ 3,300,000	5.630%	100%
1998	10,140,000	5.970	100
1999	2,335,000	6.200	100

CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed by the CITY OF OAKLAND, CALIFORNIA (the "City") in favor of TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as trustee, in connection with the issuance of $436,289,659.15 City of Oakland, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Council of the City on February 6, 1996 and February 4, 1997 (collectively, the "Authorizing Resolutions"), a Master Trust Agreement and a First Supplemental Trust Agreement, each dated as of February 1, 1997 (collectively, the "Trust Agreement"), by and between the City and the Trustee. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City 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).

Section 2. Definitions. The definitions set forth in the Trust Agreement apply to all capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

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

"Dissemination Agent" shall mean the Trustee, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation. As of the date of delivery of this Disclosure Certificate, no Dissemination Agent has been designated by the City hereunder.

"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.

Section 3. Undertaking to Provide Ongoing Disclosure. This Disclosure Certificate constitutes the City's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

Section 4. Financial Statements/Operating Data. The City agrees to provide or cause to be provided to each National Repository and to the State Repository, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 1997 for the fiscal year ended June 30, 1996):

1. the adopted budget of the City for the then current fiscal year, the audited financial statements of the City for the prior Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to government entities in effect from time to time, and material historical quantitative data (including financial information and operating data) on the City and revenues, expenditures, financial operations and indebtedness generally found in the City's (general fund credit) official statements;

2. The assessed valuation of taxable property in the City;

3. Property taxes (including the Tax Override Revenues) due, property taxes collected and property taxes delinquent;

4. Property tax levy rate per $1,000 of assessed valuation; and

5. Outstanding general obligation debt of the City.

Such annual information and operating data described above shall be provided on or before seven months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing National Repository and the State Repository, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the National Repository, the State Repository or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with generally accepted accounting principles when and if available to each then existing National Repository and the State Repository, if any.

Section 5. Material Events. The City agrees to provide or cause to be provided, in a timely manner, to the State Repository, if any, and to each National Repository or to the MSRB notice of the occurrence of any of the following events (the "Listed Events") with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves, if any, for the Bonds reflecting financial difficulties;

4. Unscheduled draws on credit enhancements, if any, for the Bonds reflecting financial difficulties;

5. Substitution of credit or liquidity providers, if any, or their failure to perform;

6. Modifications to the rights of Bond owners;

7. Optional redemption of Bonds prior to their maturity;

8. Defeasance of the Bonds;

9. Release, substitution or sale of property, if any, securing repayment of the Bonds; and

10. Rating change for the Bonds.

With reference to items 4 and 9 above, no debt service reserves secure payment of the Bonds and no interest in real or personal property secures repayment of the Bonds. If the City subsequently chooses to establish any debt service reserves or to provide property as security for the Bonds, the City will provide notice of such establishment or provision and will provide notice of material events relating thereto, should such events occur.

Section 6. Notification Upon Failure to Provide Financial Data. The City agrees to provide or cause to be provided, in a timely manner, to each National Repository or to the MSRB and to the State Repository, if any, notice of its failure to provide the annual financial information described in Section 5 above on or prior to the date set forth in Section 5 above.

Section 7. Termination/Modification. The City's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The City may, at its option, elect not to comply with any provision of this Disclosure Certificate if the City (1) obtains an opinion of

nationally recognized bond counsel to the effect that those portions of the Rule which require this Section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies each then existing National Repository and the State Repository, if any, of such opinion and the cancellation of this Section.

Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

1. If the amendment or waiver relates to the provisions of Section 4, item (1)-(5) or Section 5, 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 the City with respect to the Bonds, or the type of business conducted;

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

3. The amendment or waiver either (i) is approved by the owners of the Bonds or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Section 7, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 5, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. 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).

Section 8. Bond Owner's Remedies Under This Disclosure Certificate. The right of any Bond Owner or Beneficial Owner of Bonds to enforce the provisions of this Disclosure Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this Disclosure Certificate shall not be an event of default with respect to the Bonds hereunder. For purposes of this Section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Section 9. Termination of Reporting Obligation. The City's 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 City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 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 City 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, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Trustee nor the Dissemination Agent shall be responsible for the accuracy or validity of any information contained in any Annual Report or report of a Listed Event prepared by the City under this Disclosure Certificate.

Section 12. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, 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.

IN WITNESS WHEREOF, I hereunto set my hand this 25th day of February, 1997.

CITY OF OAKLAND, CALIFORNIA

By: _____
Acting City Manager

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION, as trustee

By: _____
Authorized Officer

13

No. 1 **$13,215,000**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

United States of America, State of California

CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BOND
SERIES 1997, SUBSERIES A

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
6.20%	DECEMBER 15, 1999	FEBRUARY 1, 1997	672319AA8

REGISTERED OWNER: **CEDE & CO. (TAX I.D. #13-25551199)----------**

PRINCIPAL AMOUNT: Thirteen Million Two Hundred Fifteen Thousand DOLLARS

The City of Oakland, California (the "City"), acting pursuant to the PFRS Pension Obligation Bond Law and the Master Trust Agreement and First Supplemental Trust Agreement, each dated as of February 1, 1997 (collectively, the "Trust Agreement") between the City and Texas Commerce Bank National Association, Houston, Texas (the "Trustee"), promises to pay, to the registered owner named above, or registered assigns, the principal sum shown above on the Maturity Date set forth above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the designated corporate trust office of the Trustee the principal amount identified above. The City also promises to pay interest thereon on each June 15 and December 15, commencing June 15, 1997, from the interest payment date next preceding the date on which this Bond is authenticated unless this Bond is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated on or before June 1, 1997, in which event it shall bear interest from the dated date set forth above or unless it is authenticated between a Record Date (as hereinafter defined) and an interest payment date in which event it shall bear interest from such interest payment date, at the interest rate per annum set forth above until the principal sum hereof is paid.

SPECIMEN

The interest so payable and punctually paid or duly provided for, on any interest payment date, will be paid to the person in whose name this Bond is registered at the close of business on the Record Date for such interest, which shall be the June 1 preceding each June 15 Interest Payment Date and December 1 preceding each December 15 Interest Payment Date (whether or not a business day). Such payment of interest shall be made by check mailed by the Trustee by first class mail to the owner at the address as it appears on the bond registration books maintained by the Trustee or, upon written request filed with the Trustee prior to the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of the Bonds, by wire transfer in immediately available funds to the account in the continental United States designated by said Owner in such written request. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This Bond is, as provided in the Master Trust Agreement and First Supplemental Trust Agreement, together with all other Series 1997, Sub-series A Bonds and Sub-series B Bonds, payable from the "Payments" (defined in the Master Trust Agreement as payments made by the City to the Trustee from any available source of revenues of the City and the Pledged Revenues, as and to the extent provided in the Trust Agreement). The Sub-series B Bonds are not secured by any Pledged Revenues.

THE PRINCIPAL OF AND INTEREST ON THIS BOND ARE PAYABLE BY THE CITY SOLELY FROM THE REVENUES OF THE CITY LEGALLY AVAILABLE THEREFOR, AND NEITHER THE TAX REVENUES OF THE CITY NOR THE TAXING POWER OF THE CITY ARE SPECIFICALLY PLEDGED FOR THE PAYMENT OF THE BONDS OR THE INTEREST THEREON EXCEPT AS AND TO THE EXTENT OF THE PLEDGED REVENUES AS PROVIDED IN THE TRUST AGREEMENT. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE PLEDGED REVENUES AS AND TO THE EXTENT PROVIDED IN THE TRUST AGREEMENT. THE OWNER HEREOF HAS NO RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE CITY.

Additional provisions of this Bond are set forth on the following pages of this Bond. This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Trust Agreement until it shall have been authenticated by the execution by the Trustee of the Certificate of Authentication endorsed hereon.

All acts, conditions and other matters required to exist, to happen and to be performed, precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law and the Charter of the City of Oakland.

DRAFT

IN WITNESS WHEREOF, I hereunto set my hand this first day of February, 1997.

CITY OF OAKLAND, CALIFORNIA

By:

Mayor

[Seal]

Attest:

By:

City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned First Supplemental Trust Agreement.

Date of Authentication:

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Trustee

By:_____

Authorized Officer

SPECIMEN

The City has entered into a Master Trust Agreement dated as of February 1, 1997, as amended (the "Trust Agreement"), with Texas Commerce Bank National Association, Houston, Texas, as trustee (the "Trustee"). Such Trust Agreement provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Trust Agreement and Supplemental Trust Agreements. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Bonds."

This Bond is part of a series of Bonds of the City issued under the Trust Agreement and the First Supplemental Trust Agreement dated as of February 1, 1997 (the "First Supplemental Trust Agreement") between the City and the Trustee and authorized by Resolution No. 72446 and Resolution No. 72447 adopted by the City Council on February 6, 1996 and Resolution No. 73256 adopted by the City Council on February 4, 1997. The series of Bonds of which this Bond is a part is being issued in the original principal amount of $436,289,659.15 and designated as City of Oakland, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"). The Trust Agreement also provides for the incurrence of additional debt, including the issuance of additional bonds, to be secured under the Trust Agreement equally and ratably with the Series 1997 Bonds. The Series 1997 Bonds are being issued primarily to fund the balance of the City's normal contribution owed to the System for the Fiscal Year 1996-97 and to refund a portion of the City's outstanding unfunded pension liability, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement).

The terms of the Series 1997 Bonds include the terms set forth in the Master Trust Agreement and First Supplemental Trust Agreement. Bondholders are referred to the Master Trust Agreement and First Supplemental Trust Agreement, as amended and supplemented from time to time, for a statement of those terms.

The Series 1997 Bonds are, as provided in the Master Trust Agreement and First Supplemental Trust Agreement, together with all other Bonds, payable from the "Payments" (defined in the Master Trust Agreement as payments made by the City to the Trustee from any available source of revenues of the City and any Pledged Revenues). The City is not required to provide for the payment of the Series 1997 Bonds from any special source of funds, but has pledged to payment of the Sub-series A Bonds the Tax Override Revenues (as defined in the Trust Agreement).

This Bond shall bear interest until the principal amount of this Bond has been paid at maturity at the rate shown on the face of this Bond.

Interest on this Bond shall be calculated on the basis of a year of 360 days and twelve 30-day months.

Interest hereon will be due and payable on June 15, 1997 and each June 15 and December 15 thereafter and will be paid to the party who is the owner hereof on the Record Date for such payment. The Record Date for an interest payment is the preceding June 1 and December 1, and the Record Date for a principal payment is the preceding December 1. If this Bond is not a Book-Entry Bond, as defined in the First Supplemental Trust Agreement, interest hereon will be paid by check mailed to the holder's registered address, and, if this Bond is a Book-Entry Bond, as defined in the First Supplemental Trust Agreement, interest will be paid as provided in the First Supplemental Trust Agreement.

Payment of principal on Series 1997 Bonds will be paid at maturity upon surrender of such Bonds to the Trustee or its agent except that with respect to Series 1997 Bonds which are Book-Entry Bonds, the Trustee may make other agreements for payment of principal. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money. If any payment on the Series 1997 Bonds is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

The Series 1997 Bonds are not subject to redemption in advance of their stated maturities.

This Bond is available in denominations of $5,000 principal amount and integral multiples thereof. A holder may transfer or exchange this Bond in accordance with the Trust Agreement and the First Supplemental Trust Agreement. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Trust Agreement.

The registered owner of this Bond shall be treated as the owner of it for all purposes. The Trustee, the Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of this Bond registered in its name for the purposes of payment of the principal of or interest on this Bond, giving any notice permitted or required to be given to Bondholders under the Trust Agreement, registering the transfer of this Bond, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the City shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in this Bond under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal of or interest on this Bond; any notice which is permitted or required to be given to Bondholders under the Trust Agreement; any consent given or other action taken by DTC as Bondholder; or any other purpose. The Trustee shall pay all principal of and interest on this Bond only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as

PRELIMINARY

adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and interest on this Bond to the extent of the sum or sums so paid.

If money for the payment of principal or interest remains unclaimed for one year, the Trustee will pay the money to or for the account of the City. After that, holders entitled to the money must look only to the City and not to the Trustee for payment.

If the City at any time deposits with the Trustee money or Government Obligations as described in the Trust Agreement sufficient to pay at maturity principal of and interest on this Bond, and if the City also pays all other sums then payable by the City under the Trust Agreement, the Trust Agreement will be discharged as to this Bond. If the City at any time deposits with the Trustee money or Government Obligations as described in the Trust Agreement sufficient to pay at maturity, principal of and interest on this Bond, this Bond shall no longer be deemed to be outstanding and shall no longer be secured by the Trust Agreement except to the extent of the funds set aside therefor. After discharge, the holder of this Bond must look only to the deposited money and securities for payment.

The Master Trust Agreement, the First Supplemental Trust Agreement and the Series 1997 Bonds, including this Bond, may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Trust Agreement. Any consent given by the owner of this Bond shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

The Trust Agreement provided that the occurrences of certain events constitute Events of Default. An Event of Default and its consequences may be waived as provided in the Trust Agreement. Bondholders may not enforce the Trust Agreement or the terms of the Series 1997 Bonds, including this Bond, except as provided in the Trust Agreement. The Trustee may refuse to enforce the Trust Agreement or the terms of the Series 1997 Bonds, including this Bond, unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority of the principal amount of the Series 1997 Bonds (determined in accordance with the terms of the Trust Agreement) may direct the Trustee in its exercise of any trust or power.

No member, director, officer or employee of the City Council shall have any personal liability for any obligations of the City under this Bond or the Trust Agreement or be subject to any personal liability or accountability by reason of the issuance thereof. Each Bondholder, by accepting a Bond, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of this Bond.

SPECIMEN

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____

_____

[Please Print or Typewrite Name and Address and Taxpayer Identification Number of Transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____

NOTICE: The signature of this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

PLEASE INSERT SOCIAL SECURITY NUMBER, TAXPAYER IDENTIFICATION NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

NOTICE: The signature of this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

_____

Signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan institutions and credit unions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17 Ad-15.

Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (=tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= custodian) and U/G/M/A (=Uniform Gifts to Minors Act).

SPECIMEN

CERTIFICATE

The following is a true and correct copy of the legal opinion of Preston Gates & Ellis LLP, Bond Counsel, delivered on the date of issuance and delivery of the City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997 (the "Bonds"), which opinion is on file in the office of the City Clerk of the City of Oakland, California.

By: 

Ceda Floyd
City Clerk
City of Oakland, California

SPECIMEN

OPINION OF BOND COUNSEL

City Council
City of Oakland, California

Re: $436,289,659.15 City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B

Members of the City Council:

We have examined a record of proceedings relating to the issuance and delivery on the date hereof by the City of Oakland, California (the "City") of $436,289,659.15 aggregate principal amount of Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"). The Series 1997 Bonds have been issued pursuant to Section 218 and Article XXVI (referred to herein as the "Retirement Law") of the Charter of the City adopted by the electorate of the City on November 5, 1968, as amended; Ordinance No. 11851, adopted by the Council of the City on January 23, 1996 and now codified as Chapter 20 of the Oakland Municipal Code (the "PFRS Pension Obligations Bond Law"), to establish a program for the financing and refinancing of the City's obligations to the Police and Fire Retirement System (the "System") under the Retirement Law; authorizing resolutions of the Council adopted on February 6, 1996 and February 4, 1997; a Master Trust Agreement dated as of February 1, 1997 (the "Master Trust Agreement"), by and between the City and Texas Commerce Bank National Association, Houston, Texas, as trustee (the "Trustee") and a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1997 between the City and the Trustee, supplementing and amending the Master Trust Agreement (collectively, the Master Trust Agreement and the First Supplemental Trust Agreement being referred to herein collectively as the "Trust Agreement").

The Series 1997 Bonds are issued to fund the payment to the System of the balance of the City's normal contribution owed to the System under the Retirement Law for the Fiscal Year 1996-97, to refund a portion of the City's outstanding unfunded pension liability to the System under the Retirement Law, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement), and to pay costs and expenses incidental to the issuance of the Series 1997 Bonds.

Capitalized terms used herein and not defined shall have the meanings given such terms in the Trust Agreement.

The Series 1997 Bonds are secured under the Trust Agreement by a covenant by the City of payment of principal and interest thereon from the general revenues of the City and, in the case of the Sub-series A Bonds only, are further secured by a pledge of Tax Override Revenues levied and collected by the City within each Fiscal Year, net of certain collection and administrative costs (the "Pledged Revenues"). The City reserves the right to issue additional bonds secured by the Pledged Revenues on a parity with the Series 1997 Bonds as stated in the Trust Agreement. In addition, the City has the unrestricted right to incur additional debt and liabilities payable from its general revenues.

We have also examined originals, or copies authenticated or otherwise identified to our satisfaction, of such other agreements, documents and certificates of public officials and representatives of the City, and we have made such investigation of law and of facts as we have deemed necessary or advisable for purposes of the opinions herein expressed.

Based upon the foregoing, we are of the opinion that:

(1) The City is authorized and empowered by law to execute and deliver the Master Trust Agreement and the First Supplemental Trust Agreement, to issue the Series 1997 Bonds, to use the proceeds from the sale thereof for the purposes stated in the First Supplemental Trust Agreement, to pledge the Pledged Revenues to the payment of the Series 1997, Sub-series A Bonds and to carry out its obligations under the Master Trust Agreement and the First Supplemental Trust Agreement.

(2) The Master Trust Agreement, the Funding Agreement and the First Supplemental Trust Agreement have been duly authorized and approved by the City Council in accordance with law and constitute the legal, valid and binding obligations of the City enforceable in accordance with their terms.

(3) The Series 1997 Bonds have been duly and validly authorized, executed and delivered in accordance with law and are the legal, valid and binding obligations of the City. The Series 1997 Bonds are enforceable in accordance with their terms and the terms of the Trust Agreement and are entitled to the benefits of the Trust Agreement. The Series 1997 Bonds are general obligations of the City and are not limited as to payment from any special source of funds of the City. The Series 1997, Sub-series A Bonds are secured by a pledge of the Pledged Revenues, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

(4) The Trust Agreement creates a valid lien upon the Pledged Revenues and certain of the funds and accounts securing the Series 1997, Sub-series A Bonds in accordance with, and subject to the terms of, the Trust Agreement.

(5) We are of the opinion that interest on the Series 1997 Bonds is to be included in the gross income of the recipient thereof for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code"). We are also of the opinion that the Series 1997 Bonds and the interest thereon is exempt from personal income taxation in the State of California.

We express no opinion regarding any other specific federal, state or local tax consequences arising with respect to ownership of the Series 1997 Bonds. The ownership of the Series 1997 Bonds may result in collateral tax consequences to the owners thereof.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the owners of the Series 1997 Bonds may be limited or rendered ineffective by applicable bankruptcy,

insolvency, reorganization or moratorium or other similar laws or judicial decisions or principles of equity relating to or generally affecting the enforcement of creditor's rights or contractual obligations and limiting legal remedies against public agencies in the State of California.

Our opinion is limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is furnished by us, as bond counsel to the City, to you and is for your exclusive benefit and no other person shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

Preston Gates & Ellis LLP

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at Texas Commerce Bank National Association, Houston, Texas.

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 Texas Commerce Bank National Association, Houston, Texas, 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:

$436,289,659.15 (Original Principal Value)
$481,540,000 (Maturity Value)
City of Oakland, California
Taxable Pension Obligation Bonds,
Series 1997, Sub-series A and Sub-series B

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-cancelable 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.

MBIA Insurance Corporation

SPECIMEN

No. 15

$26,704,659.15
Initial Principal Amount

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

United States of America
State of California

CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BOND
SERIES 1997, SUBSERIES A

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
7.310%	DECEMBER 15, 2010	FEBRUARY 25, 1997	672319AM2

REGISTERED OWNER: CEDE & CO. (TAX I.D. #13-25551199)

MATURITY AMOUNT: Seventy One Million Nine Hundred Fifty Five Thousand DOLLARS

The City of Oakland, California (the "City"), acting pursuant to the PFRS Pension Obligation Bond Law and the Master Trust Agreement and First Supplemental Trust Agreement, each dated as of February 1, 1997 (collectively, the "Trust Agreement") between the City and Texas Commerce Bank National Association, Houston, Texas (the "Trustee"), promises to pay, to the registered owner named above, or registered assigns, on the Maturity Date set forth above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the designated corporate trust office of the Trustee the Maturity Amount identified above. This Bond will accrete in principal value from its dated date set forth above so that the Accreted Value represented by this Bond on the Maturity Date will be $5,000 or any integral multiple thereof per each $1,855.65 in Denominational Amount of this Bond. The Accreted Value of this Bond shall compound at the rate set forth above from its dated date to June 15, 1997 and semiannually thereafter on June 15 and December 15 of each year to the Maturity Date . The Accreted Value of this Bond shall be computed on the basis of a 360-day year comprised of twelve 30-day months. This Bond shall mature on December 15, 2010. No payments shall be made on this Bond prior to the maturity thereof. This Bond shall not be subject to redemption prior to its stated maturity.

PREVIEW

This Bond will accrue value compounded at the rate set forth above on each June 15 and December 15, commencing June 15, 1997, from the interest payment date next preceding the date on which this Bond is authenticated unless this Bond is authenticated on an interest payment date, in which event it shall accrue value from such date, or unless it is authenticated on or before June 1, 1997, in which event it shall accrue value from the dated date set forth above or unless it is authenticated between a Record Date (as hereinafter defined) and an interest payment date in which event it shall accrue value from such interest payment date, at the interest rate per annum set forth above until the principal sum hereof is paid. The principal amount so payable and punctually paid or duly provided for, will be paid to the person in whose name this Bond is registered at the close of business on the Record Date for such payment, which shall be the June 1 and the December 1 (whether or not a business day) next preceding the interest payment date. This Bond shall not bear interest on any interest payment date, but the principal value of this Bond shall compound for purposes of calculation of the Accreted Value thereof on such date. Payment of this Bond shall be made solely on the Maturity Date hereof and such payment shall be made by check mailed by the Trustee by first class mail to the owner at the address as it appears on the bond registration books maintained by the Trustee or, upon written request filed with the Trustee prior to the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of the Bonds, by wire transfer in immediately available funds to the account in the continental United States designated by said Owner in such written request. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This Bond is, as provided in the Master Trust Agreement and First Supplemental Trust Agreement, together with all other Series 1997, Sub-series A Bonds and Sub-series B Bonds, payable from the "Payments" (defined in the Master Trust Agreement as payments made by the City to the Trustee from any available source of revenues of the City and any Pledged Revenues).

THE PRINCIPAL OFAND INTEREST ON THIS BOND ARE PAYABLE BY THE CITY SOLELY FROM THE REVENUES OF THE CITY LEGALLY AVAILABLE THEREFOR, AND NEITHER THE TAX REVENUES OF THE CITY NOR THE TAXING POWER OF THE CITY ARE SPECIFICALLY PLEDGED, FOR THE PAYMENT OF THE BONDS OR THE INTEREST THEREON, EXCEPT AS AND TO THE EXTENT OF THE PLEDGED REVENUES AS PROVIDED IN THE TRUST AGREEMENT. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE PLEDGED REVENUES AS AND TO THE EXTENT PROVIDED IN THE TRUST AGREEMENT.. THE OWNER HEREOF HAS NO RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE CITY.

Additional provisions of this Bond are set forth on the following pages of this Bond. This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Trust Agreement until it shall have been authenticated by the execution by the Trustee of the Certificate of Authentication endorsed hereon.

PRELIMINARY

All acts, conditions and other matters required to exist, to happen and to be performed, precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law and the Charter of the City of Oakland.

IN WITNESS WHEREOF, I hereunto set my hand as of this first day of February, 1997.

CITY OF OAKLAND, CALIFORNIA

By:

Mayor

[Seal]

Attest:

By:

City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned First Supplemental Trust Agreement.

Date of Authentication:

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Trustee

By:_____

Authorized Officer

SPECIMEN

The City has entered into a Master Trust Agreement dated as of February 1, 1997, as amended (the "Trust Agreement"), with Texas Commerce Bank, Houston, Texas, as trustee (the "Trustee"). Such Trust Agreement provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Trust Agreement and Supplemental Trust Agreements. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Bonds."

This Bond is part of a series of Bonds of the City issued under the Trust Agreement and the First Supplemental Trust Agreement dated as of February 1, 1997 (the "First Supplemental Trust Agreement") between the City and the Trustee and authorized by Resolution No. 72446 adopted by the City Council on February 6, 1996 and Resolution No. 73256 adopted by the City Council on February 4, 1997. The series of Bonds of which this Bond is a part is being issued in the original principal amount of $436,289,659.15 and designated as City of Oakland, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"). The Trust Agreement also provides for the incurrence of additional debt, including the issuance of additional bonds to be secured under the Trust Agreement equally and ratably with the Series 1997 Bonds. The Series 1997 Bonds are being issued primarily to fund the balance of the City's normal contribution owed to the System for the Fiscal Year 1996-97 and to refund a portion of the City's outstanding unfunded pension liability, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement).

The terms of the Series 1997 Bonds include the terms set forth in the Master Trust Agreement and First Supplemental Trust Agreement. Bondholders are referred to the Master Trust Agreement and First Supplemental Trust Agreement, as amended and supplemented from time to time, for a statement of those terms.

The Series 1997 Bonds are, as provided in the Master Trust Agreement and First Supplemental Trust Agreement, together with all other Bonds, payable from the "Payments" (defined in the Master Trust Agreement as payments made by the City to the Trustee from any available source of revenues of the City and the Pledged Revenues). The City is not required to provide for the payment of the Series 1997 Bonds from any special source of funds, but has pledged to payment of the Sub-series A Bonds the Tax Override Revenues (as and to the extent provided in the Trust Agreement).

This Bond shall accrue value until the principal amount of this Bond has been paid at maturity at the rate shown on the face of this Bond, calculated on the basis of a year of 360 days and twelve 30-day months.

The Record Date for calculation of the Accreted Value of this Bond is the December 1 and June 1 preceding an Interest Payment Date.

Payment of this Bond will be paid at maturity upon surrender of this Bond to the Trustee or its agent except that with respect to Series 1997 Bonds which are Book-Entry Bonds, the Trustee may make other agreements for payment of principal. Payment of this Bond will be

made in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfer payable in such money. If any payment on the Series 1997 Bonds is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

This Bond is available in original Denominational Amounts of $1, 855.65 per $5,000 Maturity Amount and integral multiples thereof. A holder may transfer or exchange this Bond in accordance with the Trust Agreement and the First Supplemental Trust Agreement. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Trust Agreement.

The registered owner of this Bond shall be treated as the owner of it for all purposes. The Trustee, the Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of this Bond registered in its name for the purposes of payment of the principal or interest on this Bond, giving any notice permitted or required to be given to Bondholders under the Trust Agreement, registering the transfer of this Bond, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and neither the Trustee, the Registrar nor the City shall be affected by any notice to the contrary. Neither the Trustee, the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in this Bond under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal of or interest on this Bond; any notice which is permitted or required to be given to Bondholders under the Trust Agreement; any consent given or other action taken by DTC as Bondholder; or any other purpose. The Trustee shall pay all principal of and interest on this Bond only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and interest on this Bond to the extent of the sum or sums so paid.

If money for the payment of any amount payable hereunder remains unclaimed for one year, the Trustee will pay the money to or for the account of the City. After that, holders entitled to the money must look only to the City and not to the Trustee for payment.

If the City at any time deposits with the Trustee money or Government Obligations as described in the Trust Agreement sufficient to pay at maturity principal of and interest on this Bond, and if the City also pays all other sums then payable by the City under the Trust Agreement, the Trust Agreement will be discharged as to this Bond. If the City at any time deposits with the Trustee money or Government Obligations as described in the Trust Agreement sufficient to pay at maturity, principal of and interest on this Bond, this Bond shall no longer be deemed to be outstanding and shall no longer be secured by the Trust Agreement except to the extent of the funds set aside therefor. After discharge, the holder of this Bond must look only to the deposited money and securities for payment.

PRELIMINARY

The Master Trust Agreement, the First Supplemental Trust Agreement and the Series 1997 Bonds, including this Bond, may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Trust Agreement. Any consent given by the owner of this Bond shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

The Trust Agreement provided that the occurrences of certain events constitute Events of Default. An Event of Default and its consequences may be waived as provided in the Trust Agreement. Bondholders may not enforce the Trust Agreement or the terms of the Series 1997 Bonds, including this Bond, except as provided in the Trust Agreement. The Trustee may refuse to enforce the Trust Agreement or the terms of the Series 1997 Bonds, including this Bond, unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority of the principal amount of the Series 1997 Bonds (determined in accordance with the terms of the Trust Agreement) may direct the Trustee in its exercise of any trust or power.

No member, director, officer or employee of the City Council shall have any personal liability for any obligations of the City under this Bond or the Trust Agreement or be subject to any personal liability or accountability by reason of the issuance thereof. Each Bondholder, by accepting a Bond, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of this Bond.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____

_____

[Please Print or Typewrite Name and Address and Taxpayer Identification Number of Transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____

NOTICE: The signature of this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

PLEASE INSERT SOCIAL SECURITY NUMBER, TAXPAYER IDENTIFICATION NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

NOTICE: The signature of this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

PRELIMINARY

Signature(s) must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan institutions and credit unions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17 Ad-15.

Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (=tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= custodian) and U/G/M/A (=Uniform Gifts to Minors Act).

CERTIFICATE

The following is a true and correct copy of the legal opinion of Preston Gates & Ellis LLP, Bond Counsel, delivered on the date of issuance and delivery of the City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-Series A and Sub-series B (the "Bonds"), which opinion is on file in the office of the City Clerk of the City of Oakland, California.

By: Ceda Floyd

Ceda Floyd
City Clerk
City of Oakland, California

SPECIMEN

OPINION OF BOND COUNSEL

City Council
City of Oakland, California

Re: $436,289,659.15, City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B

Members of the City Council:

We have examined a record of proceedings relating to the issuance and delivery on the date hereof by the City of Oakland, California (the "City") of $436,289,659.15 aggregate principal amount of Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (collectively, the "Series 1997 Bonds"). The Series 1997 Bonds have been issued pursuant to Section 218 and Article XXVI (referred to herein as the "Retirement Law") of the Charter of the City adopted by the electorate of the City on November 5, 1968, as amended; Ordinance No. 11851, adopted by the Council of the City on January 23, 1996 and now codified as Chapter 20 of the Oakland Municipal Code (the "PFRS Pension Obligations Bond Law"), to establish a program for the financing and refinancing of the City's obligations to the Police and Fire Retirement System (the "System") under the Retirement

Law; authorizing resolutions of the Council adopted on February 6, 1996 and February 4, 1997; a Master Trust Agreement dated as of February 1 1997 (the "Master Trust Agreement"), by and between the City and Texas Commerce Bank, Houston, Texas, as trustee (the "Trustee") and a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1997 between the City and the Trustee, supplementing and amending the Master Trust Agreement (collectively, the Master Trust Agreement and the First Supplemental Trust Agreement being referred to herein collectively as the "Trust Agreement").

The Series 1997 Bonds are issued to fund the payment to the System of the balance of the City's normal contribution owed to the System under the Retirement Law for the Fiscal Year 1996-97, to refund a portion of the City's outstanding unfunded pension liability to the System under the Retirement Law, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement), and to pay costs and expenses incidental to the issuance of the Series 1997 Bonds. Capitalized terms used herein and not defined shall have the meanings given such terms in the Trust Agreement.

The Series 1997 Bonds are secured under the Trust Agreement by a covenant by the City of payment of principal and interest thereon from the general revenues of the City and, in the case of the Sub-series A Bonds only, are further secured by a pledge of Tax Override Revenues levied and collected by the City within each Fiscal Year, net of certain collection and administrative costs (the "Pledged Revenues"). The City reserves the right to issue additional bonds secured by the Pledged Revenues on a parity with the Series 1997 Bonds as stated in the Trust Agreement. In addition, the City has the unrestricted right to incur additional debt and liabilities payable from its general revenues.

We have also examined originals, or copies authenticated or otherwise identified to our satisfaction, of such other agreements, documents and certificates of public officials and representatives of the City, and we have made such investigation of law and of facts as we have deemed necessary or advisable for purposes of the opinions herein expressed.

Based upon the foregoing, we are of the opinion that:

(1) The City is authorized and empowered by law to execute and deliver the Master Trust Agreement and the First Supplemental Trust Agreement, to issue the Series 1997 Bonds, to use the proceeds from the sale thereof for the purposes stated in the First Supplemental Trust Agreement, to pledge the Pledged Revenues to the payment of the Series 1997, Sub-series A Bonds and to carry out its obligations under the Master Trust Agreement and the First Supplemental Trust Agreement.

(2) The Master Trust Agreement, the Funding Agreement and the First Supplemental Trust Agreement have been duly authorized and approved by the City Council in accordance with law and constitute the legal, valid and binding obligations of the City enforceable in accordance with their terms.

(3) The Series 1997 Bonds have been duly and validly authorized, executed and delivered in accordance with law and are the legal, valid and binding obligations of the City. The Series 1997 Bonds are enforceable in accordance with their terms and the terms of the Trust Agreement and are entitled to the benefits of the Trust Agreement. The Series 1997 Bonds are general obligations of the City and are not limited as to payment from any special source of funds of the City. The Series 1997, Sub-series A Bonds are secured by a pledge of the Pledged Revenues, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

(4) The Trust Agreement creates a valid lien upon the Pledged Revenues and certain of the funds and accounts securing the Series 1997, Sub-series A Bonds in accordance with, and subject to the terms of, the Trust Agreement.

(5) We are of the opinion that interest on the Series 1997 Bonds is to be included in the gross income of the recipient thereof for purposes of federal income taxation pursuant to Section 103 of the Internal

Revenue Code of 1986 (the "Code"). We are also of the opinion that the Series 1997 Bonds and the interest thereon is exempt from personal income taxation in the State of California.

We express no opinion regarding any other specific federal, state or local tax consequences arising with respect to ownership of the Series 1997 Bonds. The ownership of the Series 1997 Bonds may result in collateral tax consequences to the owners thereof.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the owners of the Series 1997 Bonds may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization or moratorium or other similar laws or judicial decisions or principles of equity relating to or generally affecting the enforcement of creditor's rights or contractual obligations and limiting legal remedies against public agencies in the State of California.

Our opinion is limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is furnished by us, as bond counsel to the City, to you and is for your exclusive benefit and no other person shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

Preston Gates & Ellis LLP

SPECIMEN

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a financial guaranty insurance policy containing the following provisions, such policy being on file at Texas Commerce Bank National Association, Houston, Texas.

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 Texas Commerce Bank National Association, Houston, Texas, 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:

$436,289,659.15
City of Oakland, California
Taxable Pension Obligation Bonds,
Series 1997, Sub-series A and Sub-series B

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-cancelable 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.

MBIA Insurance Corporation

SPECIMEN

$$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

CLOSING CERTIFICATE OF CITY

THE UNDERSIGNED OFFICER of the City of Oakland, California (the "City"), HEREBY CERTIFIES as follows with respect to the above-captioned issue (the "Bonds"):

1. No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending (with service of process accomplished) or, to the best of my knowledge, threatened against the City, in any way affecting the corporate existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance, or delivery of the Bonds in any manner, or the pledge or application of any moneys or security provided for the payment of the Bonds, or the use of the Bond proceeds to make the payment to the System or the levy or collection of the Tax Override Revenues of the City, or the security interests or the pledge and lien on the Tax Override Revenues, as defined in the Master Trust Agreement and the First Supplemental Trust Agreement, each dated as of February 1, 1997 between the City and Texas Commerce Bank National Association as Trustee or the transactions contemplated by Ordinance No. 11851 of the City adopted on January 23, 1996 (the "Ordinance") and Resolution No.73256 of the City Council of the City adopted on February 4, 1997 (the "Resolution" and, collectively with Resolution No.72446 and Resolution No.72447, each adopted on February 6, 1996, and Resolution No.73119 adopted on December 17, 1996, the "Resolutions") pursuant to the Master Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Bonds, the Ordinance, the Funding Agreement, the Master Trust Agreement or the First Supplemental Trust Agreement or the Resolutions or contesting the tax status of the Bonds, or contesting in any way the completeness or accuracy of the Official Statement of the City relating to the Bonds dated February 13, 1997 (the "Official Statement") or any supplement or amendment thereto, or contesting the powers of the City for the issuance of the Bonds, the adoption of the Resolutions or the Ordinance or the execution or delivery of the Funding Agreement, Master Trust Agreement or the First Supplemental Trust Agreement, nor to the best of my knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Ordinance, the Master Trust Agreement, the First Supplemental Trust Agreement or the Resolutions.

2. To the best of my knowledge and belief, after reasonable investigation, the Official Statement does not contain any untrue statement of a material fact nor omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement.

3. To the best of my knowledge and belief, after reasonable investigation, at the date hereof, no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing date any statement or information contained in the Official Statement relating to the City or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; there has been no material adverse change in the operations or financial affairs of the City since the date of the Official Statement.

4. All capitalized terms used herein but not defined herein shall have the meanings given such terms in the Trust Agreement.

Dated: February 25, 1997.

CITY OF OAKLAND, CALIFORNIA

By: _____
Acting City Manager

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

CERTIFICATE OF CITY CLERK

I, Ceda Floyd, City Clerk of the City of Oakland, California (the "City"), do hereby certify that I have provided to Preston Gates & Ellis, Bond Counsel, on the date hereof, certified copies of the following documents:

(1) the Charter of the City;

(2) Resolution No.72446 adopted by the City Council of the City at a regular meeting held on February 6, 1996;

(3) Resolution No.72447 adopted by the City Council of the City at a regular meeting held on February 6, 1997;

(4) Resolution No.73119 adopted by the City Council of the City at a regular meeting held on December 17, 1996;

(5) Resolution No.73256 adopted by the City Council of the City at a regular meeting held on February 4, 1997;

(6) Ordinance No. 11851 adopted by the City Council of the City on January 23,1996, providing for procedures for the authorization, issuance and sale of taxable pension obligation bonds of the City;

(7) extracts of the minutes of the meetings of the City Council of the City held on February 6, 1996, December 17, 1996 and February 4, 1997, relating to the adoption of said resolutions and ordinance;

I DO HEREBY FURTHER CERTIFY that: (a) each such document, as so provided, is in full force and effect (except as otherwise provided therein) on the date hereof, (b) each such Resolution and Ordinance was duly adopted by the City Council at meetings duly called and held, and at which a quorum was present and acting throughout, and (c) the action taken by the City Council as set forth in each such extract has not been modified, amended or repealed.

IN WITNESS WHEREOF, I have executed this Certificate this 25th day of February, 1997.

(SEAL)

Ceda Floyd, City Clerk
City of Oakland

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS, SERIES 1997
SUB-SERIES A ANDSUB-SERIES B

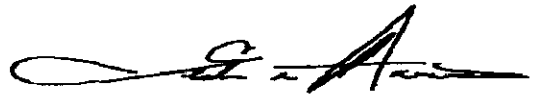
SIGNATURE CERTIFICATE OF CITY OFFICERS

WE, the undersigned officers of the City of Oakland, California (the "City"), indicated by the official titles opposite our respective signatures, DO HEREBY CERTIFY as follows:

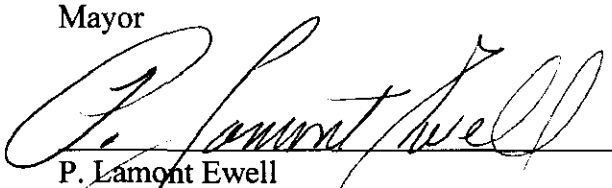
1. We have duly signed, by facsimile signature, the City's Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Subseries B in the principal amount of $436,289,659.15 (the "Bonds");

2. We were at the time we signed the Bonds, and are on the date of this Certificate, which is the date of actual delivery of the Bonds to the purchaser thereof, the duly chosen, qualified and acting officers indicated therein and authorized to execute the same, by facsimile signature and that each such officer has authorized the filing with the Secretary of State of the State of California of his or her manual signature, certified by him or her under oath as provided by the Uniform Facsimile Signatures of Public Officials Act (Govt. Code § 5500 et seq.).

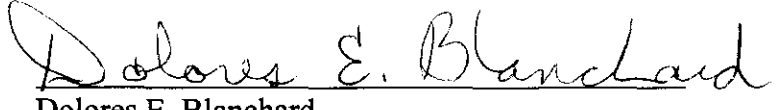
Signatures Official Title



Elihu M. Harris,
Mayor



P. Lamont Ewell
Acting City Manager



Dolores E. Blanchard,
Director of Budget and Finance

Ceda Floyd,
City Clerk

I HEREBY CERTIFY that each of the above signatures is the true and genuine signature of the person who is now the duly chosen, qualified and acting officer of the City holding the official title following such signature.

Dated: February 25, 1997.

Deputy City Clerk
City of Oakland

I, Ceda Floyd, the undersigned City Clerk for the City of Oakland, do hereby certify that the person executing this certificate is the duly acting Deputy City Clerk for the City of Oakland and that the signature appearing above is the true signature of said Deputy City Clerk.

Dated: February 25, 1997.

Ceda Floyd, City Clerk

FILED
In the office of the Secretary of State
of the State of California

AUG 11 1993

MARCH FONG EU, Secretary of State

By Gloria Kazarian
Deputy

STATE OF CALIFORNIA)
)
COUNTY OF ALAMEDA)

AFFIDAVIT OF FILING OF CERTIFIED SIGNATURE

Ceda Floyd, being by me first duly sworn, upon oath, deposes and says:

I hereby certify that I am the City Clerk of the City of Oakland, State of California; and the following signature designated by my official title is my own manually executed signature and is being filed with the Secretary of State of the State of California, so that after such filing, the facsimile signature of such officer may hereafter be used on the public securities hereafter issued by said City, pursuant to Sections 5500 through 5506 of the California Government Code.

Further affiant saith not.

Ceda Floyd

Ceda Floyd
City Clerk
City of Oakland, California

SUBSCRIBED, SWORN AND CERTIFIED to before me this 7th day of July, 1993.

OFFICIAL SEAL
LULA GREENE
Notary Public-California
ALAMEDA COUNTY
My Comm. Exp. Sept. 7, 1994

Lula Greene

Notary Public

My Commission Expires
Sept. 7, 1994

(NOTARIAL SEAL)

NUMATTER/50

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

DEC 12 1994

TONY MILLER, Acting Secretary of State

STATE OF CALIFORNIA)
)
COUNTY OF ALAMEDA)

AFFIDAVIT OF FILING OF CERTIFIED SIGNATURE

Dolores E. Blanchard, being by me first duly sworn, upon oath, deposes and says:

I hereby certify that I am the Treasurer of the City of Oakland, State of California; and the following signature designated by my official title is my own manually executed signature and is being filed with the Secretary of State of the State of California, so that after such filing the facsimile signature of such officer may hereafter be used on the public securities hereafter issued by said City, pursuant to Sections 5500 through 5506 of the California Government Code.

Further affiant saith not.

Dolores E. Blanchard
Treasurer
City of Oakland

SUBSCRIBED, SWORN AND CERTIFIED to before me this 8th day of December, 1994.

Notary Public

My Commission expires:

May 28, 1998

(NOTARIAL SEAL)

S. A. BOWMAN
Comm. #1023546
NOTARY PUBLIC CALIFORNIA
City & County of San Francisco
Comm. Expires May 28, 1998

20890\00025\23081.1

STATE OF CALIFORNIA)
)
COUNTY OF ALAMEDA)

FILED
In the office of the Secretary of State
of the State of California
NOV 25 1991
MARCH FONG EU, Secretary of State
By Gloria Kasparian
Deputy

AFFIDAVIT OF FILING OF
CERTIFIED SIGNATURE

Elihu M. Harris, being by me first duly sworn, upon oath, deposes and says:

I hereby certify that I am the Mayor, of the City of Oakland, State of California; and the following signature designated by my official title is my own manually executed signature and is being filed with the Secretary of State of California, so that after such filing, the facsimile signature of such officer may hereafter be used on the public securities hereafter issued by said County, pursuant to Sections 5500 through 5506 of the California Government Code.

Further affiant saith not.

Elihu M. Harris

ELIHU M. HARRIS
MAYOR, City of Oakland, State of California

SUBSCRIBED, SWORN AND CERTIFIED to before me this 23rd day of November, 1991.

Kathy M. Bellusa

My Commission Expires

(NOTARIAL SEAL)

OFFICIAL SEAL
KATHY M. BELLUSA
NOTARY PUBLIC - CALIFORNIA
CITY & COUNTY OF SAN FRANCISCO
My Comm. Expires April 5, 1994

2089019/12

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

CERTIFICATE OF CITY PURSUANT TO SECTION 4(E)(9)
OF THE PURCHASE CONTRACT

THE UNDERSIGNED OFFICER of the City of Oakland, California (the "City"), HEREBY CERTIFIES as follows with respect to the above-captioned issue (the "Bonds"):

1. To the best of my knowledge and belief, after reasonable investigation, the Official Statement dated February 13, 1997 relating to the above-referenced Bonds (the "Official Statement") does not contain any untrue statement of a material fact nor omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement.

2. To the best of my knowledge and belief, after reasonable investigation, at the date hereof, there has been no material adverse change in the operations or financial affairs of the City since the date of the Official Statement.

3. The representations of the City set forth in Section 3 of the Purchase Contract between the City and PaineWebber Incorporated, as representative of the Underwriters named therein relating to the Bonds, are true and correct in all material respects on and as of the date hereof with the same effect as if made on this date.

4. All capitalized terms used herein but not defined herein shall have the meanings given such terms in the Purchase Contract.

Dated: February 25, 1997.

CITY OF OAKLAND, CALIFORNIA

By: _____
Acting City Manager

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

CERTIFICATE REGARDING CITY CHARTER

I, Ceda Floyd, City Clerk of the City of Oakland, California (the "City"), DO HEREBY CERTIFY that the attached document is a true copy of the Charter of the City of Oakland, as currently in effect. I further certify that, at all times since December 20, 1996, on which date the last amendments to the City Charter were filed with the Secretary of State of the State of California, the City Charter as attached hereto was in full force and effect and said Charter has not been modified, amended or repealed and is in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the City to be affixed this 25th day of February, 1997.

(SEAL)

City Clerk

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

INCUMBENCY CERTIFICATE OF CITY OFFICERS

THE UNDERSIGNED, a Deputy City Clerk for the City of Oakland (the "City"), does hereby certify as follows:

1. The City exists under and by virtue of a freeholders' charter duly approved by the electors of the City at an election held on November 5, 1968 and ratified by the Secretary of State of the State of California on January 28, 1969. Since the amendments approved by the voters of the City on November 5, 1996, which amendments were filed with the California Secretary of State on December 20, 1996, no amendment to said Charter has been approved by the electors of the City or ratified by the Legislature of the State of California or filed with the Secretary of State of the State of California.

2. During the period from January 7, 1997 to the date of this Certificate, and in each case during the whole of said period unless otherwise shown opposite any name, the offices and positions shown below were held by the persons shown below:

Officers of the City of Oakland

Elihu M. Harris, Mayor
Nancy Nadel, Councilperson
Ignacio De La Fuente, Councilperson
Jane Brunner, Councilperson
Richard Spees, Councilperson
Nathan Miley, Councilperson
Henry Chang, Jr., Councilperson
John Russo, Councilperson
Larry Reid, Councilperson
Jayne W. Williams, City Attorney
Ceda Floyd, City Clerk

3. During the period from January 1, 1996 to December 31, 1996, and in each case during the whole of said period unless otherwise shown opposite any name, the offices and positions shown below were held by the persons shown below:

Officials of the City of Oakland

Elihu M. Harris, Mayor
Natalie E. Bayton, Councilperson
Ignacio De La Fuente, Councilperson
Sheila Jordan, Councilperson
Richard Spees, Councilperson
Nathan Miley, Councilperson
Henry Chang, Jr., Councilperson
John Russo, Councilperson
Dezie Woods-Jones, Councilperson
Jayne W. Williams, City Attorney
Ceda Floyd, City Clerk

IN WITNESS WHEREOF, I have hereto set my hand and caused the seal of the City to be affixed this 25th day of February, 1997.

(SEAL)

Deputy City Clerk
City of Oakland

The undersigned, City Clerk of the City of Oakland, hereby certifies that the signature set forth above is the true and correct signature of a duly appointed, Deputy City Clerk of the City of Oakland, and that during the period from January 1, 1997 to the date of this Certificate, the person whose signature appears above held the position of Deputy City Clerk of the City of Oakland.

Ceda Floyd, City Clerk
City of Oakland

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

WRITTEN ORDER OF CITY AS TO DISPOSITION OF FUNDS

THE UNDERSIGNED DOES HEREBY DIRECT AND ORDER on behalf of the City of Oakland, California (the "City"), that Texas Commerce Bank National Association, as Trustee pursuant to the First Supplemental Trust Agreement and the Master Trust Agreement, each dated as of February 1, 1997 between the City and the Trustee (the "First Supplemental Trust Agreement" and the "Master Trust Agreement", respectively), authenticate and deliver bonds under the Master Trust Agreement having the terms provided in Section 2.03 of the First Supplemental Trust Agreement and receive on this date from PaineWebber Incorporated, as representative of the underwriters named in the Purchase Contract dated February 13, 1997 between the City and said underwriters, immediately available funds payable to the City to be applied to the purchase price of the above referenced Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (the "Series 1997 Bonds"), in the aggregate amount of $436,289,659.15, which amount represents the purchase price of the Series 1997 Bonds, net of the underwriters' discount of $1,963,303.57 and the premium paid to MBIA Insurance Corporation for the Financial Guaranty Insurance Policy issued with respect to the Series 1997 Bonds in the amount of $806,000, said balance of the purchase price being computed as follows:

Par Amount of Bonds	$436,289,659.15
Plus Accrued Interest (February 1 to Date of Closing)	1,844,529.57
Subtotal	$438,134,188.72
Minus Underwriters' Discount	(1,963,303.57)
Minus Bond Insurance Premium	(806,000.00)
Balance	$435,364,885.15

THE UNDERSIGNED HEREBY CERTIFIES pursuant to Section 4.03A of the Master Trust Agreement that, on and as of the date hereof, there are segregated in an account of the General Fund of the City designated the "Tax Override Revenues Account", and held therein in trust for the purposes specified in the Trust Agreement, the Tax Override Revenues required to be deposited therein by said Section 4.03A, in the amount of $14,500,000.

THE UNDERSIGNED DOES HEREBY FURTHER DIRECT AND ORDER that, on the date hereof, the amount of $435,364,885.15 representing proceeds of the sale of the Series 1997 Bonds be deposited to the credit of the Bond Proceeds Fund pursuant to Section 4.02 of the First Supplemental trust Agreement and then transferred to the credit of the accounts described below or paid by the Trustee, as follows:

(1) The amount of $1,782,052.37 shall be deposited in the Interest Subaccount of the Taxable Pension Obligation Bonds, Series 1997 Debt Service Fund, Series 1997 Sub-series A Debt Service Account, as accrued interest on the Sub-series A Bonds.

(2) The amount of $62,477.20 shall be deposited in the Interest Subaccount of the Taxable Pension Obligation Bonds, Series 1997 Debt Service Fund, Series 1997 Sub-series B Debt Service Account , as accrued interest on the Sub-series B Bonds.

(3) The amount of $653,055.58 shall be deposited in the Taxable Pension Obligation Bonds, Series 1997 Costs of Issuance Fund, and applied to pay Costs of Issuance of the Series 1997 Bonds.

(4) The amount of $432,867,300.00 shall be paid to The Police and Fire Retirement System of the City of Oakland, California, in consideration whereof, the System shall cancel and return the Series 1997 Debenture to the City.

(5) Terms used herein and not defined shall have the meanings given them in the First Supplemental Trust Agreement.

Dated: February 25, 1997.

CITY OF OAKLAND, CALIFORNIA

By: Dolores E. Blanchard
Director of Budget and Finance

$436,289.659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

WRITTEN REQUISITION FOR DISBURSEMENT OF COSTS OF ISSUANCE

THE UNDERSIGNED requests Texas Commerce Bank National Association, as Trustee under the provisions of Section 4.02 of the First Supplemental Trust Agreement dated as of February 1, 1997 between the City of Oakland and the Trustee (the "First Supplemental Trust Agreement"), to pay to the persons referenced on Exhibit A to this requisition, the respective amounts for the respective purposes set forth therein, as authorized in the First Supplemental Trust Agreement, from the Series 1997 Costs of Issuance Fund established pursuant to Section 4.01 of the First Supplemental Trust Agreement (the "Costs of Issuance Fund").

The undersigned hereby certifies that: (a) obligations in the amounts stated on Exhibit A attached hereto have been incurred and are justly due and owing and that each item is a proper expense of issuing the City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997; Sub-series A and Sub-series B, and (b) the obligations have not been the subject of another requisition which was paid.

Dated: February 25, 1997.

CITY OF OAKLAND, CALIFORNIA

By: _____
Acting City Manager

EXHIBIT A
TO REQUISITION

PAYEE	PURPOSE	AMOUNT
Moody's Investor's Service	Rating Agency Fee	$50,000
Standard & Poor's	Rating Agency Fee	$50,000
Fitch Investors Service	Rating Agency Fee	$25,000
City of Oakland	Administrative Fee and Costs	$250,000
Bowne of San Francisco, Inc.	Printing of Official Statement	$30,000
Texas Commerce Bank National Association	Trust Administration	$6,000
Lillick & Charles	Trustee Counsel Fees	$5,000
Public Financial Management, Inc.	Financial Advisory Fee	$90,000
Preston Gates & Ellis	Bond Counsel Fees and Expenses	$145,000

CERTIFICATION

I, WALTER JOHNSON, declare:

1. the attached motion approving the terms of the Funding Agreement between the City of Oakland and the Police and Fire Retirement System is a true and correct copy of the motion passed by the Police and Fire Retirement Board ("Board") at its June 26, 1996 meeting;

2. . the vote on the motion was 5 in a favor and 0 abstention. 5 Board members were present at the time the motion was made and passed.

3. the Oakland City Charter provides that a majority of the members of the Board shall constitute a quorum for the transaction of business. The Board consists of seven members. Action may be taken by the affirmative vote of four (4) Board members.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at Oakland, California on the 15 th day of July 1996.

Walter Johnson
WALTER JOHNSON

MOTION TO APPROVE THE FUNDING AGREEMENT BETWEEN THE CITY OF OAKLAND AND THE OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

I, Bob Crawford, move that the Board approve the Funding Agreement between the City of Oakland and the Police and Fire Retirement System and authorize the Board's president to execute the agreement on behalf of the Board.

The motion was seconded by Hadwick Thompson.

2906
~~2905~~

CERTIFIED A TRUE COPY

WALTER L. JOHNSON

Oakland, California
June 26, 1996

(Next Regular Meeting July 31, 1996)

A REGULAR MEETING of the Police and Fire Retirement Board of the Oakland Police and Fire Retirement System was held on Wednesday, June 26, 1996, Hearing Room 3 at One City Hall Plaza, Oakland, California.

PRESENT: Members Crawford, Darnes, Ingram, Thompson and President Lau.

ABSENT: Members Guidici and Hubartt.

DEPUTY CITY ATTORNEY PARKER was present, as was David Andrews of McCullough, Andrews and Cappiello, Inc.; Larry Padrnos of the Retired Association; Frankie Ross of Merrill Lynch; Paul Fogel of Crosby, Heafey, Roach and May and Steven Singleton of Robert Van Securities.

THE MEETING was called to order at 1:10 p.m. by President Lau.

THE MINUTES of Regular Meeting of May 29, 1996 having been furnished to each member of the Board, reading through was dispensed with. The Minutes were unanimously approved on motion of Crawford, seconded by Darnes.

MR. ANDREWS distributed and reviewed various reports pertaining to the Portfolio and after an extended discussion, President Lau thanked him for his report.

CONSIDERATION of and action on Blanche I. Miller's application for continuance of all the disability retirement allowance of her husband, Claude J. Miller, Police Officer in the Police Department, who retired May 1, 1967 and died March 20, 1996, the widow claiming that his death resulted from service-connected causes. Introduced into evidence was a Death Certificate and a medical report from Fred Blackwell, M.D., City Physician, dated June 7, 1996. The Secretary stated that Mrs. Miller would not be present and was not represented by an attorney and would take the necessary steps based upon the Board decision. After a brief discussion on motion of Crawford, seconded by Darnes, the Board denied a full continuance to Mrs. Miller. The Finding of Facts were as follows:

1. Applicant is the beneficiary of a retired Police Officer of the City of Oakland.
2. Applicant was before the Board requesting a full

3. The retired member's cause of death was not service-connected pursuant to Section 2611 of the Charter of the City of Oakland.

ON MOTION of Thompson, seconded by Darnes, a resolution was unanimously adopted, entitled as follows:

RESOLUTION NO. 6079. Resolution approving Death Benefit Roll No. 5695 and directing warrant thereunder in the total sum of $1,000.00.

ON MOTION of Thompson, seconded by Darnes, a resolution was unanimously adopted, entitled as follows:

RESOLUTION NO. 6080. Resolution retiring Robert W. Allan, Eugene M. Dick and Lloyd R. Ross, members of the Police and Fire Retirement System for Service.

ON MOTION of Thompson, seconded by Darnes, a resolution was unanimously adopted, entitled as follows:

RESOLUTION NO. 6081. Resolution fixing the monthly retirement allowances of Robert W. Allan, Eugene M. Dick and Lloyd R. Ross, members of the Police and Fire Retirement Allowance Roll No. 5696.

ON MOTION of Thompson, seconded by Darnes, a resolution was unanimously adopted, entitled as follows:

RESOLUTION NO. 6082. Resolution fixing the monthly retirement allowance of Michael E. White, a member of the Police and Fire Retirement System, as shown on Disability Retirement Allowance Roll No. 5697.

DISCUSSION AND ACTION regarding the Pension Obligation Bond Funding Agreement was taken up. After a brief discussion, on motion of Crawford, seconded by Thompson, the funding agreement was adopted, as it was presented.

DISCUSSION AND ACTION regarding the recommended presentation by the Investment Committee Chairman. After a brief discussion, on motion of Crawford, seconded by Darnes, the Board agreed to the following recommendations:

1. Provide Ariel Capital Management with a letter stating that the Board was not pleased with their performance and an RFP would be forthcoming.

2. Ask W.D. Hutchinson to appear before the Board to update

them on their current operations.

DEPUTY CITY ATTORNEY PARKER indicated no report.

THE DIRECTOR indicated no report.

THE MEETING adjourned at 4:30 p.m.

Brian G. Ray

for WALTER L. JOHNSON, Director of Retirement and Risk Administration and Secretary to the Board

CERTIFIED A TRUE COPY

WALTER L. JOHNSON

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

ACTUARY'S REPORT
(As of July 1, 1994)

Prepared by

Mark O. Johnson, F.S.A.
Consulting Actuary

oak:r:94v



MILLIMAN & ROBERTSON, INC.
Actuaries and Consultants

Suite 925
101 S.W. Main
Portland, Oregon 97204-3281
Telephone: 503/227-0634
Fax: 503/227-7956

April 26, 1995

Retirement Board
Oakland Police and Fire Retirement System

Dear Members of the Board:

At your request, we have completed an actuarial valuation of the Oakland Police and Fire Retirement System as of July 1, 1994. The results of the valuation are contained in the following report and summarized in Section 2.

In preparing our report, we relied without audit upon the financial statements furnished by Williams, Adley and Company, and member data furnished by the System. We believe the data to be sufficient and reliable for the purposes of our calculations.

On the basis of the foregoing, we hereby certify that this report is complete and accurate to the best of our knowledge and belief. The report has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries.

We further certify that, in our opinion, the actuarial assumptions used in the valuation are reasonably related to the past experience of the Plan. They represent our best estimate of future conditions affecting the Plan. Nevertheless, the emerging costs of the Plan will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Sincerely,

Mark O. Johnson, F.S.A.
Consulting Actuary

MOJ:psb

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
ACTUARY'S REPORT AS OF JULY 1, 1994

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SECTION 1
SCOPE OF THE REPORT

This report presents the results of our actuarial valuation of the Oakland Police and Fire Retirement System Plan as of July 1, 1994.

A summary of the findings resulting from this valuation is presented in Section 2 of the report. The discussion found in Section 3 describes the actuarial concepts and methods upon which the findings are based. Tables 1 though 7 of that section summarize the calculations which led to our findings.

All of the calculations of the valuation were carried out using certain assumptions as to the future experience of the Plan in matters affecting the actuarial cost. Section 4 summarizes the most important of these assumptions and describes the actuarial procedures used to calculate costs.

Section 5 outlines the benefit provisions of the Plan.

The membership data which were supplied to us are summarized in Section 6.

SECTION 2
SUMMARY OF FINDINGS AND ANALYSIS OF THE FUNDING LEVEL

The costs of a retirement system are not determined by the actuary. The ultimate costs of a system are determined by adding all of the benefits and expenses that are paid, and subtracting all investment earnings. These costs cannot be determined exactly until the last member or beneficiary has received the final benefit payment due.

The purpose of an actuarial valuation is to provide a timely best estimate of the ultimate costs in order to allocate them to the appropriate generation of members and taxpayers. The ideal goal is for contributions to remain essentially a constant percentage of covered payroll as long as the assumptions and methods reflect the emerging experience of the system and its members with reasonable accuracy.

By using the actuarial assumptions adopted by the Retirement Board, this Actuarial Valuation provides the best estimate of the long-term funding status of the System.

EXECUTIVE SUMMARY

The following chart shows the change in the recommended City contribution rate from the 1992 valuation to this valuation.

1992 Recommended Contribution Rate		**58.69%**
Realized Past Experience		
Decrease in Number of Active Employees	3.02%	
Investment Return	.59	
Decrease in PERS Cost	(1.69)	
All Other (Gains)/Losses	0.54	2.46
Projected Future Experience		
Change in Inflation Assumption		(1.26)%
1994 Recommended Contribution Rate		**59.89%**

We have incorporated several changes in the economic assumptions in this valuation, as discussed in detail in Section 4 of this report. In summary, we recommend that the investment yield assumption be decreased from 8.5% to 8.0%, and the wage inflation assumption be decreased from 6.5% to 5.5%.

COMPARISONS WITH 1992 REPORT

We have developed the following comparisons with the results of the previous valuation:

	1992	1994
Number of Members		
Retirees and Beneficiaries	1,488	1,485
Vested Terminated	11	11
Active	431	365
	1,930	1,861
Active Member Data		
Average Base Salary	$55,945	$62,243
Average Age	47.2	49.0
Average Years Employed	21.8	23.6
Invested Assets		
Market Value (Market Value)	$287,196,326	$304,304,493
Estimated Rate of Return		
Two Years Ago	9%	12%
Last Year	13%	2%
Plan Liabilities		
Accrued Benefit Obligation (All Vested)	$886,765,273	$907,354,914
Projected Benefit Obligation	941,607,079	947,420,571
Projected Future Benefits	993,422,403	985,333,268

ACTUARIAL GAINS AND LOSSES

Actuarial gains result from experience which emerged more favorably than we assumed in the previous valuation and actuarial losses result from experience which emerged less favorably than we assumed. The most important of these gains and losses are described below:

- The PERS contribution rate decreased 1.813% from 13.982% of payroll to 12.169% of payroll. This resulted in a 1.69% reduction in the City's recommended contribution rate.
- The total workforce decreased by 81 members from July 1, 1992 to July 1, 1994. This provides a smaller base in which to spread the costs of the plan, and resulted in a 3.02% increase in the City's overall contribution rate.
- The actual investment return on the Plan's assets was less than anticipated. The actual return was 6.93% for the two-year period ending June 30, 1994. This resulted in a .59% increase in the City's overall contribution rate.

ASSUMED LEVEL OF FUTURE EMPLOYMENT

Since the last valuation, there has been a decline in the level of active employment as illustrated in the following chart.

	1992	1994
Number of Active Members		
Police & Fire Retirement System	431	361
California PERS	777	766
Total Employment	1,208	1,127

Predicting the future level of public safety employment for the City is outside our area of expertise. Therefore, we have recalculated the recommended contribution rate for a range of assumed future employment levels. The valuation results are based on a continuation of the 1994 level of 1,127 active employees. If the level is expected to change in the next several years, the recommended contribution rate should be interpolated from the following chart.

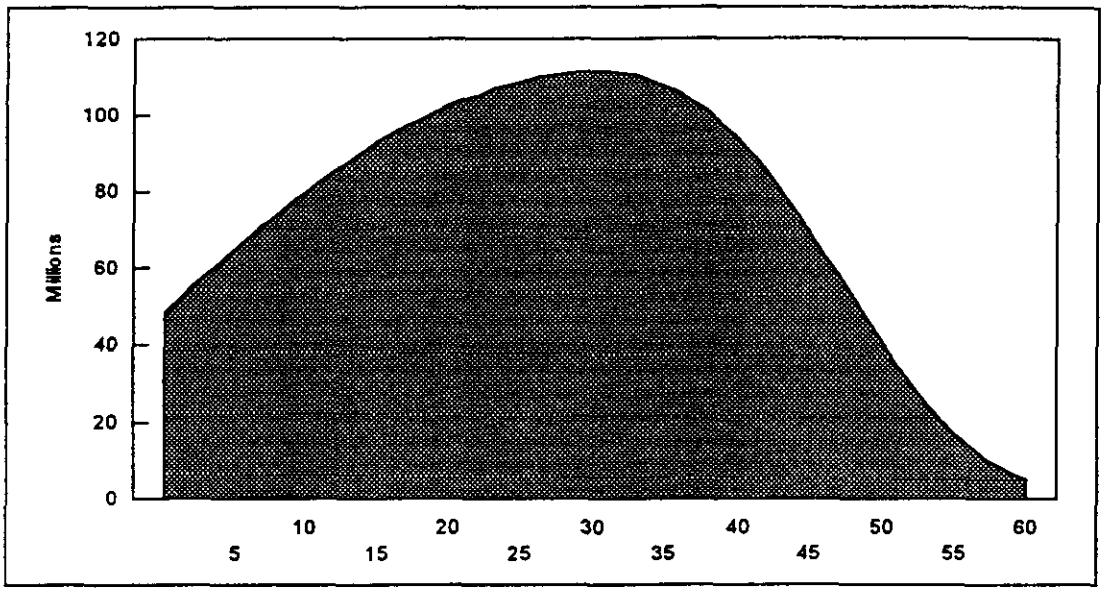
	Number of Active Employees	Recommended Contribution Rate
1994 Valuation Results	1,127	59.89%
Expected Employment Level	1,100	60.98%
	1,120	60.17%
	1,140	59.39%
	1,160	58.63%
	1,180	57.90%
	1,200	57.18%

CASH FLOW ANALYSIS

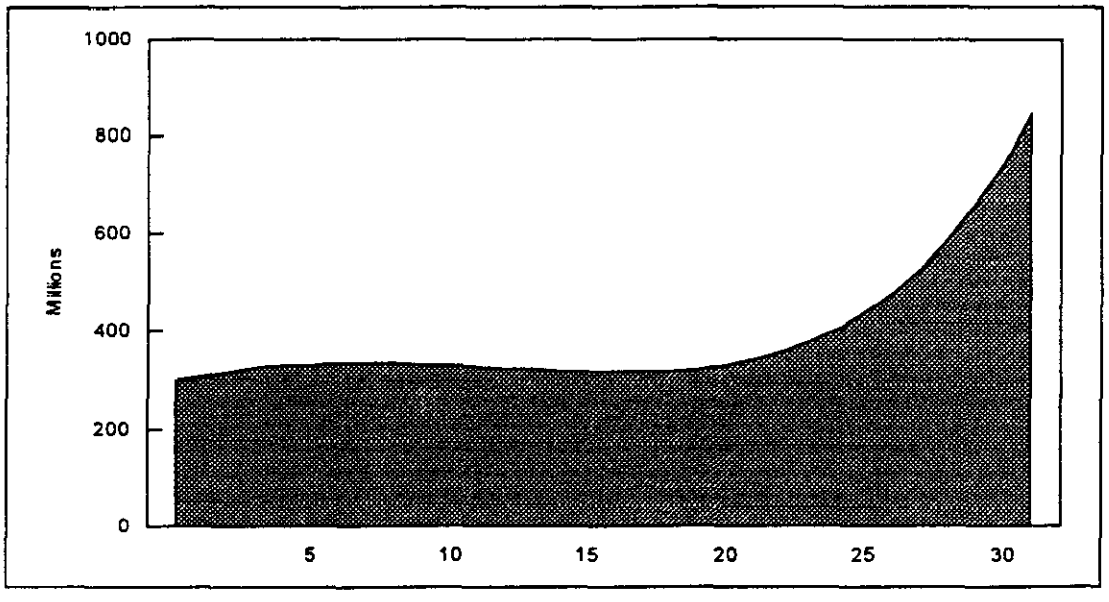
During the course of estimating the System's liabilities, we have projected all future benefits that are expected to paid from the System. The first graph on the next page illustrates the pattern of these distributions to members over the next 60 years.

The second graph shows the pattern of growth of the System's assets until the year 2026. At that point, the assets in the System should be sufficient to fund all remaining benefit payments that will continue to be due.

BENEFIT DISTRIBUTIONS OVER SIXTY YEARS



ASSET GROWTH TO 2026



SECTION 3

ACTUARIAL VALUATION RESULTS

The following tables document the findings of the actuarial valuation.

TABLE 1	Summary of Available Assets
TABLE 2	Summary of Plan Operation
TABLE 3	Summary of Actuarial Requirements
TABLE 4	ACTUARIAL BALANCE SHEET
TABLE 5	DETERMINATION OF RECOMMENDED ANNUAL CONTRIBUTION RATE
TABLE 6	SUMMARY OF ACCOUNTING INFORMATION UNDER STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 35
TABLE 7	SUMMARY OF ACCOUNTING INFORMATION UNDER STATEMENT OF GOVERNMENTAL ACCOUNTING STANDARDS NO. 5

TABLE 1
SUMMARY OF AVAILABLE ASSETS

Investments			
Short Term Investments		$ 24,951,165	
Bonds		151,934,115	
Common and Preferred Stock		116,621,968	
Real Estate Mortgage Loans		701,976	$ 294,209,224
Cash			
Treasury		$ 3,569,407	
Trustee		1,692,462	5,261,869
Receivable			
Interest		$ 3,432,331	
Dividends		266,181	
Contribution			
City	$1,093,224		
Members	113,228	1,206,452	4,904,964
Payable			(71,564)
Market Value of Assets			$ 304,304,493

TABLE 2
SUMMARY OF PLAN OPERATION

(1)	Market Value of Assets at June 30, 1992	$287,196,326
(2)	Receipts	
	(a) City Contributions	64,564,726
	(b) Employee Contributions	4,786,505
	(c) Interest Earned	27,624,548
	(d) Dividends Paid	6,521,578
	(e) Profit/(Loss) on Investments Sold or Redeemed	7,637,802
	(f) Total Receipts	111,135,159
(3)	Investment Increment	(267,405)
(4)	Disbursements	
	(a) Benefit Payments	92,108,361
	(b) Investment Expense	1,211,007
	(c) Administrative Expense	440,219
	(d) Total Disbursements	93,759,587
(5)	Market Value of Assets at June 30, 1994	$304,304,493

TABLE 3
SUMMARY OF ACTUARIAL REQUIREMENTS

		Actuarial Present Value of Fully Projected Benefits
	Active Members	
(1)	Retirement Benefits	$ 178,420,315
(2)	Occupational Disability Benefits	47,515,573
(3)	Non-Occupational Disability Benefits	5,198,779
(4)	Occupational Death Benefits	6,942,739
(5)	Non-Occupational Death Benefits	1,651,246
(6)	Total Present Value of Benefits for all Active Members	$ 239,728,652
	Inactive Members	
(7)	Service Retirees	$ 359,387,495
(8)	Disabilities	274,137,531
(9)	Surviving Spouses	106,428,209
(10)	Vested Terminations	5,651,381
(11)	Total Present Value of Benefits for all Inactive Members	$ 745,604,616
(12)	Total Present Value of Benefits (6) + (11)	$ 985,333,268

TABLE 4
ACTUARIAL BALANCE SHEET

REQUIREMENTS

(1)	Retired, Disabled Members and Beneficiaries	$ 739,953,235
(2)	Vested Terminated Members' Pension	5,651,381
(3)	Active Members' Pension	239,728,652
(4)	Total Requirements	$ 985,333,268

RESOURCES

(5)	Actuarial Value of Assets	$ 304,304,493
(6)	Actuarial Present Value of Future Employer Normal Costs	669,918,197
(7)	Actuarial Present Value of Member Contributions	11,110,578
(8)	Total Resources	$ 985,333,268

TABLE 5
DETERMINATION OF RECOMMENDED ANNUAL CONTRIBUTION RATE

(1)	Present Value of All Future Compensation to 2026	$ 1,392,101,500
(2)	All Future Compensation - PFRS	102,930,714
(3)	Difference - All Future Compensation - PERS (1) - (2)	$ 1,289,170,786
(4)	Present Value PERS Cost (12.169% x compensation)	$ 156,879,193
(5)	Present Value of Future Employer Normal Cost	669,918,197
(6)	Present Value of Future Normal Cost (4) + (5)	$ 826,797,390
(7)	City Normal Cost Rate (6) / (1)	59.39%
(8)	Administrative Expense	.50%
(9)	Total Recommended City Contribution	59.89%

TABLE 6
SUMMARY OF ACCOUNTING INFORMATION UNDER STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 35

(1)	Actuarial Cost Method	Aggregate Cost Method
(2)	Contribution Rate:	
	Employee -	Graded
	Employer -	59.89%
(3)	Present Value of Accumulated Benefits (ABO)	$907,354,914
(4)	Present Value of Vested Accumulated Benefits (VBO)	$907,354,914
(5)	Actuarial Value of Assets	$304,304,493
(6)	Basis of Actuarial Value of Assets	Market Value
(7)	Participants Excluded from the Actuarial Calculations	None

TABLE 7
SUMMARY OF ACCOUNTING INFORMATION UNDER STATEMENT OF GOVERNMENTAL ACCOUNTING STANDARDS NO. 5

Pension Benefit Obligation:		
(a)	Retirees and Beneficiaries currently receiving benefits and terminated vested employees not yet receiving benefits	$ 745,604,616
(b)	Current Employees:	
	• Accumulated employee contributions, including allocated investment income	39,329,147
	• Employer-financed vested	162,486,808
	• Employer-financed non-vested	0
(c)	Total Pension Benefit Obligation	$ 947,420,571

SECTION 4
ACTUARIAL PROCEDURES AND ASSUMPTIONS

This section of the report describes the actuarial procedures and assumptions used in this valuation. These procedures and assumptions have been chosen on the basis of recent experience of the Plan and on current expectations as to future economic conditions.

The assumptions are intended to estimate the future experience of the Plan and the members of the Plan in areas which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the Plan's benefits.

ACTUARIAL COST METHOD

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to when they are earned, rather than when they are paid. There are a number of methods in use for making a determination.

The method employed for the City of Oakland Police and Fire Retirement System is the Aggregate Cost Method. Under this method the normal cost rate is determined by the difference between the actuarial present value of future benefits and the actuarial value of assets divided by the actuarial present value of future salaries of all employees. The normal cost rate is multiplied by expected compensation of all employees.

RECORDS AND DATA

The data used in the valuation consist of financial information and records of age, service and income of contributing members, former contributing members and their survivors. All of the data were supplied by the City and are accepted for valuation purposes without audit.

EXPENSES

Investment expenses are assumed to be paid by earnings in excess of the assumed rate of return. Non-investment expenses will be assumed to be 0.50% of payroll.

VALUATION OF ASSETS

Asset values were supplied by the City and were accepted without audit. The Actuarial Value of Assets is the market value.

INVESTMENT EARNINGS (ADOPTED 1994)

The future investment earnings of the assets of the plan are assumed to accrue at a net annual rate of 8%, compounded annually. Adopted 1994

INTEREST ON MEMBER CONTRIBUTIONS

Interest on member contributions is assumed to accrue at a net annual rate of 4.0%, compounded annually, as required by law.

FUTURE SALARIES (ADOPTED 1994)

The total annual rate of salary increase was assumed to be 5.5% per annum. In addition, the following assumptions relate to wages:

Holiday Pay:	The base wage for Police was adjusted by 2.31 % and by 5.0% for Fire Members to account for Holiday Pay.
Line-Up Pay:	The base wage for Police was adjusted by 2.34% to account for Line-Up Pay.
Premium Pay:	The base wage for Police was adjusted by 1.97% for Premium Pay.
Uniform Pay:	June 30, 1994 base wage was increased by $650 for Police and $250 for Fire Members to account for uniform allowance.
Negotiated Pay:	The base wage for Firefighters was increased by 2.4% to account for the 4% increase effective June 18, 1994. The June 30 base wage only reflected the new rate for days after the 18th.

POST-RETIREMENT BENEFIT INCREASES (ADOPTED 1994)

It is assumed that the future retirement benefit increases will be 5.5% per year.

MORTALITY

The probabilities of mortality for healthy lives are based on the following:

Males	1983 Group Annuity Mortality Table
Females	1983 Group Annuity Mortality Table

The probabilities of mortality for disabled lives are based on 120% of the tables above, and 75% of future deaths after retirement are assumed to be duty related.

DISABLEMENT AND MORTALITY

Sample rates of disablement and death used in this valuation are illustrated below.

Attained Age	Non-Duty Disability	Duty Disability	Non-Duty Death	Duty Death
		Police Officers		
20	0.000000	0.000000	0.000126	0.000377
25	0.000760	0.000594	0.000155	0.000464
30	0.000770	0.004792	0.000202	0.000607
35	0.000780	0.007248	0.000281	0.000842
40	0.000800	0.013459	0.000408	0.001225
45	0.000860	0.022012	0.000731	0.002192
50	0.001050	0.020752	0.001321	0.003964
55	0.001430	0.013688	0.002130	0.006389
60	0.001640	0.031345	0.003280	0.009839
65	0.002610	0.000000	0.005315	0.015945
		Fire Fighters		
20	0.000000	0.000000	0.000126	0.000377
25	0.000000	0.002331	0.000155	0.000464
30	0.000000	0.006316	0.000202	0.000607
35	0.000000	0.009879	0.000281	0.000842
40	0.000090	0.012569	0.000408	0.001225
45	0.000750	0.023617	0.000731	0.002192
50	0.002800	0.044170	0.001321	0.003964
55	0.006990	0.043352	0.002130	0.006389
60	0.016030	0.054646	0.003280	0.009839
65	0.019760	0.000000	0.005315	0.015945

SERVICE RETIREMENT

The rates of retirement used in this valuation are shown below.

Years of Service	Rates of Retirement	
	Police	Fire
20	0.05	0.04
21	0.30	0.05
22	0.10	0.05
23	0.05	0.06
24	0.05	0.06
25	0.50	0.07
26	0.25	0.07
27	0.20	0.08
28	0.20	0.08
29	0.20	0.09
30	0.20	0.09
31	0.25	0.10
32	0.30	0.10
33	0.35	0.11
34	0.40	0.12
35	0.50	0.14
36	0.60	0.17
37	0.70	0.20
38	0.80	0.25
39	0.90	0.30
40	1.00	1.00

OTHER TERMINATIONS OF EMPLOYMENT

None.

MARRIAGE

Ninety percent (90%) of Members are assumed to be married at time of retirement, death or disability.

CHANGE IN ACTUARIAL ASSUMPTIONS

This section of the report provides an analysis of the economic assumptions recommended for this actuarial valuation. These assumptions are not related to the membership of the System, nor directly related to the System itself. Rather, the assumptions are based on a projection of long-term general economic conditions.

Investment yields and wage inflation are not directly related to each other, however, each is in some way related to the increase in inflation. We are using the Consumer Price Index, a popular surrogate for inflation, to illustrate the relationships between the investment yields and wage levels. We have used statistics that have been accumulated and published by Ibbotson Associates from 1926 through the end of 1993, the latest data available.

INFLATION: The Ibbotson data shows a compounded annual inflation rate from 1926 through 1993 of 3.2%, based on the national Consumer Price Index for All Urban Consumers. Historically, most of the increase has come since the start of World War II. The average annual rate of inflation since 1944 has been 4.3%. After a period of relatively high inflation in the 1970's, the annual rate has come down to a level slightly below the historical average. The charts below show the average annual inflation rate in ten year periods, and cumulatively over the last 20, 30, 40, and 50 years.

Period - Decade	Inflation Rate	Period - Cumulative	Inflation Rate
1984-93	3.7%	1984-93	3.7%
1974-83	8.2	1974-93	5.9
1964-73	4.1	1964-93	5.3
1954-63	1.4	1954-93	4.3
1944-53	4.4	1944-93	4.3

Our recommendation is use 4.5% as the long-term assumed inflation rate.

INVESTMENT YIELD: We believe an investment return assumption of 8.0% per year is consistent with the level of inflation and real rate of return likely to occur over an extended period of time. Therefore, we are recommending a change in this assumption from the previous rate of 8.5%.

Our decision is influenced by an important consideration. The assumed investment return is not merely a measure of what the existing portfolio will earn, or even of what new investments for the next few years will earn; it is instead a measure of what the average yield will be while benefits are being paid to all existing members and their beneficiaries. This supports the use of a long time frame to analyze the assumption. Short-term swings in economic conditions need to be smoothed out, so we have looked at ten-year periods, and cumulative periods up to fifty years.

We have used the latest Ibbotson study to obtain the Salomon Brothers Long-Term High-Grade Corporate Bond Index and the S&P 500 Composite Index for bonds and equities, respectively. Annualized rates of growth are shown below:

	Growth Rate			Growth Rate	
Period	**Stocks**	**Bonds**	**Period**	**Stocks**	**Bonds**
1984-93	14.9%	14.0%	1984-93	14.9%	14.0%
1974-83	10.6	6.4	1974-93	12.8	10.2
1964-73	6.0	2.9	1964-93	10.5	7.7
1954-63	15.9	2.7	1954-93	11.8	6.4
1944-53	14.3	2.2	1944-93	12.3	5.6

The ten-year periods help to eliminate the effect of very short-term influences and to focus instead on long-term trends like those which affect the future actuarial experience of the System. Even so, there is still significant volatility in the measures of investment return, particularly for the equities and, more recently, for the bond market as well.

By using the above indices for equities and fixed income securities, and the CPI for the rate of return on cash, we have developed historical rates of return based on an allocation of assets is approximately 40% equities and 60% fixed income on a market value basis.

Period	**Earnings Rate**	**Period**	**Earnings Rate**
1984-93	14.4%	1984-93	14.4%
1974-83	8.1	1974-93	11.2
1964-73	4.1	1964-93	8.8
1954-63	8.0	1954-93	8.6
1944-53	7.0	1944-93	8.3

The average composite return over the last 50 years of 8.3% is 4.0% greater than the average annual inflation rate of 4.3% during the same time frame. This real rate of return is high compared with other time frames. If we look at just the last 30 years, for example, the composite return of 8.8% is 3.5% above the average inflation rate of 5.3% for the same period.

Our recommendation is to use an assumed real rate of return of 3.5%. When the real rate of return is added to the assumed inflation rate of 4.5%, we arrive at the recommended rate of investment return of 8.0% per year.

A recent survey by the Public Pension Coordinating Council showed that the average assumed investment yield assumption for state-wide retirement systems was 7.91%. This statistic is presented to show that the long-term investment yield assumption of 8.0% is not unusually high, nor unusually low, when compared with the assumptions made by other large public employee retirement systems.

WAGE INFLATION: Estimates of future salaries are based on two types of assumptions. Rates of increase in individual salaries due to promotion and longevity, occur even in the absence of inflation, and rates of increase in the general wage level of the membership are directly related to inflation.

We assume that the members in the System are currently at their highest rank. Therefore, the only wage assumption is for inflation. We recommend a reduction to the assumed general wage increase from 6.5% to 5.5% per year. Our reasons are explained in the paragraphs below.

We have used statistics from the Social Security Administration on the National Average Wage to illustrate annual increases in the general wage.

Period	Growth Rate	Period	Growth Rate
1984-93	4.7%	1984-93	4.7%
1974-83	7.2	1974-93	5.9
1964-73	5.6	1964-93	5.8
1954-63	3.4	1954-93	5.2
1944-53	5.1	1944-93	5.2

Over the last 50 years, the average rate of national wage increase of 5.2% is 0.9% greater than the average annual inflation rate of 4.3%. For the future, if we assume a 1.0% increase added to the assumed inflation rate of 4.5%, we arrive at the revised recommended rate of wage increase of 5.5% per year.

SECTION 5
SUMMARY OF PLAN PROVISIONS

Service Retirement

(a)	Eligibility	(i) 25 Years of Service (ii) 20 Years of Service and Age 55, or (iii) Age 65
(b)	Benefit	50% of Salary plus 1.67% for each Year of Service in excess of the eligibility service threshold up to 16.67% (10 Years). A Member required to retire under (iii) above and before completing 20 Years of Service will receive a pro rata portion of 50% of Salary.
(c)	Salary	Current pensionable earnings attached to final 3-year average **rank** including holiday and uniform allowances and ARCA decision benefits for Police members.
(d)	Spouse's Continuance	(i) For duty death - 100% (ii) For non-duty death - 66-2/3% If no dependent on retirement, then refund of "dependent" contributions plus interest.

Early Retirement

(a)	Eligibility	20 years of service.
(b)	Benefit	40% pay + 2% for each additional year of service beyond 20 years, not to exceed an additional 5 years.
(c)	Salary	See Service Retirement.
(d)	Spouse's Continuance	See Service Retirement.

Duty Death

(a)	Eligibility	Immediate.	
(b)	Benefit	(i)	Same as spouse's continuance for service retirement if 25 or more years of service.
(c)	Minimum	50% salary.	
(d)	Children's Continuance (under 18)	(i) 1 child -	25% spouse benefit.
		(ii) 2 children -	40% spouse benefit.
		(iii) 2 or more -	50% spouse benefit.
(e)	Maximum Benefit to Children and Spouse	75% salary for average rank.	

Non-Duty Death

(a)	Eligibility	10 years service.	
(b)	Benefit	(i)	If service retirement conditions met, then 2/3 of service retirement benefit.
		(ii)	If 10 years of service, but less than 25 years of service, 33-1/3% of salary
(c)	Children	See Service-Connected Death.	

Death Benefit (Death of Active with No Dependents)

(a)	Eligibility	Immediate, but only if no dependents.	
(b)	Benefits	(i)	Refund of member contributions plus interest, and
		(ii)	1/12 of salary multiplied by service to a maximum of 6 years.

Duty Disability Retirement

(a)	Eligibility	One year from first day disabled.
(b)	Benefit	(i) If 25 or more years of service, then benefits as for service retirement. (ii) If less than 25 years of service, then 75% of salary, reducing to 50% of salary when 25 years of service would have been reached.
(c)	Spouse or Children	See Service Retirement.

Non-duty Disability Retirement

(a)	Eligibility	5 years service.
(b)	Benefit	(i) If age 55 attained, benefits as for service retirement (ii) If age less than 55, then 1-1/2% salary multiplied by years of service.
(c)	Minimum	33-1/3% of salary.
(d)	Spouse or Children	See service retirement, but in addition, if disabled member's death is duty related, then minimum 50% salary.

Death After Retirement

(a)	Lump Sum	$1,000 cash to designated beneficiary if no qualifying dependent.

SECTION 6
FUNDING HISTORY

THE EARLY YEARS

Prior to 1951, retirement benefits for Oakland's police officers and firefighters were paid for by member and City contributions. However, the City contributed only to the extent required to meet each year's payout of benefits. This funding arrangement is known as "pay-as-you-go".

In 1951 the City agreed to fund for future hires over their working lifetime, but intended to continue to fund the pre-'51 plan on a pay-as-you-go basis. The actuarial study of 1950 indicated the funding arrangement was feasible. Benefit payments were less than $1 million annually for the pre-'51 members and the City contribution rate was about 24% of payroll for the post-'51 group. Both groups of members contributed an average of 7.5% of pay.

EMERGING "SUCCESS"

Over the next 20 years, actuarial studies about every 5 years produced steadily declining City rates to about 8% in 1970. This probably led directly to Measure 3 of April, 1971. That measure provided an upper limit on the fund's investment yields of 4%, with the excess going into a "New and Improved Benefits Fund" (NIBF). The NIBF would be disbursed according to a plan determined by active members and agreed to by the Retirement Board. A saving feature of the NIBF was that the benefits were not vested, but were only paid as money was available.

The 1970 actuarial report increased the City contribution rate to 12.5% in response to the 4% investment earnings limitation, but member rates were apparently calculated with the full 5% investment yield assumption, producing an average member rate of 4.2%.

The period from 1971 to 1973 was a happy one. Benefits were excellent, contributions were low, there were sufficient funds for salary increases, and the NIBF was allowing additional benefits. There appeared to be only two concerns:

- The plan had no vesting provisions, which meant a member who terminated prior to retirement age forfeited very valuable benefits. However, since only those who wanted to leave were affected, it didn't receive much attention.

- Annual benefits under the pay-as-you-go portion of the plan were climbing at an alarming rate; reaching about $10 million by 1975.

ACTUARIAL REVIEW

In about 1974, Milliman & Robertson was asked to provide an independent review of the funding status of the system. This led to our report in January of 1976 which disclosed a very serious flaw in every previous actuarial report, the magnitude of which led to a total revision of the system.

The flaw in the previous studies was that the actuary had no assumption for increases in salaries. This approach grossly understated the value of future benefits because they would be in proportion to the pay for the position held by the member. Thus, every retiring member started with a benefit related to the salary of his position, and every time a salary increase was given to active members, the same percentage increase was given to all retired members, none of which was predicted.

One might ask how such an obvious omission could have gone so long unnoticed, and that is another interesting flaw in the actuarial techniques of the period. If, only once during the period, a report had been provided with new data but the same assumptions as the previous report, a sharp increase in the City rate would have resulted, and a review of the source of that "loss" during the period would have led to an understanding of the deficiency in the assumptions.

Actuarial studies are self correcting in that with every new report all the accumulated actual experience is accounted for. For instance, the actual salary growth is reflected in the new data for each member and the actual investment yield produces new assets reflecting the accumulated effect of all previous experience. Similarly all other assumptions are tested with the application of new data. However, for all five reports during this period, a new set of assumptions was applied which in each case lowered the City contribution rate by enough to mask the accumulated losses from salary increases. These reports did not state that salaries were not assumed to increase, salary increases were just not discussed.

An example of the masking of losses was the 1965 report. The investment yield assumption was increased from 3.25% to 4%, a seemingly conservative change since the actual yield during the period had been over 4%. In addition, however, the assumptions for members leaving and dying were increased and the assumed retirement age was increased. The combination of all of these changes lowered the projected future costs enough to reduce the member and City rates from a total of 18% to under 15%. Actuarial losses due to salary increases would have been shown in a report which repeated the assumptions of 1960.

By 1975, the member salaries were over 4-1/2 times those of 1960. If actuarial gains and losses had been determined in each report, the need for an informed analysis of wage inflation would have been apparent.

Milliman & Robertson's report of 1975 assumed salary increases of 6.5%. The actual increases averaged 6.4% per year over the 27 years prior to 1976, but 7.9% over the immediately prior 11 years. The new assumption was lower than the recent trend, and very slightly higher than long range history. The assumption for investment yields was 8.5%, but was limited to 4% for the plan's assets by the provisions of the NIBF. There were significant changes in other assumptions reflecting the experience in the period just prior to 1975.

The result of the revised assumptions was a numbing 198.62% City contribution rate and a 40.25% member rate.

FRESH START

The projected financial condition of the System led voter approval of Propositions R and S of 1976, and these significant changes in the system:

- New hires after June 30, 1976 became members of PERS with roughly the same starting benefits, but a much lower post-retirement adjustment for inflation. The starting contribution rates for that plan were 9% for members and 25% for the City..
- The funding of all three plans (pre-'51, post-'51 and PERS) was combined into one overall City rate of about 80% of payroll over a 40-year period to June 30, 2016.
- Member rates for the old plan were increased to an average of about 10% with an overall limit of 13%.
- Vesting provisions were added to the plan.
- The New and Improved Benefits Plan was capped off, receiving no further contributions and exhausting its funds in a few years.

Since 1975, the assumptions for investment yield and salary increases have been conservative. Actual experience has averaged higher for investment yields and lower for salary increases than the assumptions, leading to a decline in the City contribution rate. An extension of the funding period from 2016 to 2026, and decreases in the PERS rate over the years have also lowered the City rate, which is now slightly under 60% of payroll.

IMPACT ON THE CITY

The following are some of the problems caused by the inappropriate prediction of salary increases in the earlier actuarial studies:

- Taxpayers were misled into plans which cost much more than indicated.
- There were inequities between generations of taxpayers, with those after 1975 paying for benefits accumulated before 1975 as well as the run off of the cost of benefits for employees then in the System.
- The City was presented with a surprise in the form of high expenses at a time of great fiscal restraints from other causes. This led to lost services and lower wages.
- There will be a significant difference in the value of benefits between members hired before and after June 30, 1976 due to the different post-retirement cost-of-living adjustments provided by PERS and this System. The differences won't become obvious to members until sometime after 2000.

SECTION 7
SUMMARY OF PARTICIPANT DATA

The following tables depict the participant data that was used in the valuation. Table 8 is a history of participant characteristics for the Plan. Table 9 displays the distribution of Active Members. Table 10 displays the data for the vested terminated participants. Table 11 is a distribution of the retirees by age, service and salary.

TABLE 8
HISTORICAL PARTICIPANT SUMMARY

	July 1, 1992		July 1, 1994	
	Police	Fire	Police	Fire
Active Participants				
(1) Number	196	235	161	204
(2) Average Current Age	46.1	48.0	48.1	49.8
(3) Average Service to Date	21.10	22.30	22.9	24.1
(4) Average Salary	$59,667	$52,644	63,232	61,463
Terminated Vested Participants				
(5) Number	9	2	9	2
(6) Average Age	45.78	42.50	47.78	44.50
(7) Average Monthly Benefit	$ 2,492	$ 1,830	$ 2,492	$ 1,830
Retirees & Beneficiaries				
(8) Number	800	688	799	686
(9) Average Monthly Benefit	$ 2,411	$ 2,306	$ 2,709	$ 2,638

TABLE 9
DISTRIBUTION OF ACTIVE POLICE MEMBERS

Age	Years of Service							
	Under 12		12 to 17		17 to 22		22 to 27	
	Count	Salary	Count	Salary	Count	Salary	Count	Salary
Less than 20	-	-	-	-	-	-	-	-
20-24	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-
30-34	-	-	-	-	-	-	-	-
35-39	-	-	-	-	-	-	-	-
40-44	-	-	1	57,394	27	1,723,866	3	195,398
45-49	1	69,002	1	57,394	42	2,654,167	36	2,251,442
50-54	-	-	1	69,002	10	573,944	22	1,407,691
55-59	-	-	-	-	2	126,396	4	263,465
60-64	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
Total	1	$69,002	3	$183,790	81	$5,078,373	65	$4,117,996

Age	Years of Service							
	27 to 32		32 to 37		37 & Up		All Years	
	Count	Salary	Count	Salary	Count	Salary	Count	Salary
Less than 20	-	-	-	-	-	-	-	-
20-24	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-
30-34	-	-	-	-	-	-	-	-
35-39	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	31	1,976,659
45-49	-	-	-	-	-	-	80	5,032,005
50-54	6	448,105	-	-	-	-	39	2,498,742
55-59	3	133,346	-	-	-	-	9	523,207
60-64	1	92,320	-	-	1	57,394	2	149,714
65+	-	-	-	-	-	-	-	-
Total	10	$673,771	-	-	1	$57,394	161	$10,180,327

TABLE 9
DISTRIBUTION OF ACTIVE FIRE MEMBERS

Age	Years of Service					
	12 to 17		17 to 22		22 to 27	
	Count	Salary	Count	Salary	Count	Salary
Less than 20	-	-	-	-	-	-
20-24	-	-	-	-	-	-
25-29	-	-	-	-	-	-
30-34	-	-	-	-	-	-
35-39	-	-	-	-	-	-
40-44	-	-	16	997,072	1	68,530
45-49	-	-	47	2,778,025	46	2,771,478
50-54	-	-	18	1,048,640	33	2,015,773
55-59	-	-	-	-	3	196,325
60-64	-	-	-	-	-	-
65+	-	-	-	-	-	-
Total	-	-	81	$4,823,736	83	$5,052,106

Age	Years of Service							
	27 to 32		32 to 37		37 & Up		All Years	
	Count	Salary	Count	Salary	Count	Salary	Count	Salary
Less than 20	-	-	-	-	-	-	-	-
20-24	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-
30-34	-	-	-	-	-	-	-	-
35-39	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	17	1,065,601
45-49	-	-	-	-	-	-	93	5,549,503
50-54	13	885,864	-	-	-	-	64	3,950,277
55-59	13	798,709	5	339,448	-	-	21	1,334,481
60-64	-	-	5	359,911	1	59,266	6	419,176
65+	1	68,530	1	68,530	1	82,348	3	219,407
Total	27	$1,753,103	11	$767,889	2	$141,614	204	$12,538,445

TABLE 10
SUMMARY OF VESTED TERMINATED MEMBERS

POLICE

Member Number	Current Age	Expected Retirement Age	Annual Benefit
2662	44	46	$30,846
3053	45	50	26,276
2530	46	47	30,488
2546	46	48	32,469
2557	47	48	30,487
2417	48	48	30,058
2276	50	50	29,568
2847	51	54	29,393
2341	53	53	29,568

FIRE

Member Number	Current Age	Expected Retirement Age	Annual Benefit
3159	44	50	$14,312
2610	45	47	29,616

TABLE 11
DISTRIBUTION OF SERVICE RETIREES

Age	Police		Fire		Total	
	Count	Benefit	Count	Benefit	Count	Benefit
40	-	-	-	-	-	-
41	-	-	-	-	-	-
42	-	-	-	-	-	-
43	2	59,842	-	-	2	59,842
44	4	118,483	-	-	4	118,483
45	3	83,616	-	-	3	83,616
46	4	123,025	1	23,827	5	146,851
47	7	183,012	-	-	7	183,012
48	12	335,158	6	122,763	18	457,921
49	20	1,231,565	5	138,110	25	1,369,676
50	13	355,633	3	106,104	16	461,738
51	17	466,725	1	23,637	18	490,362
52	18	493,370	2	57,127	20	550,497
53	11	323,070	5	139,662	16	462,732
54	11	322,464	3	102,462	14	424,926
55	9	270,379	3	77,587	12	347,966
56	11	358,112	-	-	11	358,112
57	4	120,895	3	94,360	7	215,255
58	7	216,238	6	189,294	13	405,532
59	3	100,460	7	195,212	10	295,672
60	9	370,868	4	128,792	13	499,660
61	4	136,949	8	235,159	12	372,108
62	8	223,238	9	254,695	17	477,933
63	1	25,763	10	315,402	11	341,165
64	12	427,672	9	360,403	21	788,075
65	7	243,905	7	217,233	14	461,138
66	8	260,583	10	359,729	18	620,312
67	7	213,501	15	574,243	22	787,744
68	12	409,783	12	380,752	24	790,535
69	5	170,068	13	454,238	18	624,306

TABLE 11
DISTRIBUTION OF SERVICE RETIREES

Age	Police		Fire		Total	
	Count	Benefit	Count	Benefit	Count	Benefit
70	13	442,745	18	577,413	31	1,020,158
71	11	431,426	11	368,662	22	800,088
72	14	469,088	19	654,574	33	1,123,662
73	19	631,900	11	396,514	30	1,028,414
74	18	627,193	15	507,927	33	1,135,120
75	10	329,101	18	562,286	28	891,387
76	10	351,838	9	309,133	19	660,971
77	3	94,724	17	541,584	20	636,307
78	6	218,555	9	277,064	15	495,619
79	5	153,865	9	305,648	14	459,514
80	3	113,358	13	497,612	16	610,970
81	8	291,875	7	284,978	15	576,853
82	4	128,424	9	298,368	13	426,792
83	4	169,108	7	261,309	11	430,417
84	6	198,070	3	101,485	9	299,555
85	5	185,336	5	168,915	10	354,250
86	3	101,950	3	130,239	6	232,189
87	3	96,846	-	-	3	96,846
88	2	83,705	1	34,043	3	117,748
89	-	-	-	-	-	-
90	-	-	1	30,259	1	30,259
91	-	-	1	38,242	1	38,242
92	1	71,491	1	39,254	2	110,745
93	2	68,764	-	-	2	68,764
94	2	59,855	1	27,117	3	86,972
95	1	36,326	-	-	1	36,326

TABLE 11
DISTRIBUTION OF DISABILITY RETIREES

Age	Police		Fire		Total	
	Count	Benefit	Count	Benefit	Count	Benefit
34	-	-	-	-	-	-
36	-	-	1	30,968	1	30,968
38	-	-	-	-	-	-
40	1	45,366	-	-	1	45,366
41	-	-	-	-	-	-
42	-	-	2	98,302	2	98,302
43	2	88,428	2	65,271	4	153,698
44	3	131,117	6	207,357	9	338,474
45	7	330,712	6	233,507	13	564,219
46	6	258,871	3	121,723	9	380,594
47	12	522,302	6	240,171	18	762,472
48	8	328,706	3	94,673	11	423,379
49	10	400,793	6	265,085	16	665,878
50	8	276,693	5	151,491	13	428,184
51	7	260,081	4	172,679	11	432,760
52	8	269,892	4	124,713	12	394,606
53	10	367,293	7	229,246	17	596,539
54	8	297,014	4	156,099	12	453,113
55	5	146,922	8	275,859	13	422,781
56	4	143,713	2	63,483	6	207,197
57	3	94,759	-	-	3	94,759
58	3	96,760	3	101,571	6	198,331
59	7	224,653	6	176,073	13	400,725
60	3	94,946	3	101,604	6	196,550
61	1	39,561	-	-	1	39,561
62	1	36,271	4	131,715	5	167,986
63	3	134,572	2	65,303	5	199,875
64	4	129,494	9	298,359	13	427,853
65	5	182,292	6	192,050	11	374,342
66	10	311,084	6	224,364	16	535,448
67	2	64,639	4	135,009	6	199,648
68	7	228,424	5	186,818	12	415,241
69	11	362,464	8	233,920	19	596,384

TABLE 11
DISTRIBUTION OF DISABILITY RETIREES

Age	Police		Fire		Total	
	Count	Benefit	Count	Benefit	Count	Benefit
70	7	283,805	4	125,145	11	408,950
71	13	423,939	8	286,772	21	710,710
72	8	241,526	4	148,996	12	390,522
73	5	168,611	10	324,801	15	493,412
74	6	179,521	6	206,519	12	386,040
75	2	72,629	2	60,348	4	132,977
76	3	92,962	6	178,110	9	271,072
77	-	-	3	106,016	3	106,016
78	3	95,679	6	211,053	9	306,732
79	1	35,530	3	103,239	4	138,769
80	2	56,771	1	45,304	3	102,075
81	1	35,062	3	84,425	4	119,488
82	2	58,462	1	35,434	3	93,896
83	1	32,494	1	33,060	2	65,554
84	1	33,920	3	128,003	4	161,923
85	1	28,584	-	-	1	28,584
86	-	-	-	-	-	-
87	1	28,521	-	-	1	28,521
88	-	-	-	-	-	-
89	1	34,942	-	-	1	34,942
90	-	-	-	-	-	-
91	-	-	-	-	-	-
92	-	-	-	-	-	-
93	1	31,971	-	-	1	31,971
94	-	-	-	-	-	-
95	-	-	-	-	-	-
96	-	-	-	-	-	-
97	-	-	-	-	-	-
98	-	-	-	-	-	-
99	-	-	-	-	-	-
100	-	-	-	-	-	-
101	-	-	-	-	-	-

TABLE 11
DISTRIBUTION OF NON-DUTY DISABILITY RETIREES

Age	Police		Fire		Total	
	Count	Benefit	Count	Benefit	Count	Benefit
44	1	19,857	-	-	1	19,857
45	-	-	1	18,033	1	18,033
46	-	-	-	-	-	-
47	3	59,572	-	-	3	59,572
48	-	-	-	-	-	-
49	1	20,163	-	-	1	20,163
50	3	59,381	-	-	3	59,381
51	-	-	-	-	-	-
52	1	24,180	1	18,033	2	42,213
53	1	20,163	-	-	1	20,163
54	1	20,163	1	18,033	2	38,196
55	-	-	-	-	-	-
56	-	-	-	-	-	-
57	-	-	-	-	-	-
58	-	-	-	-	-	-
59	-	-	1	18,033	1	18,033
60	-	-	-	-	-	-
61	-	-	-	-	-	-
62	-	-	-	-	-	-
63	-	-	-	-	-	-
64	-	-	-	-	-	-
65	-	-	-	-	-	-
66	1	20,163	-	-	1	20,163
67	-	-	-	-	-	-
68	-	-	-	-	-	-
69	-	-	-	-	-	-
70	-	-	-	-	-	-
71	-	-	-	-	-	-
72	-	-	-	-	-	-
73	-	-	1	27,050	1	27,050
74	-	-	-	-	-	-
75	-	-	-	-	-	-
76	-	-	-	-	-	-
77	-	-	-	-	-	-
78	-	-	-	-	-	-
79	-	-	1	41,807	1	41,807
101	1	20,204	-	-	1	20,204

TABLE 11
DISTRIBUTION OF BENEFICIARIES

Age	Service Retirement				Disability Retirement				Duty Death				Non-Duty Death			
	Police		Fire		Police		Fire		Police		Fire		Police		Fire	
	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit
35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	-	-	-	-	-	-	-	-	-	-	1	35,597	-	-	-	-
39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	-	-	-	-	1	28,584	-	-	-	-	-	-	-	-	-	-
41	-	-	-	-	1	44,679	-	-	3	130,674	-	-	-	-	-	-
42	1	18,877	-	-	-	-	1	43,707	1	30,182	-	-	-	-	-	-
43	-	-	-	-	-	-	-	-	1	28,708	-	-	-	-	-	-
44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45	1	20,648	-	-	-	-	1	36,066	-	-	-	-	-	-	-	-
46	-	-	-	-	-	-	-	-	2	58,592	-	-	-	-	-	-
47	-	-	-	-	1	20,121	-	-	-	-	-	-	-	-	-	-
48	-	-	1	12,707	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	2	56,716	-	-	-	-	-	-
50	-	-	-	-	-	-	-	-	-	-	2	70,415	-	-	-	-
51	-	-	-	-	-	-	-	-	1	29,786	1	27,050	-	-	-	-
52	-	-	-	-	1	20,163	2	48,933	-	-	-	-	-	-	-	-
53	-	-	-	-	-	-	-	-	1	29,786	1	26,242	1	13,442	-	-
54	-	-	-	-	-	-	-	-	1	27,857	-	-	-	-	-	-
55	1	21,511	-	-	-	-	1	18,033	-	-	1	31,492	-	-	-	-
56	-	-	-	-	2	66,759	-	-	-	-	-	-	-	-	-	-
57	-	-	-	-	-	-	-	-	-	-	1	39,339	-	-	-	-
58	1	24,534	-	-	1	27,066	-	-	-	-	-	-	-	-	-	-
59	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	13,084

TABLE 11
DISTRIBUTION OF BENEFICIARIES

Age	Service Retirement				Disability Retirement				Duty Death				Non-Duty Death			
	Police		Fire		Police		Fire		Police		Fire		Police		Fire	
	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit
60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	2	39,093	1	18,033	-	-	2	59,701	-	-	-	-	-	-	-	-
62	1	19,138	-	-	2	66,994	-	-	-	-	-	-	-	-	-	-
63	1	19,753	-	-	1	30,306	1	29,440	1	22,888	1	18,098	-	-	-	-
64	1	34,056	2	39,682	-	-	-	-	-	-	2	66,028	-	-	-	-
65	2	46,054	2	39,769	1	19,055	1	27,050	-	-	-	-	-	-	-	-
66	1	19,533	1	18,090	2	62,099	3	55,692	1	20,204	-	-	-	-	-	-
67	2	38,787	2	37,178	4	85,436	2	35,530	-	-	-	-	-	-	-	-
68	4	79,279	2	41,675	2	39,260	4	117,901	3	90,819	1	27,050	1	13,497	-	-
69	3	77,520	2	62,602	3	67,147	5	130,132	-	-	2	54,099	-	-	-	-
70	2	80,116	3	57,024	2	50,646	4	120,004	1	28,646	1	19,627	-	-	1	23,516
71	2	39,838	2	42,921	4	89,874	4	109,532	-	-	-	-	-	-	1	18,033
72	2	48,945	1	21,726	1	30,369	2	51,454	1	19,332	1	31,492	-	-	1	22,799
73	4	96,163	2	36,124	-	-	-	-	1	21,472	-	-	-	-	-	-
74	3	68,984	2	70,400	2	43,807	4	108,942	1	67,825	-	-	-	-	-	-
75	-	-	6	131,746	2	71,043	4	101,211	1	32,833	-	-	-	-	1	12,022
76	6	146,369	3	62,587	2	58,443	1	27,050	-	-	-	-	-	-	1	18,033
77	2	43,497	3	72,060	1	29,330	4	112,693	-	-	-	-	-	-	1	34,162
78	3	75,150	4	111,296	2	53,195	1	22,898	-	-	1	31,492	-	-	-	-
79	2	48,817	1	28,282	4	120,903	-	-	1	21,009	-	-	-	-	-	-
80	5	106,762	1	19,842	1	20,163	2	87,013	1	28,646	2	62,984	-	-	-	-
81	4	171,904	6	145,341	1	28,646	3	87,808	2	78,746	-	-	-	-	1	31,923
82	2	51,196	1	18,033	1	24,222	1	41,989	2	58,366	-	-	1	12,759	-	-
83	4	95,735	1	22,833	3	95,947	-	-	1	28,646	-	-	-	-	-	-
84	4	88,283	2	49,273	1	48,440	4	132,654	-	-	1	19,627	-	-	-	-

TABLE 11
DISTRIBUTION OF BENEFICIARIES

Age	Service Retirement				Disability Retirement				Duty Death				Non-Duty Death			
	Police		Fire		Police		Fire		Police		Fire		Police		Fire	
	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit	Count	Benefit
85	2	57,732	4	105,109	1	20,245	1	27,050	-	-	-	-	-	-	-	-
86	7	164,798	3	78,493	2	39,129	1	33,867	-	-	-	-	-	-	-	-
87	2	59,168	2	44,052	-	-	1	30,205	1	34,891	-	-	-	-	-	-
88	6	159,881	3	65,185	-	-	2	37,468	-	-	-	-	-	-	-	-
89	3	66,070	2	46,529	-	-	-	-	-	-	-	-	-	-	-	-
90	4	91,705	1	19,890	-	-	1	32,575	-	-	-	-	-	-	-	-
91	-	-	1	18,085	1	20,204	-	-	-	-	-	-	-	-	-	-
92	3	67,895	2	44,202	-	-	-	-	1	34,395	-	-	-	-	-	-
93	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
94	1	28,117	1	18,083	-	-	-	-	-	-	-	-	-	-	-	-
95	-	-	2	18,033	-	-	-	-	1	28,646	-	-	-	-	-	-
96	-	-	1	19,732	-	-	-	-	1	46,071	-	-	-	-	-	-
97	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
98	2	57,339	-	-	-	-	-	-	-	-	-	-	-	-	-	-
99	1	20,545	1	19,640	-	-	-	-	-	-	-	-	-	-	-	-



CITY OF OAKLAND

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 1996 AND 1995

CERTIFIED A TRUE COPY

WALTER L. JOHNSON

WILLIAMS, ADLEY & COMPANY, LLP

Management Consultants

and

Certified Public Accountants



WILLIAMS, ADLEY & COMPANY

CITY OF OAKLAND

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 1996 AND 1995

CITY OF OAKLAND
OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
JUNE 30, 1996 AND 1995

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

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
of the Oakland Police and Fire Retirement System

We have audited the accompanying statements of plan net assets of the Oakland Police and Fire Retirement System, a component unit of the City of Oakland, California, as of June 30, 1996 and 1995, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Oakland Police and Fire Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Oakland Police and Fire Retirement System at June 30, 1996 and 1995, and the changes in financial status for the two years then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, effective July 1, 1995, the Oakland Police and Fire Retirement System implemented Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Plans*, and recorded certain prior-period adjustments, as more fully disclosed in Note 2.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules presented on page 13, although required by Statement No. 25, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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WILLIAMS, ADLEY & COMPANY

In accordance with *Governmental Auditing Standards*, we have also issued a report dated November 23, 1996 on our consideration of the Oakland Police and Fire Retirement System's internal control structure, and a report dated November 23, 1996 on its compliance with laws and regulations.

Williams, Adley & Company, LLP

November 23, 1996

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 1996 AND 1995

	1996	1995
ASSETS		
Cash in Treasury	$ 1,331,122	$ 4,768,339
Cash Held by Trustee	13,695,216	9,281,048
Interest Receivable	3,983,983	3,773,277
Dividends Receivable	327,068	273,453
Contributions Receivable:		
City of Oakland	266,122	45,242
Members	13,923	
	19,617,434	18,141,359
Investments, at fair value:		
Short-term Investments	18,928,506	18,924,434
Bonds	146,785,331	154,906,091
Common and Preferred Stock	166,902,886	133,651,653
Real Estate Investments	6,488,633	6,085,428
Real Estate Mortgage Loans	567,602	688,248
Total Investments	339,672,958	314,255,854
Total Assets	359,290,392	332,397,213
LIABILITIES		
Accrued Investment Management Fees	95,510	126,823
Accrued Salaries	19,560	
Total Liabilities	115,070	126,823
Net Assets Held in Trust for Pension Benefits (A schedule of funding progress is presented on page 13)	**$359,175,322**	**$332,270,390**

See accompanying notes to financial statements.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

	1996	1995
ADDITIONS:		
Contributions:		
City of Oakland	$ 34,477,280	$ 34,030,081
Members	1,913,550	2,265,123
Total Contributions	36,390,830	36,295,204
Investment Income:		
Net Appreciation in Fair Value of Investments	23,006,038	46,259,432
Interest	13,334,805	13,592,587
Dividends	4,446,689	3,662,390
Total Investment Income	40,787,532	63,514,409
Less: Investment Expenses	(761,017)	(657,527)
Net Investment Income	40,026,515	62,856,882
Other Income	274,910	
Total Additions	**76,692,255**	**99,152,086**
DEDUCTIONS:		
Disbursements to Members and Beneficiaries:		
Retirement	29,171,519	28,881,673
Disability	18,497,542	18,860,605
Death	1,573,783	1,642,204
Total Disbursements to Members and Beneficiaries	49,242,844	49,384,482
Administrative Expenses	502,720	448,037
Termination Refunds of Employees' Contributions	41,759	330,301
Total Deductions	**49,787,323**	**50,162,820**
Excess of Additions over Deductions	26,904,932	48,989,266
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	332,270,390	283,281,124
End of Year	**$359,175,322**	**$332,270,390**

See accompanying notes to financial statements.

1. DESCRIPTION OF THE PLAN

The Oakland Police and Fire Retirement System (the "Plan") is a closed, defined benefit plan established by the City of Oakland (the "City") Charter. The Plan covers the City's uniformed employees. As a result of a City Charter amendment, known as "Measure R", approved by the electorate on June 8, 1976, membership in the plan is limited to uniformed employees hired prior to July 1, 1976. All subsequent hires are covered under the Public Employees' Retirement System ("PERS"), which is administered by the State of California.

Plan Membership

At June 30, 1996 and 1995, the Plan membership consisted of:

	1996	1995
Retirees and beneficiaries currently receiving benefits:		
Police	809	802
Fire	677	677
Total	1,486	1,479
Terminated employees entitled to benefits but not yet receiving them:		
Police	3	5
Fire	1	2
Total	4	7
Current employees (all vested):		
Police	116	138
Fire	182	198
Total	298	336

Basic Benefit Provisions

The Plan provides that any member who completes at least 25 years of service, regardless of age, or completes 20 years of service and attains age 55, or has attained age 65 is eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached

1. DESCRIPTION OF THE PLAN (Continued)

Basic Benefit Provisions (Continued)

to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to (a) qualifying for retirement and (b) July 1, 1951. However, any member retiring at age 65 with less than 20 years of service shall receive a reduced retirement allowance based upon the number of years of service.

A member is eligible for early retirement benefits after 20 to 24 years of service with a retirement allowance based upon 40% to 48% of the compensation attached to the average rank held during the three years preceding retirement. Additionally, a member with 10 to 19 years of service may retire and, on or after the 25th anniversary of their date of employment, may receive a retirement allowance based upon 20% to 38% of the compensation attached to the average rank held during the three years preceding retirement.

The Plan also provides for various death, disability and survivors' benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Plan has its own governing board and is a component unit of the City. The Plan's annual financial statements are included in the City's general purpose financial statements as a pension trust fund. The specific elements of the oversight criteria considered in defining a reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Application of the oversight criteria did not identify additional entities to be included in the Plan's financial statements.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of the Plan. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Reporting Model

The Plan chose early implementation of the GASB's Statement No. 25, *Financial Reporting for Defined Benefit Plans*. Statement No. 25 establishes a financial reporting framework for defined benefit plans that distinguishes between two categories of information: (a) current financial information about plan assets and financial activities, and (b) actuarially determined information, from a long-term perspective, about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due. The significant impact of implementing Statement No. 25 of the Plan's prior year reporting format is that the assets of the portfolio are now being stated at fair market value and the corresponding unrealized appreciation is being recognized in the financial statements. The presentation of net investment income in the June 30, 1995 financial statements has been restated in the June 30, 1996 financial statements to include the unrealized appreciation on investments. The impact of including the appreciation in fair value of investments on the June 30, 1995 excess of additions over deductions is presented below:

	June 30, 1995
Fiscal Year 1995 Excess of Additions over Deductions as Reported in the June 30, 1995 Financial Statements	$ 8,826,070
Change in Fair Value of Investments Due to Implementation of Statement No. 25	40,163,196
Fiscal Year 1995 Excess of Additions over Deductions as Reported in the June 30, 1996 Financial Statements	$48,989,266

The Plan continues to provide the actuarially determined information about the funded status of the Plan, as provided in prior years and required by Statement No. 25. Reporting the Plan's funded status using the uniform reporting guidelines in Statement No. 5 has been appropriately discontinued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method Used to Value Investments

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgages are reported based on the remaining principal balances which approximate the value of future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by a specialist. The effect of reporting investments at fair value instead of cost was to increase the June 30, 1996 and 1995 excess of additions over deductions by $19,039,152 and $40,163,196 respectively.

Use of Estimates

The Plan has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Reclassifications

Certain amounts presented in the June 30, 1995 financial statements have been reclassified in 1996 for comparative purposes.

3. CONTRIBUTIONS

In accordance with the City Charter, active members hired prior to July 1, 1951, contribute 7% of their earned salaries. Active members hired after July 1, 1951, and prior to July 1, 1976, contribute a percentage of their earned salaries based upon entry age as determined by consulting actuaries. During the years ended June 30, 1996 and 1995, these contributions ranged from 9.8% to 12.8%. The City Charter limits employee contributions to 13% of earned salaries. Employee contributions are refundable with interest at 4% per year if an employee elects to withdraw from the Plan upon termination of employment with the City. Net assets available for plan benefits include approximately $45,715,265 and $45,376,036 of employee contributions and guaranteed interest at June 30, 1996 and 1995, respectively.

3. CONTRIBUTIONS (Continued)

The City of Oakland contributes, at a minimum, such amounts as are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to plan members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. Contributions to the California PERS are subtracted and the difference is contributed to the Plan. The City contributed $34,477,280 and $34,030,081 to the Plan during the fiscal years ended June 30, 1996 and 1995, respectively, at an actuarially determined contribution rate of 58.69%. There is no identified unfunded actuarial accrued liability for 1996 and 1995.

4. CASH IN TREASURY

Cash is held by the City in pooled accounts consisting of interest and non-interest bearing bank accounts and short-term investments in U.S. Government securities. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds.

5. INVESTMENTS

Bank of New York serves as custodian of the Plan. The firms of McCullough, Andrews & Cappiello, Inc., W.D. Hutchinson and Associates and Ariel Capital Management have been appointed to manage the Plan's portfolios.

Plan 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 Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty by its trust department in the Plan's name. Category 3 includes unregistered investments with the securities held by the counterparty or by its trust department or agent but not in the Plan's name. The Plan had no Category 2 or 3 investments at June 30, 1996.

5. **INVESTMENTS** (Continued)

	Risk Category	1996	1995
Short-Term Investments:			
Certificates of Deposit held with various financial institutions maturing through December 2, 1996; yields ranging from 3% to 3.25%	1	$ 3,000,000	$ 3,000,000
Money Market Funds	1	2,934	1,892
Commercial Paper	1	15,925,572	15,922,542
Total Short-Term Investments		18,928,506	18,924,434
Bonds: (Par values of $145,458,000 and $152,259,000 in 1996 and 1995, respectively)			
U.S. Government	1	$ 100,546,350	$ 108,528,916
Public Utilities	1	39,845,600	34,173,560
Industrial and Financial	1	6,393,381	12,203,615
Total Bonds, at Market		146,785,331	154,906,091
Cost		144,649,611	148,867,871
Excess of Market Over Amortized Cost		$ 2,135,720	$ 6,038,220
Stock:			
Common and Preferred Stock, at Market	1	$ 166,902,886	$ 133,651,653
Cost		109,325,186	98,612,400
Excess of Market Over Cost		$ 57,577,700	$ 35,039,253

5. **INVESTMENTS** (Continued)

	Risk Category	1996	1995
Real Estate Investments:			
Real Estate Investments, at Market		$ 6,488,633	$ 6,085,428
Cost		6,999,705	6,999,705
Excess of Cost over Market		$ (511,072)	$ (914,277)
Real Estate Mortgage Loans:			
Real Estate Loans with varying maturities and yields; secured by the first deeds of trust on the respective properties	1	$ 567,602	$ 688,248

Securities Lending Transactions:

The Plan is authorized to enter into securities lending transactions which are short term collateralized loans of Plan securities to brokers with a simultaneous agreement allowing the Plan to invest and receive earnings on the loan collateral for a loan rebate fee. Earnings from this program totaled $120,009 and $181,857 for the years ended June 30, 1996 and 1995, respectively.

6. **INDUSTRY CONCENTRATIONS OF PORTFOLIO ASSETS**

The Board of Trustees' ("Board") policies and guidelines enable the portfolio to develop into numerous asset classes and to take advantage of professional investment managers with diverse management styles. The result is a well diversified portfolio. The investment portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the US Government) that represented 5 percent or more of the total investment portfolio.

7. **ACTUARIAL VALUATION**

The plan engages an independent actuarial firm, Milliman and Robertson, to conduct biennial actuarial valuations. The primary purpose of an actuarial valuation is to estimate the participant liabilities of the Plan so that contribution rates can be set to adequately fund the Plan over the long term.

8. ADMINISTRATIVE EXPENSES

Beginning July 1, 1994, administrative expenses, including staff salaries, are an obligation of the Plan. Previously, these costs were an obligation of the City and were included in the City's general purpose financial statements.

9. CONTINGENCIES

The plan is currently involved in class action litigation seeking payment of additional benefits to retired firefighters. If petitioners prevail, management estimates that the lump sum award could range from $1,000,000 to $5,000,000. Also, contribution rates could increase prospectively by .5% to 1% or more.

The plan is currently involved in a class action litigation seeking retention pay benefits for retired police officers. If the petitioners prevail, management estimates that a lump sum award could approximate or exceed $1,000,000.

10. SIX-YEAR HISTORICAL TREND INFORMATION

The six-year historical trend information, designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented on page 13.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL SCHEDULES
(IN MILLIONS OF DOLLARS)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date July 1,	Actuarial Value ($) of Plan Assets* (a)	Accrued Actuarial Liability ($) ("AAL") (b)	Funded Ratio (%) (b/a)	Unfunded AAL ($) ("UAAL") (b-a)	Covered Payroll ($) (c)	UAAL as a Percentage (%) of Covered Payroll [(b-a)/a]
1990	255.0	947.6	26.9	692.6	$24.6	2,815
1992	287.2	941.6	30.5	654.4	23.3	2,809
1994	304.3	947.4	32.1	643.1	28.5	2,256

*At market.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30,	Annual Required Contribution ($)	Percentage (%) Contributed
1991	26.4	100
1992	30.5	100
1993	31.0	100
1994	33.5	100
1995	34.0	100
1996	34.5	100

See accompanying note to the schedules.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
NOTE TO THE REQUIRED SUPPLEMENTAL SCHEDULES
JUNE 30, 1996 AND 1995

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the date indicated. Additional information as of the latest actuarial valuation date July 1, 1994 is as follows:

- The actuarial calculations are based on aggregate actuarial cost method and the asset valuation method is on the market value basis. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

- The present value of all benefits plus the value of the projected contributions to the plan to June 30, 2026 for safety officers in the plan is funded as a level percentage of total safety payroll to June 30, 2026, as required by the City Charter. The most recent actuarial valuation determined the funding status to be 32.1%

- Significant economic assumptions:

Investment Return	8.0%
Salary Increases	5.5%
Interest Credited on Members' Contributions	4.0%
Mortality Basis - Active and Retirees	1983 Group Annuity Mortality Table
Mortality Basis - Disabled Retirees	120% of 1983 Group Annuity Mortality Table (Adopted July 1, 1994)

WILLIAMS, ADLEY & COMPANY
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
of the Oakland Police and Fire Retirement System

We have audited the financial statements of the Oakland Police and Fire Retirement System, a component unit of the City of Oakland, California, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Oakland Police and Fire Retirement System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provided management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the combined financial statements of the Oakland Police and Fire Retirement System for the year ended June 30, 1996, we obtained an understanding of its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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WILLIAMS, ADLEY & COMPANY

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Board of Trustees. However, this report is a matter of public record and its distribution is not limited.

Williams, Adley & Company, LLP

November 23, 1996

WILLIAMS, ADLEY & COMPANY

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

To the Board of Trustees
of the Oakland Police and Fire Retirement System

We have audited the financial statements of the Oakland Police and Fire Retirement System, a component unit of the City of Oakland, California, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 23, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to the Oakland Police and Fire Retirement System is the responsibility of the management of the Oakland Police and Fire Retirement System. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Oakland Police and Fire Retirement System's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of management and the Board of Trustees. However, this report is a matter of public record and its distribution is not limited.

Williams, Adley & Company, LLP

November 23, 1996

$$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

CLOSING CERTIFICATE OF SYSTEM

THE UNDERSIGNED OFFICER of the Police and Fire Retirement Board (the "Board") of the Police and Fire Retirement System of the City of Oakland, California (the "System"), HEREBY CERTIFIES as follows with respect to the Official Statement dated February 13, 1997 (the "Official Statement") relating to the above-captioned issue (the "Bonds"):

1. To the best of my knowledge and belief, after reasonable investigation, the statements relating to the System set forth in the Official Statement under the captions "CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM" AND "APPENDIX A--CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" do not contain any untrue statement of a material fact nor omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement.

2. To the best of my knowledge and belief, after reasonable investigation, at the date hereof, there has been no material adverse change in the operations or financial affairs of the System since the date of the Official Statement.

3. The System exists under and by virtue of a freeholders' charter duly approved by the electors of the City at an election held on November 5, 1968 and ratified by the Secretary of State of the State of California on January 28, 1969. Since the amendments approved by the voters of the City on November 5, 1996, which amendments were filed by the California Secretary of State on December 20, 1996, no amendment to said Charter relating to the System have been approved by the electors of the City or ratified by the Legislature of the State of California or filed with the Secretary of State of the State of California.

4. During the period from January 1, 1996, to the date of this Certificate, and in each case during the whole of said period, the office and position shown below relating to the System were held by the person shown below and the signature set forth oposite such name is his true and correct signature:

Walter L. Johnson
Secretary to the Board

Dated: February 25, 1997.

POLICE AND FIRE RETIREMENT BOARD OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF OAKLAND

By: _____
Robert Crawford
President of the Board

SIGNATURE AUTHENTICATION

THE UNDERSIGNED, Walter L. Johnson, hereby certifies that I am the duly authorized and acting Secretary of the Police and Fire Retirement Board (the"Board") of the Police and Fire Retirement System of the City of Oakland, California and I do further certify that the signature set forth above is the true and correct signature of Robert Crawford, the duly authorized and acting President of the Board.

Walter L. Johnson
Secretary to the Board

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

FUNDING AGREEMENT CERTIFICATE OF SYSTEM

THE UNDERSIGNED OFFICER of the Police and Fire Retirement Board (the "Board") of the Police and Fire Retirement System of the City of Oakland, California (the "System"), HEREBY CERTIFIES with respect to the Funding Agreement dated June 1, 1996 between the City of Oakland (the"City") and the System (the "Funding Agreement") executed in connection with the above-captioned issue (the "Bonds") that, for purposes of Section 1.03 of the Funding Agreement, the amount of the "Payment" as therein defined is $417,173,300 and the "Suspension Period" as therein defined is the period from February 25, 1997 to June 30, 2011. The undersigned further certifies that the unfunded accrued actuarial liability of the City to the System is, as of the date of this Certificate, not less than $700,000,000.

Dated: February 25, 1997.

POLICE AND FIRE RETIREMENT BOARD OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF OAKLAND

By: Walter L. Johnson
Walter L. Johnson
Secretary to the Board

S$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

SYSTEM RECEIPT FOR PAYMENT

THE UNDERSIGNED OFFICER of the Police and Fire Retirement Board (the "Board") of the Police and Fire Retirement System of the City of Oakland, California (the "System"), HEREBY ACKNOWLEDGES RECEIPT from the City of Oakland (the"City") of the amount of $432,867,300.00 (the "Payment") paid by the City to the System in accordance with the Funding Agreement dated as of June 1, 1996 between the City and the System (the "Funding Agreement") executed in connection with the above-captioned issue (the "Bonds"). The Payment has been applied by the System as follows:

(i) $417,173,300.00 will be applied as a payment against the unfunded accrued actuarial liability of the City to the System and will be invested as assets of the System; and

(ii) $15,694,000.00 will be applied by the System as a credit against the amounts due from the City in respect of the City's normal contribution owed during the 1996-97 fiscal year.

To the extent that the amount set forth in paragraph (ii) above is not sufficient to pay the City's normal contribution owed for the 1996-97 fiscal year in full, the System agrees that the City shall pay any balance of such normal contribution due to the System by not later than July 1, 1997.

THE UNDERSIGNED FURTHER CERTIFIES THAT in consideration of the payments set forth in subparagraphs (i) and (ii) above made by the City, the System has cancelled and returned the Series 1997 Debenture to the City.

Dated: February 25, 1997.

POLICE AND FIRE RETIREMENT BOARD OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF OAKLAND

By: _____
Secretary to the Board

MILLIMAN & ROBERTSON, INC.
Actuaries & Consultants

Internationally WOODROW MILLIMAN

Suite 2900, 111 S.W. Fifth Avenue, Portland, Oregon 97204-3690
Telephone: 503/227-0634
Fax: 503/227-7956

1947 1997 50 YEARS OF EXCELLENCE

February 21, 1997

Mr. Walter L. Johnson, Director
Retirement and Risk Administration
City of Oakland
1333 Broadway, Suite 310
Oakland, CA 94612

RE: OAKLAND POLICE & FIRE RETIREMENT SYSTEM

Dear Walter:

At the request of the Retirement Board of the Oakland Police & Fire Retirement System, we have reviewed the City's Pension Obligation Bond issue with respect to its impact on the System. Over the last several months we have worked closely with you, and the parties involved in the creation of the bond issue, to ensure that the impact on the Retirement System is appropriate. Upon review of the materials sent to us today from Public Financial Management, Inc., we certify that, based on the assumptions and methods adopted by the Retirement Board for the latest actuarial valuation of the Retirement System, the actuarial present value as of February 25, 1997, of the City's expected contributions to the System from March of 1997 through June of 2011 is equal to $417,173,300. The remainder of this report documents our findings.

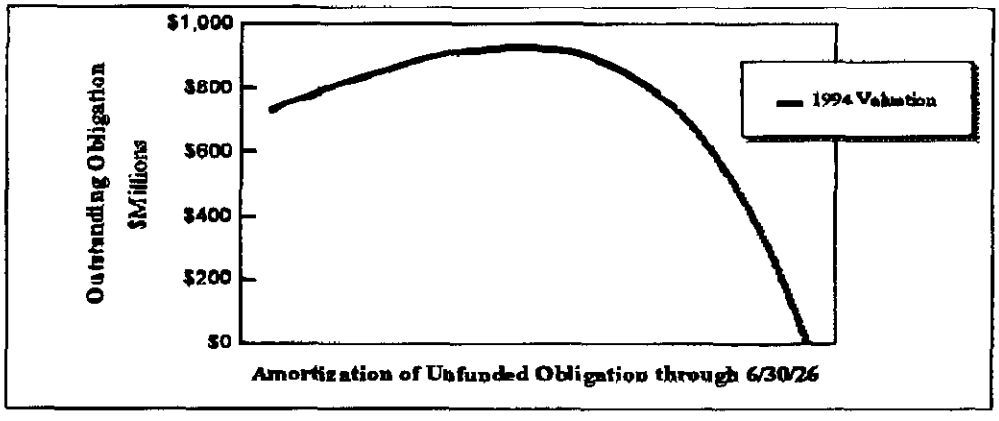
ACTUARIAL VALUATION

The latest Actuarial Valuation of the System was performed as of June 30, 1994. The Retirement Board adopted the report, including all of the actuarial methods and assumptions used to evaluate the funding of the System. The following chart summarizes our calculations.

Requirements	$Millions	Resources	$Millions
Retirees	$ 740.0	Assets	$ 304.3
Vested Terminated	5.6	Future Member Deposits	11.1
Active Members	239.7	Future City Deposits	669.9
Total Requirements	$ 985.3	Total Resources	$ 985.3

The actuarial present value of all future City deposits ($669.9 million), also referred to s the Outstanding Obligation, was converted to a recommended City Contribution Rate. The funding specified in the City Charter calls for a single rate to be calculated as a percentage of the entire police and fire payroll, including members of PERS, such that the $669.9 million is completely amortized by June 30, 2026.

Because the City Contribution Rate is calculated as a percentage of an increasing payroll, due to future assumed wage inflation, the Outstanding Obligation is expected to increase for a number of years, then quickly amortize by the year 2026. Based on the 1994 Actuarial Valuation, the following graph illustrates the pattern of amortization of the $669.9 million from 1994 until 2026.



PENSION OBLIGATION BONDS

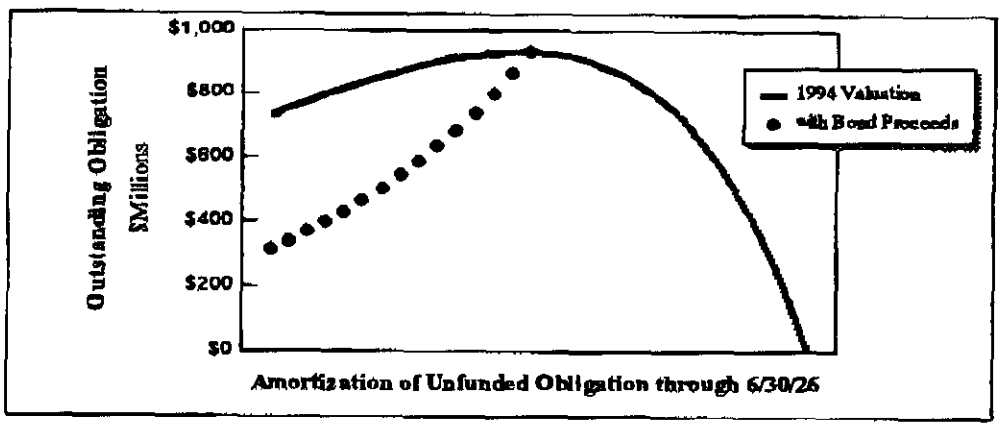
The City has agreed to make a single, lump sum prepayment of a portion of the $669.9 million Outstanding Obligation. In exchange, the City's commitment to make monthly contributions to the System will be suspended for a defined period of time. It is important to note that the City's contributions to PERS are not affected by the bond agreement.

Milliman & Robertson was asked to calculate the present value of the estimated suspended City contributions to the System from March of 1997 through June of 2011. In lieu of City's contributions for this 172 month period, our calculations indicate that the Retirement System should receive a single sum payment of $417,173,300 on February 25, 1997.

IMPACT ON THE SYSTEM'S FUNDING

The initial impact on the funding of the System will be the significant prepayment of future contributions on February 25, 1997. The deposit of $417 173,300 will greatly improve the current funding picture. However, this special deposit is in lieu of future City contributions through June of 2011. The following graph shows the revised pattern of the remaining City

Obligation. Notice the Obligation is initially reduced dramatically, but that at the end of June of 2011, the Obligation is back to exactly the level it would have been had there been no bond issue.



The stream of 172 suspended monthly contributions was discounted at 8% interest, the assumed long-term investment yield assumption in the latest actuarial valuation of the Retirement System. If the System's investment performance exceeds 8% per year from now until June of 2011, the actuarial gain on the bond proceeds will lower the City's Contribution Rate from 2011 until 2026. On the other hand, if the investment performance is poorer than expected, the actuarial loss on the bond proceeds will increase the City's Contribution Rate from 2011 until 2026.

We developed several schedules of the amortization of the value of all future City contributions. The schedules are enclosed with this letter, and described in the following paragraphs.

(a) The **Period Ended** at any particular time. The first period shown is March 31, 1997.

(b) The **Term** starts with March of 1997, and runs through June of 2026.

(c) The **Employer Contribution** is estimated based on the findings and assumptions contained in the 1994 Actuarial Valuation. The amounts increase due to the assumed annual wage inflation rate of 5.5%, which has been applied as of each July 1.

(d) The **Outstanding Obligation** is the remaining balance of the $669.9 million shown in the 1994 Actuarial Valuation. The value on March 1, 1997, was expected to be $727.9 million. Notice it would be up to $729.7 million at the end of March, the first term, but will eventually be eliminated by the end of June of 2026. This column represents the amortization of the Outstanding Obligation without the bond issue.

(e) This column shows the **Present Value of the Contribution** as of February 25, 1997. Each future Employer Contribution from column (c) is discounted to February 25, 1997, based on an interest rate of 8% per year.

(f) The **Cumulative Present Value** is the summation of the present values of each Employer Contribution as of February 25, 1997. The Cumulative Present Value of contributions through June of 2011 is $417,173,300. This is the amount of the prepayment to the System on February 25, 1997, that is necessary to suspend the expected contributions in column (c) through June of 2011. Columns (e) and (f) form the basis for determining the amount necessary to prepay the suspended contributions.

(g) The Outstanding Obligation is column (d) increases with interest and decreases by Employer Contributions. The **Revised Obligation** shows what will happen to the Outstanding Obligation as it is increased with interest, and the contributions are suspended. Because the March contribution will be suspended, the Obligation at the end of March will be $732.6 million instead of the expected Obligation of $729.7 million. The difference on the first line between column (d) and column (g) is the missed March Contribution of $2,833,670 with interest from February 25, 1997, through the end of March. The amounts in this column continue to grow with interest at 8% per year.

(h) The **Value of the Bond Proceeds** increases at 8% per year. The $417,173,300 grows to $420,306,433 from February 25, 1997, to March 31, 1997.

(i) The combination of the Revised Obligation and the Value of Bond Proceeds at any time is the **Outstanding Obligation** including the impact of the bond agreement. Notice that on June 30, 2011, the Outstanding Obligation including the bond proceeds and suspended contributions in column (i) is equal to the Outstanding Obligation shown in column (d).

If all of the assumptions emerge as predicted, the $417,173,300 is exactly equal to the value of the suspended contributions, and the System will be in the same funding position on June 30, 2011, as if the bond issue never happened.

The above analysis is predicated on a series of long-term assumptions which may, or may not, emerge as predicted, although we believe them to be reasonable. The investment yield assumption, one of the most volatile assumptions, is of primary importance to the impact of the bond issue on the funding of the System, and will be a key to whether or not the System is in a better, worse, or the same funding position in 2011 that we expected based on the findings and predictions contained in the 1994 Actuarial Valuation.

If you have any questions or comments, please let us know.

Sincerely,

Mark O. Johnson, F.S.A.
Consulting Actuary

MOJ:j
encls.

City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	1	2,833,670	729,738,268	2,821,580	2,821,580	732,581,039	(420,306,433)	312,274,607
	2	2,833,670	731,590,655	2,803,542	5,625,122	737,294,488	(423,010,697)	314,283,791
	3	2,833,670	733,454,960	2,785,619	8,410,741	742,038,263	(425,732,360)	316,305,902
06/30/97	4	2,833,670	735,331,260	2,767,811	11,178,553	746,812,559	(428,471,535)	318,341,024
	5	2,989,522	737,063,279	2,901,373	14,079,926	751,617,574	(431,228,334)	320,389,240
	6	2,989,522	738,806,443	2,882,825	16,962,751	756,453,504	(434,002,870)	322,450,634
	7	2,989,522	740,560,822	2,864,395	19,827,146	761,320,548	(436,795,258)	324,525,291
	8	2,989,522	742,326,469	2,846,084	22,673,230	766,218,908	(439,605,611)	326,613,296
	9	2,989,522	744,103,517	2,827,889	25,501,119	771,148,783	(442,434,047)	328,714,736
	10	2,989,522	745,891,977	2,809,810	28,310,929	776,110,378	(445,280,681)	330,829,697
	11	2,989,522	747,691,945	2,791,848	31,102,777	781,103,895	(448,145,630)	332,958,265
	12	2,989,522	749,503,494	2,774,000	33,876,776	786,129,541	(451,029,013)	335,100,528
	13	2,989,522	751,326,698	2,756,266	36,633,042	791,187,522	(453,930,947)	337,256,575
	14	2,989,522	753,161,633	2,738,645	39,371,687	796,278,047	(456,851,552)	339,426,494
	15	2,989,522	755,008,374	2,721,137	42,092,825	801,401,324	(459,790,949)	341,610,374
06/30/98	16	2,989,522	756,866,997	2,703,741	44,796,566	806,557,564	(462,749,258)	343,808,306
	17	3,153,945	758,572,626	2,834,212	47,630,778	811,746,979	(465,726,601)	346,020,379
	18	3,153,945	760,289,230	2,816,093	50,446,871	816,969,784	(468,723,100)	348,246,684
	19	3,153,945	762,016,878	2,798,090	53,244,961	822,226,192	(471,738,878)	350,487,314
	20	3,153,945	763,755,642	2,780,202	56,025,163	827,516,420	(474,774,060)	352,742,360
	21	3,153,945	765,505,594	2,762,429	58,787,591	832,840,686	(477,828,771)	355,011,915
	22	3,153,945	767,266,804	2,744,769	61,532,360	838,199,208	(480,903,136)	357,296,072
	23	3,153,945	769,039,347	2,727,222	64,259,582	843,592,207	(483,997,281)	359,594,926
	24	3,153,945	770,823,293	2,709,787	66,969,368	849,019,904	(487,111,334)	361,908,571
	25	3,153,945	772,618,718	2,692,463	69,661,832	854,482,524	(490,245,423)	364,237,101
	26	3,153,945	774,425,695	2,675,251	72,337,082	859,980,290	(493,399,677)	366,580,614
	27	3,153,945	776,244,298	2,658,148	74,995,230	865,513,429	(496,574,225)	368,939,204
06/30/99	28	3,153,945	778,074,601	2,641,155	77,636,385	871,082,169	(499,769,199)	371,312,970
	29	3,327,412	779,742,657	2,768,605	80,404,990	876,686,738	(502,984,729)	373,702,009
	30	3,327,412	781,421,445	2,750,906	83,155,896	882,327,367	(506,220,948)	376,106,419
	31	3,327,412	783,111,035	2,733,319	85,889,215	888,004,288	(509,477,988)	378,526,299
	32	3,327,412	784,811,495	2,715,846	88,605,061	893,717,734	(512,755,985)	380,961,749
	33	3,327,412	786,522,896	2,698,483	91,303,544	899,467,941	(516,055,073)	383,412,868
	34	3,327,412	788,245,308	2,681,232	93,984,776	905,255,144	(519,375,386)	385,879,758
	35	3,327,412	789,978,803	2,664,091	96,648,868	911,079,583	(522,717,063)	388,362,520
	36	3,327,412	791,723,451	2,647,060	99,295,928	916,941,497	(526,080,241)	390,861,256
	37	3,327,412	793,479,323	2,630,138	101,926,066	922,841,126	(529,465,057)	393,376,069
	38	3,327,412	795,246,494	2,613,324	104,539,389	928,778,714	(532,871,651)	395,907,063
	39	3,327,412	797,025,034	2,596,617	107,136,006	934,754,504	(536,300,163)	398,454,341
06/30/2000	40	3,327,412	798,815,017	2,580,017	109,716,023	940,768,742	(539,750,734)	401,018,008

02-24-1997 10:34PM RETIREMENT AND RISK ADMIN 510 238 4749 23 P.06

City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	41	3,510,420	800,432,922	2,704,517	112,420,540	946,821,677	(543,223,507)	403,598,170
	42	3,510,420	802,061,236	2,687,227	115,107,767	952,913,556	(546,718,623)	406,194,933
	43	3,510,420	803,700,027	2,670,048	117,777,815	959,044,631	(550,236,227)	408,808,403
	44	3,510,420	805,349,362	2,652,979	120,430,794	965,215,153	(553,776,464)	411,438,689
	45	3,510,420	807,009,309	2,636,019	123,066,812	971,425,376	(557,339,478)	414,085,898
	46	3,510,420	808,679,936	2,619,167	125,685,979	977,675,556	(560,925,417)	416,750,139
	47	3,510,420	810,361,312	2,602,423	128,288,402	983,965,950	(564,534,428)	419,431,522
	48	3,510,420	812,053,506	2,585,786	130,874,187	990,296,817	(568,166,660)	422,130,157
	49	3,510,420	813,756,588	2,569,255	133,443,442	996,668,416	(571,822,261)	424,846,155
	50	3,510,420	815,470,627	2,552,830	135,996,272	1,003,081,011	(575,501,383)	427,579,628
	51	3,510,420	817,195,695	2,536,510	138,532,782	1,009,534,864	(579,204,176)	430,330,688
06/30/2001	52	3,510,420	818,931,861	2,520,294	141,053,077	1,016,030,242	(582,930,793)	433,099,449
	53	3,703,493	820,465,505	2,641,912	143,694,989	1,022,567,411	(586,681,388)	435,886,023
	54	3,703,493	822,049,145	2,625,023	146,320,012	1,029,146,640	(590,456,113)	438,690,527
	55	3,703,493	823,622,846	2,608,241	148,928,253	1,035,768,201	(594,255,126)	441,513,075
	56	3,703,493	825,206,672	2,591,567	151,519,820	1,042,432,365	(598,078,581)	444,353,784
	57	3,703,493	826,800,686	2,575,000	154,094,820	1,049,139,406	(601,926,637)	447,212,769
	58	3,703,493	828,404,960	2,558,538	156,653,358	1,055,889,601	(605,799,451)	450,090,150
	59	3,703,493	830,019,554	2,542,181	159,195,539	1,062,683,226	(609,697,183)	452,986,043
	60	3,703,493	831,644,537	2,525,929	161,721,469	1,069,520,562	(613,619,993)	455,900,569
	61	3,703,493	833,279,974	2,509,781	164,231,250	1,076,401,689	(617,568,042)	458,833,847
	62	3,703,493	834,925,934	2,493,737	166,724,987	1,083,327,492	(621,541,494)	461,785,998
	63	3,703,493	836,582,485	2,477,794	169,202,781	1,090,297,653	(625,540,510)	464,757,143
06/30/2002	64	3,703,493	838,249,693	2,461,954	171,664,736	1,097,312,661	(629,565,257)	467,747,404
	65	3,907,185	839,723,282	2,580,757	174,245,493	1,104,372,604	(633,615,899)	470,756,905
	66	3,907,185	841,206,352	2,564,258	176,809,751	1,111,478,372	(637,692,602)	473,785,769
	67	3,907,185	842,698,965	2,547,865	179,357,616	1,118,629,657	(641,795,536)	476,834,121
	68	3,907,185	844,201,180	2,531,577	181,889,194	1,125,826,954	(645,924,867)	479,902,086
	69	3,907,185	845,713,061	2,515,393	184,404,587	1,133,070,558	(650,080,768)	482,989,791
	70	3,907,185	847,234,670	2,499,312	186,903,899	1,140,360,769	(654,263,407)	486,097,362
	71	3,907,185	848,766,069	2,483,335	189,387,234	1,147,697,884	(658,472,957)	489,224,927
	72	3,907,185	850,307,320	2,467,459	191,854,693	1,155,082,207	(662,709,592)	492,372,615
	73	3,907,185	851,858,489	2,451,685	194,306,377	1,162,514,041	(666,973,486)	495,540,555
	74	3,907,185	853,419,637	2,436,011	196,742,389	1,169,993,691	(671,264,813)	498,728,878
	75	3,907,185	854,990,830	2,420,438	199,162,827	1,177,521,465	(675,583,751)	501,937,714
06/30/2003	76	3,907,185	856,572,132	2,404,965	201,567,791	1,185,097,674	(679,930,477)	505,167,197

02-24-1997 10:34PM RETIREMENT AND RISK ADMIN 510 238 4749 23 P.07

City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	77	4,122,081	857,946,023	2,521,017	204,088,809	1,192,722,628	(684,305,170)	508,417,458
	78	4,122,081	859,332,766	2,504,901	206,593,709	1,200,396,641	(688,708,010)	511,688,631
	79	4,122,081	860,726,419	2,488,887	209,082,596	1,208,120,030	(693,139,179)	514,980,851
	80	4,122,081	862,129,038	2,472,976	211,555,572	1,215,893,110	(697,598,857)	518,294,253
	81	4,122,081	863,540,682	2,457,166	214,012,738	1,223,716,203	(702,087,229)	521,628,974
	82	4,122,081	864,961,409	2,441,458	216,454,196	1,231,589,630	(706,604,479)	524,985,151
	83	4,122,081	866,391,277	2,425,850	218,880,046	1,239,513,715	(711,150,794)	528,362,921
	84	4,122,081	867,830,344	2,410,342	221,290,388	1,247,488,783	(715,726,359)	531,762,424
	85	4,122,081	869,278,671	2,394,933	223,685,321	1,255,515,164	(720,331,364)	535,183,799
	86	4,122,081	870,736,316	2,379,622	226,064,943	1,263,593,186	(724,965,998)	538,627,188
	87	4,122,081	872,203,339	2,364,409	228,429,353	1,271,723,183	(729,630,451)	542,092,732
06/30/2004	88	4,122,081	873,679,802	2,349,294	230,778,647	1,279,905,488	(734,324,915)	545,580,573
	89	4,348,795	874,938,321	2,462,660	233,241,307	1,288,140,438	(739,049,584)	549,090,854
	90	4,348,795	876,204,938	2,446,917	235,688,224	1,296,428,373	(743,804,651)	552,623,721
	91	4,348,795	877,479,704	2,431,274	238,119,498	1,304,769,632	(748,590,313)	556,179,319
	92	4,348,795	878,762,672	2,415,731	240,535,229	1,313,164,559	(753,406,765)	559,757,794
	93	4,348,795	880,053,895	2,400,288	242,935,516	1,321,613,499	(758,254,207)	563,359,292
	94	4,348,795	881,353,425	2,384,943	245,320,459	1,330,116,800	(763,132,838)	566,983,963
	95	4,348,795	882,661,317	2,369,696	247,690,155	1,338,674,812	(768,042,857)	570,631,955
	96	4,348,795	883,977,624	2,354,547	250,044,702	1,347,287,886	(772,984,468)	574,303,418
	97	4,348,795	885,302,400	2,339,494	252,384,196	1,355,956,377	(777,957,874)	577,998,503
	98	4,348,795	886,635,699	2,324,538	254,708,735	1,364,680,641	(782,963,278)	581,717,363
	99	4,348,795	887,977,577	2,309,678	257,018,412	1,373,461,037	(788,000,887)	585,460,150
06/30/2005	100	4,348,795	889,328,089	2,294,912	259,313,325	1,382,297,927	(793,070,909)	589,227,018
	101	4,587,979	890,447,338	2,405,654	261,718,979	1,391,191,673	(798,173,551)	593,018,123
	102	4,587,979	891,573,788	2,390,275	264,109,254	1,400,142,643	(803,309,023)	596,833,619
	103	4,587,979	892,707,486	2,374,994	266,484,249	1,409,151,203	(808,477,538)	600,673,665
	104	4,587,979	893,848,479	2,359,811	268,844,060	1,418,217,724	(813,679,307)	604,538,417
	105	4,587,979	894,996,812	2,344,725	271,188,785	1,427,342,579	(818,914,544)	608,428,036
	106	4,587,979	896,152,534	2,329,736	273,518,521	1,436,526,144	(824,183,465)	612,342,680
	107	4,587,979	897,315,691	2,314,842	275,833,363	1,445,768,797	(829,486,286)	616,282,511
	108	4,587,979	898,486,333	2,300,043	278,133,407	1,455,070,917	(834,823,226)	620,247,691
	109	4,587,979	899,664,506	2,285,339	280,418,746	1,464,432,887	(840,194,503)	624,238,384
	110	4,587,979	900,850,260	2,270,730	282,689,476	1,473,855,092	(845,600,340)	628,254,752
	111	4,587,979	902,043,643	2,256,213	284,945,689	1,483,337,920	(851,040,958)	632,296,962
06/30/2006	112	4,587,979	903,244,704	2,241,789	287,187,478	1,492,881,761	(856,516,581)	636,365,180

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City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	113	4,840,318	904,200,344	2,349,968	289,537,446	1,502,487,007	(862,027,435)	640,459,573
	114	4,840,318	905,162,132	2,334,945	291,872,391	1,512,154,054	(867,573,745)	644,580,309
	115	4,840,318	906,130,109	2,320,018	294,192,408	1,521,883,299	(873,155,741)	648,727,558
	116	4,840,318	907,104,313	2,305,186	296,497,594	1,531,675,142	(878,773,651)	652,901,490
	117	4,840,318	908,084,786	2,290,449	298,788,044	1,541,529,986	(884,427,707)	657,102,278
	118	4,840,318	909,071,566	2,275,807	301,063,850	1,551,448,236	(890,118,142)	661,330,094
	119	4,840,318	910,064,696	2,261,258	303,325,108	1,561,430,301	(895,845,189)	665,585,112
	120	4,840,318	911,064,216	2,246,802	305,571,910	1,571,476,590	(901,609,084)	669,867,507
	121	4,840,318	912,070,167	2,232,438	307,804,348	1,581,587,518	(907,410,064)	674,177,454
	122	4,840,318	913,082,590	2,218,166	310,022,514	1,591,763,500	(913,248,367)	678,515,132
	123	4,840,318	914,101,526	2,203,986	312,226,500	1,602,004,954	(919,124,235)	682,880,719
06/30/2007	124	4,840,318	915,127,019	2,189,896	314,416,396	1,612,312,302	(925,037,908)	687,274,394
	125	5,106,535	915,892,037	2,295,571	316,711,967	1,622,685,968	(930,989,630)	691,696,338
	126	5,106,535	916,661,978	2,280,895	318,992,862	1,633,126,378	(936,979,645)	696,146,733
	127	5,106,535	917,436,872	2,266,314	321,259,175	1,643,633,963	(943,008,200)	700,625,762
	128	5,106,535	918,216,752	2,251,825	323,511,001	1,654,209,153	(949,075,543)	705,133,610
	129	5,106,535	919,001,650	2,237,430	325,748,430	1,664,852,385	(955,181,924)	709,670,461
	130	5,106,535	919,791,598	2,223,126	327,971,556	1,675,564,095	(961,327,593)	714,236,502
	131	5,106,535	920,586,628	2,208,914	330,180,470	1,686,344,725	(967,512,804)	718,831,921
	132	5,106,535	921,386,774	2,194,792	332,375,262	1,697,194,717	(973,737,810)	723,456,907
	133	5,106,535	922,192,067	2,180,761	334,556,024	1,708,114,519	(980,002,669)	728,111,651
	134	5,106,535	923,002,542	2,166,820	336,722,844	1,719,104,580	(986,308,237)	732,796,343
	135	5,106,535	923,818,232	2,152,968	338,875,811	1,730,165,350	(992,654,174)	737,511,177
06/30/2008	136	5,106,535	924,639,170	2,139,204	341,015,015	1,741,297,286	(999,040,940)	742,256,346
	137	5,387,394	925,163,628	2,242,432	343,257,447	1,752,500,845	(1,005,468,800)	747,032,045
	138	5,387,394	925,731,589	2,228,097	345,485,544	1,763,776,489	(1,011,938,016)	751,838,472
	139	5,387,394	926,283,076	2,213,853	347,699,397	1,775,124,680	(1,018,448,856)	756,675,823
	140	5,387,394	926,838,111	2,199,700	349,899,096	1,786,545,885	(1,025,001,587)	761,544,299
	141	5,387,394	927,396,718	2,185,637	352,084,734	1,798,040,575	(1,031,596,478)	766,444,097
	142	5,387,394	927,958,918	2,171,665	354,256,398	1,809,609,222	(1,038,233,801)	771,375,422
	143	5,387,394	928,524,736	2,157,781	356,414,180	1,821,252,303	(1,044,913,828)	776,338,475
	144	5,387,394	929,094,194	2,143,987	358,558,167	1,832,970,295	(1,051,636,835)	781,333,460
	145	5,387,394	929,667,316	2,130,281	360,688,448	1,844,763,681	(1,058,403,098)	786,360,583
	146	5,387,394	930,244,125	2,116,662	362,805,110	1,856,632,946	(1,065,212,896)	791,420,050
	147	5,387,394	930,824,646	2,103,130	364,908,240	1,868,578,578	(1,072,066,508)	796,512,071
06/30/2009	148	5,387,394	931,408,902	2,089,685	366,997,925	1,880,601,069	(1,078,964,216)	801,636,853

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City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

		1994 Actuarial Valuation		Pension Obligation Bond 2/25/97		Adjusted 1994 Valuation Results		
Period Ended (a)	Term (b)	Employer Contribution (c)	Outstanding Obligation (d)	Present Value of Contribution (e)	Cumulative Present Value (f)	Revised Obligation (g)	Value of Bond Proceeds (h)	Outstanding Obligation (i)
	149	5,683,701	931,699,658	2,190,524	369,188,450	1,892,700,913	(1,085,906,304)	806,794,609
	150	5,683,701	931,992,285	2,176,520	371,364,970	1,904,878,608	(1,092,893,058)	811,985,550
	151	5,683,701	932,286,795	2,162,606	373,527,576	1,917,134,654	(1,099,924,765)	817,209,889
	152	5,683,701	932,583,200	2,148,781	375,676,357	1,929,469,556	(1,107,001,714)	822,467,842
	153	5,683,701	932,881,512	2,135,044	377,811,401	1,941,883,821	(1,114,124,196)	827,759,625
	154	5,683,701	933,181,744	2,121,395	379,932,795	1,954,377,960	(1,121,292,505)	833,085,456
	155	5,683,701	933,483,907	2,107,833	382,040,628	1,966,952,487	(1,128,506,934)	838,445,553
	156	5,683,701	933,788,014	2,094,358	384,134,986	1,979,607,918	(1,135,767,782)	843,840,136
	157	5,683,701	934,094,078	2,080,969	386,215,954	1,992,344,775	(1,143,075,346)	849,269,429
	158	5,683,701	934,402,111	2,067,665	388,283,620	2,005,163,582	(1,150,429,927)	854,733,654
	159	5,683,701	934,712,126	2,054,447	390,338,067	2,018,064,865	(1,157,831,828)	860,233,036
06/30/2010	160	5,683,701	935,024,135	2,041,313	392,379,380	2,031,049,155	(1,165,281,353)	865,767,802
	161	5,996,305	935,024,545	2,139,818	394,519,197	2,044,116,986	(1,172,778,808)	871,338,178
	162	5,996,305	935,024,957	2,126,138	396,645,335	2,057,268,896	(1,180,324,502)	876,944,394
	163	5,996,305	935,025,371	2,112,546	398,757,881	2,070,505,426	(1,187,918,746)	882,586,681
	164	5,996,305	935,025,789	2,099,040	400,856,921	2,083,827,121	(1,195,561,851)	888,265,270
	165	5,996,305	935,026,209	2,085,622	402,942,543	2,097,234,527	(1,203,254,132)	893,980,395
	166	5,996,305	935,026,632	2,072,288	405,014,831	2,110,728,197	(1,210,995,905)	899,732,292
	167	5,996,305	935,027,057	2,059,040	407,073,872	2,124,308,686	(1,218,787,489)	905,521,197
	168	5,996,305	935,027,485	2,045,877	409,119,749	2,137,976,552	(1,226,629,205)	911,347,347
	169	5,996,305	935,027,916	2,032,798	411,152,547	2,151,732,357	(1,234,521,374)	917,210,984
	170	5,996,305	935,028,350	2,019,803	413,172,349	2,165,576,668	(1,242,464,321)	923,112,347
	171	5,996,305	935,028,787	2,006,890	415,179,240	2,179,510,054	(1,250,458,374)	929,051,679
06/30/2011	172	5,996,305	935,029,226	1,994,060	417,173,300	2,193,533,087	(1,258,503,861)	935,029,226
	173	6,326,101	934,698,812					
	174	6,326,101	934,366,272					
	175	6,326,101	934,031,593					
	176	6,326,101	933,694,760					
	177	6,326,101	933,355,761					
	178	6,326,101	933,014,580					
	179	6,326,101	932,671,203					
	180	6,326,101	932,325,618					
	181	6,326,101	931,977,809					
	182	6,326,101	931,627,762					
	183	6,326,101	931,275,463					
06/30/2012	184	6,326,101	930,920,698					

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City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	185	6,674,037	930,214,998					
	186	6,674,037	929,504,556					
	187	6,674,037	928,789,543					
	188	6,674,037	928,069,930					
	189	6,674,037	927,345,686					
	190	6,674,037	926,616,783					
	191	6,674,037	925,883,191					
	192	6,674,037	925,144,878					
	193	6,674,037	924,401,815					
	194	6,674,037	923,653,971					
	195	6,674,037	922,901,315					
06/30/2013	196	6,674,037	922,143,817					
	197	7,041,109	921,013,194					
	198	7,041,109	919,875,296					
	199	7,041,109	918,730,077					
	200	7,041,109	917,577,490					
	201	7,041,109	916,417,487					
	202	7,041,109	915,250,021					
	203	7,041,109	914,075,043					
	204	7,041,109	912,892,505					
	205	7,041,109	911,702,359					
	206	7,041,109	910,504,555					
	207	7,041,109	909,299,044					
06/30/2014	208	7,041,109	908,085,778					
	209	7,428,370	906,476,200					
	210	7,428,370	904,856,266					
	211	7,428,370	903,225,910					
	212	7,428,370	901,585,063					
	213	7,428,370	899,933,660					
	214	7,428,370	898,271,631					
	215	7,428,370	896,598,909					
	216	7,428,370	894,915,424					
	217	7,428,370	893,221,108					
	218	7,428,370	891,515,891					
	219	7,428,370	889,799,702					
06/30/2015	220	7,428,370	888,072,471					

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City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	221	7,836,930	885,924,254					
	222	7,836,930	883,762,216					
	223	7,836,930	881,586,267					
	224	7,836,930	879,396,318					
	225	7,836,930	877,192,279					
	226	7,836,930	874,974,059					
	227	7,836,930	872,741,567					
	228	7,836,930	870,494,711					
	229	7,836,930	868,233,398					
	230	7,836,930	865,957,536					
	231	7,836,930	863,667,032					
06/30/2016	232	7,836,930	861,361,790					
	233	8,267,962	858,609,300					
	234	8,267,962	855,839,101					
	235	8,267,962	853,051,079					
	236	8,267,962	850,245,118					
	237	8,267,962	847,421,103					
	238	8,267,962	844,578,919					
	239	8,267,962	841,718,448					
	240	8,267,962	838,839,573					
	241	8,267,962	835,942,175					
	242	8,267,962	833,026,135					
	243	8,267,962	830,091,333					
06/30/2017	244	8,267,962	827,137,648					
	245	8,722,700	823,708,761					
	246	8,722,700	820,257,812					
	247	8,722,700	816,784,660					
	248	8,722,700	813,289,162					
	249	8,722,700	809,771,173					
	250	8,722,700	806,230,550					
	251	8,722,700	802,667,146					
	252	8,722,700	799,080,815					
	253	8,722,700	795,471,409					
	254	8,722,700	791,838,780					
	255	8,722,700	788,182,779					
06/30/2018	256	8,722,700	784,503,255					

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City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	257	9,202,448	780,318,768					
	258	9,202,448	776,107,358					
	259	9,202,448	771,868,851					
	260	9,202,448	767,603,073					
	261	9,202,448	763,309,849					
	262	9,202,448	758,989,003					
	263	9,202,448	754,640,356					
	264	9,202,448	750,263,730					
	265	9,202,448	745,858,944					
	266	9,202,448	741,425,818					
	267	9,202,448	736,964,169					
06/30/2019	268	9,202,448	732,473,814					
	269	9,708,583	727,446,808					
	270	9,708,583	722,387,457					
	271	9,708,583	717,295,554					
	272	9,708,583	712,170,890					
	273	9,708,583	707,013,254					
	274	9,708,583	701,822,433					
	275	9,708,583	696,596,215					
	276	9,708,583	691,340,383					
	277	9,708,583	686,048,723					
	278	9,708,583	680,723,016					
	279	9,708,583	675,363,043					
06/30/2020	280	9,708,583	669,968,584					
	281	10,242,555	664,003,730					
	282	10,242,555	658,000,497					
	283	10,242,555	651,958,640					
	284	10,242,555	645,877,909					
	285	10,242,555	639,758,055					
	286	10,242,555	633,598,825					
	287	10,242,555	627,399,967					
	288	10,242,555	621,161,225					
	289	10,242,555	614,882,342					
	290	10,242,555	608,563,061					
	291	10,242,555	602,203,122					
06/30/2021	292	10,242,555	595,802,263					

02-24-1997 10:38PM RETIREMENT AND RISK ADMIN 510 238 4749 23 P.13

City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	293	10,805,695	588,795,070					
	294	10,805,695	581,742,793					
	295	10,805,695	574,645,142					
	296	10,805,695	567,501,824					
	297	10,805,695	560,312,545					
	298	10,805,695	553,077,011					
	299	10,805,695	545,794,923					
	300	10,805,695	538,465,982					
	301	10,805,695	531,089,886					
	302	10,805,695	523,666,332					
	303	10,805,695	516,195,015					
06/30/2022	304	10,805,695	508,675,627					
	305	11,400,219	500,511,626					
	306	11,400,219	492,295,097					
	307	11,400,219	484,025,703					
	308	11,400,219	475,703,104					
	309	11,400,219	467,326,957					
	310	11,400,219	458,896,917					
	311	11,400,219	450,412,638					
	312	11,400,219	441,873,771					
	313	11,400,219	433,279,965					
	314	11,400,219	424,630,866					
	315	11,400,219	415,926,119					
06/30/2023	316	11,400,219	407,165,365					
	317	12,027,232	397,719,218					
	318	12,027,232	388,212,294					
	319	12,027,232	378,644,202					
	320	12,027,232	369,014,549					
	321	12,027,232	359,322,938					
	322	12,027,232	349,568,972					
	323	12,027,232	339,752,248					
	324	12,027,232	329,872,363					
	325	12,027,232	319,928,910					
	326	12,027,232	309,921,481					
	327	12,027,232	299,849,664					
06/30/2024	328	12,027,232	289,713,044					

02-24-1997 10:38PM RETIREMENT AND RISK ADMIN 510 238 4749 23 P.14

City of Oakland Police and Fire Retirement System

Pension Obligation Bonds Valued as of February 25, 1997 - Based on Results of 1994 Actuarial Valuation

Period Ended (a)	Term (b)	1994 Actuarial Valuation: Employer Contribution (c)	1994 Actuarial Valuation: Outstanding Obligation (d)	Pension Obligation Bond 2/25/97: Present Value of Contribution (e)	Pension Obligation Bond 2/25/97: Cumulative Present Value (f)	Adjusted 1994 Valuation Results: Revised Obligation (g)	Adjusted 1994 Valuation Results: Value of Bond Proceeds (h)	Adjusted 1994 Valuation Results: Outstanding Obligation (i)
	329	12,688,729	278,847,583					
	330	12,688,729	267,912,213					
	331	12,688,729	256,906,485					
	332	12,688,729	245,829,945					
	333	12,688,729	234,682,139					
	334	12,688,729	223,462,607					
	335	12,688,729	212,170,689					
	336	12,688,729	200,806,519					
	337	12,688,729	189,369,031					
	338	12,688,729	177,857,953					
	339	12,688,729	166,272,813					
06/30/2025	340	12,688,729	154,613,133					
	341	13,386,609	142,178,314					
	342	13,386,609	129,663,488					
	343	13,386,609	117,068,142					
	344	13,386,609	104,391,756					
	345	13,386,609	91,633,811					
	346	13,386,609	78,793,780					
	347	13,386,609	65,871,137					
	348	13,386,609	52,865,348					
	349	13,386,609	39,775,880					
	350	13,386,609	26,602,194					
	351	13,386,609	13,343,748					
06/30/2026	352	13,386,609	0					

02-24-1997 10:39PM RETIREMENT AND RISK ADMIN 510 238 4749 23 P.15
TOTAL P.15

CITY OF OAKLAND

ONE CITY HALL PLAZA • 6TH FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Attorney
Jayne W. Williams
City Attorney

(510) 238-3601
FAX: (510) 238-6500
TDD: (510) 839-6451

February 25, 1997

Paine Webber Incorporated, as Representative
of the within-referenced Underwriters
San Francisco, California

Ladies and Gentlemen:

As Deputy City Attorney to the City of Oakland, California (the "City"), a municipal corporation created, organized and existing pursuant to a freeholders' charter adopted under the laws of the State of California, in connection with the issuance and sale of $436,289,659.15 aggregate principal amount of Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (the "Series 1997 Bonds"), I have examined City Ordinance No. 11851 adopted on January 23, 1996 (the "Ordinance"), the Funding Agreement dated as of June 1, 1996 between the City and the Police and Fire Retirement System (the "System"), the First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1997 between the City and the Trustee, supplementing and amending that certain Master Trust Agreement dated as of February 1, 1997 (the "Master Trust Agreement"), by and between the City and the Trustee (collectively, the First Supplemental Trust Agreement being referred to herein, together with the Master Trust Agreement, as the "Trust Agreement"); a motion passed by the Board of the System on June 26, 1996 (the "Motion") and the Official Statement dated February 13, 1997 of the City relating to the Series 1997 Bonds (the "Official Statement"). I have made such other investigations of law and fact as I have deemed necessary to render the following opinion.

It is my opinion that:

(i) The System is validly existing under the City Charter approved by the electorate of the City on November 5, 1968 and ratified and approved by the Secretary of State of the State on January 28, 1969, as amended (the "City Charter"), and has full legal right, power and authority under the City Charter and Ordinance: (a) to enter into the Funding Agreement, (b) to carry out and consummate the transactions contemplated by the Motion and the Official Statement that are to be participated in by the System, (c) to accept payment from the City of a portion of the proceeds of the Series 1997 Bonds in the amount of $432,867,300 (the "Payment"), to apply a portion of the Payment, in the amount of $417,173,300 to the unfunded accrued actuarial liability of the City to the System, and to apply the balance of the Payment, in the amount of $15,694,000 as a contribution toward the balance of the estimated normal contribution owed by the City to the System for the current fiscal year, (d) in consideration thereof, to cancel the Debenture issued by

the City in favor of the System in the amount of $432,867,300; and the System has complied, and is in compliance, with the terms of Article XXVI of the City Charter and the Funding Agreement as they pertain to such transactions;

(ii) By all necessary official action of the System, the System has duly adopted the Motion, has duly authorized and approved the execution and delivery of, and the performance by the System of the obligations on its part contained in, the Funding Agreement and the Motion and the consummation by it of all other transactions contemplated by the Motion, and the Funding Agreement and the Funding Agreement Certificate each constitute the legal, valid and binding obligation of the System enforceable in accordance with the terms thereof, subject to the provisions of bankruptcy or other similar laws affecting creditors' rights generally;

(iii) To the best of my knowledge, the System is not in breach of or default under any applicable constitutional provisions, laws or administrative regulations of the State of California (the "State") or the United States with respect to the System or any applicable judgment or decree or any ordinance, agreement or other instrument with respect to the System to which the System is a party or to which the System or the property or assets of the System are subject, and no event has occurred and is continuing which constitutes or, with the passage of time or the giving of notice, or both, would constitute a default or event of default by the System under any such proceeding, agreement or instrument; and the execution and delivery of the Funding Agreement, and the adoption of the Motion, and to the best of my knowledge, compliance with the provisions on the System's part contained in the Funding Agreement, will not conflict with or constitute a breach of or default by the System under any constitutional provision, law, administrative regulation, judgment, decree, ordinance, resolution, agreement or other instrument with respect to the System to which the System is a party or to which the System or the property or assets of the System are otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the System or under the terms of any such law, regulation, proceedings or instrument;

(iv) As of the date hereof there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending (with service of process accomplished) against the System regarding or relating to the Funding Agreement or, to the best of my knowledge after reasonable investigation, threatened against the System or affecting the System or the transactions of the System under the Funding Agreement or the Funding Agreement Certificate dated as of even date herewith delivered by the System (the "Funding Agreement Certificate"), or in any way contesting or affecting the validity of the Funding Agreement or the Funding Agreement Certificate, (a) questioning the corporate existence of the System or the titles of its officers to their respective offices, (b) questioning the validity or enforceability of the Funding Agreement, or the power and authority of the System to issue or deliver the Funding Agreement, or to collect the Tax Override Revenues (as defined in the Master

Trust Agreement) or the assets of the System, (c) questioning the validity of the Motion or Article XXVI of the City Charter, or in any way the completeness or accuracy of those sections of the Official Statement pertaining to the System, or any supplement or amendment thereto, (d) questioning the authority of the City to pay the amounts required to be paid by the City to the System pursuant to Article XXVI of the City, nor, to my knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect transactions contemplated by the issuance of the Series 1997 Bonds, the Motion or the Funding Agreement; and

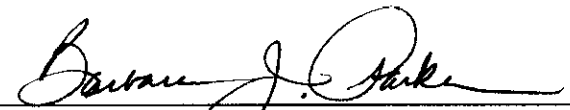
(v) no authorization, approval, consent or other order of the State of California or other governmental authority or agency having jurisdiction over the System or the City is required for the valid authorization, execution and delivery and performance of the Funding Agreement and the Funding Agreement Certificate or for the adoption of or giving effect to the Resolution.

(vi) the statements relating to the System set forth in the Official Statement under the captions "CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM" and "APPENDIX A--CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" are true and correct in all material respects and nothing has come to my attention which would lead me to believe that such sections of the Official Statement contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and since the date of the Official Statement, I have no knowledge of any event which has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such as amendment or supplemental.

Except as otherwise defined herein, the capitalized terms used herein shall have the respective meanings set forth with respect thereto in the Trust Agreement.

I am furnishing this letter solely for your benefit. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose, except as expressly permitted in writing.

Very truly yours,

By: 

BARBARA J. PARKER
Deputy City Attorney
Authorized Representative of
JAYNE W. WILLIAMS, City Attorney

Counsel for the Police and Fire Retirement Board

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B
(the "Bonds")

CERTIFICATE OF THE TRUSTEE

This certificate is made and executed by the undersigned officer of Texas Commerce Bank National Association, Houston, Texas (the "Bank") in its capacities as trustee (the "Trustee" and in connection with the issuance by the City of Oakland (the "Issuer") of the referenced Bonds, issued pursuant to the First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1997, between the Issuer and the Trustee, supplementing and amending that certain Master Trust Agreement dated as of February 1, 1997 (the "Master Trust Agreement"), by and between the City and the Trustee (collectively, the First Supplemental Trust Agreement being referred to herein, together with the Master Trust Agreement, as the "Trust Agreements"). Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Trust Agreements. In connection with the foregoing, I hereby certify as follows:

1. I am the duly chosen, qualified and acting officer of the Bank for the office shown beneath my signature and I am authorized to execute and deliver this certificate.

2. The Trustee has duly accepted the office of trustee under the Trust Agreements.

3. The Bank is duly organized, validly existing and in good standing as a national banking association having the powers of a trust company, with full corporate and other power and authority to conduct its business and affairs as a trustee.

4 The Trust Agreements were executed on behalf of the Trustee by the officer of the Bank named below whose office appears opposite her name, and she was on the date of execution of the Trust Agreements, and now is, the duly elected, qualified and acting incumbent of that office, and the signature appearing after her name is a true and correct specimen of her genuine signature.

Name	Office	Signature
Letha Glover	Assistant Vice President and Trust Officer	

5. In accordance with the provisions of the Trust Agreements, an authorized signatory of the Trustee has duly authenticated the Bonds and delivered the Bonds to or at the direction of the Underwriters.

6. The officer of the Bank named in paragraph 4, above, by virtue of the authority delegated to her pursuant to a resolution of the Board of Directors of the Bank, a true and correct copy of which is attached hereto as Exhibit A, is authorized to execute and deliver the Trust Agreements on behalf of the Trustee, to authenticate and deliver the Bonds, and to execute and deliver on behalf of the Trustee such other and further documents as may be necessary or incidental to the acceptance and performance of the trusts and duties set forth in the Trust Agreemnts. This resolution was in effect on the date such officer acted and remains in full force and effect as of the date hereof.

7. The execution, delivery and performance by the Trustee of the Trust Agreements have been duly authorized by all necessary corporate action on the part of the Trustee, and assuming their due authorization and delivery by the City, the Trust Agreements are the valid and binding obligation of the Trustee, enforceable in accordance with their terms.

8. All approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which, to the best knowledge of the undersigned, would constitute a condition precedent to the performance by the Trustee of its duties and obligations under the Trust Agreement have been obtained and are in full force and effect.

9. The execution and delivery to the Trust Agreements by the Trustee do not presently contravene the Articles of Association or Bylaws of the Bank or, to the best knowledge of the undersigned, conflict with or constitute a breach of or default under any law, administration regulation, consent decree or other instrument to which the Trustee is subject or by which it is bound.

IN WITNESS WHEREOF, I have set my hand this 26th day of February, 1997.

TEXAS COMMERCE BANK
NATIONAL ASSOCIATION

By: _____

Vice President & Trust Officer

Exhibit A - Resolution of Board
of Directors of Bank

TEXAS COMMERCE BANK NATIONAL ASSOCIATION

SECRETARY'S CERTIFICATE

I, Ellen P. Glaessner, Assistant Secretary of Texas Commerce Bank National Association (the "Bank") hereby certify that on January 15, 1997, at a meeting duly called and convened and at which a quorum was present, the Board of Directors of the Bank adopted the resolutions set forth below, and such resolutions are presently in full force and effect and have not been modified, revoked or rescinded:

RESOLVED, that for the purposes of the following resolutions, the following words shall have these meanings ascribed to them:

"Bank" shall mean Texas Commerce Bank National Association.

"Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Managing Director, any Senior Vice President, any Vice President, any Assistant Vice President, any Officer, the General Counsel, the Chief Financial Officer, the Chief Administrative Officer, the Secretary, the Controller and the Cashier of the Bank, and any Chairman, any President, any Vice Chairman, any Executive Vice President, any Managing Director, any Senior Vice President, any Vice President, any Assistant Vice President and any Officer of any region of the Bank.

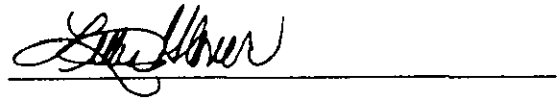
"Senior Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Managing Director, any Senior Vice President, any Vice President, the General Counsel, the Chief Financial Officer, the Chief Administrative Officer, the Secretary, the Controller and the Cashier of the Bank, and any Chairman, any President, any Vice Chairman, any Executive Vice President, any Managing Director, any Senior Vice President and any Vice President of any region of the Bank.

RESOLVED, that the Officers be, and each of them hereby is, authorized to execute and deliver for and on behalf of the Bank agreements (including, but not limited to, agency agreements, transfer agency agreements, paying agency agreements, exchange agreements, escrow agreements and other similar agreements), indentures, mortgages, deeds, releases, conveyances, assignments, transfers, leases, demands, proofs of debt, claims, discharges, satisfactions, settlements, petitions, affidavits, receipts, instruments or documents, powers of attorney, records, bonds, undertakings, proxies, other agency powers, authentication certificates appearing on bonds and debentures, registration certificates appearing on stock, bond or debentures certificates and such other documents and instruments, other than secretary's certificates or officer's certificates, as may be necessary and appropriate to carry out the fiduciary or agency powers of the Bank.

RESOLVED, that the Senior Officers and any Assistant Secretary of the Bank be, and each of them hereby is, authorized to countersign, acknowledge or verify accounts, schedules, requisitions, certifications and declarations other than secretary's certificates or officer's certificates, in connection with the exercise of the fiduciary or agency powers of the Bank.

RESOLVED, that the power and authority conferred to any person pursuant to these resolutions shall include, but not be limited to, the power to execute any other documents and to do and perform such other acts and things as may be necessary or appropriate to consummate the transactions so authorized or to carry out the purposes and intent of such resolutions.

I further certify that Letha Glover is a duly elected and acting Assistant Vice President of the Bank and that set forth below is her true and correct signature.

LETHA GLOVER SIGNATURE: 

EXECUTED effective as of the 25th day of February, 1997, at Houston, Texas.

Texas Commerce Bank National Association

By: 
Ellen P. Glaessner
Assistant Secretary

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

TRUSTEE'S RECEIPT FOR PURCHASE PRICE AND CERTIFICATE AS TO DISPOSITION OF FUNDS

THE UNDERSIGNED DOES HEREBY CERTIFY that on this date I received from PaineWebber Incorporated, as representative of the underwriters named in the Purchase Contract dated February 13, 1997 relating to the above-referenced bonds, immediately available funds payable to the City of Oakland, California (the "City"), to be applied to the purchase price of the above referenced Taxable Pension Obligation, Series 1997, Sub-series A and Sub-series B (the "Series 1997 Bonds"), in the aggregate amount of $436,289,659.15, which amount represents the purchase price of the Series 1997 Bonds, net of the underwriters' discount of $1,963,303.57 and the premium paid to MBIA Insurance Corporation for the Financial Guaranty Insurance Policy relating to the Series 1997 Bonds in the amount of $806,000, said balance of the purchase price being computed as follows:

Par Amount of Bonds	$436,289,659.15
Plus Accrued Interest (February 1 to Date of Closing)	1,844,529.57
Subtotal	$438,134,188.72
Minus Underwriters' Discount	(1,963,303.57)
Minus Bond Insurance Premium	(806,000.00)
Balance	$435,364,885.15

I DO HEREBY FURTHER CERTIFY that, on the date hereof, the following deposits and payments of money attributable to, or derived from the proceeds of the Series 1997 Bonds, pursuant to the First Supplemental Trust Agreement dated as of February 1, 1997 by the City and the Trustee (the "First Supplemental Trust Agreement"), has been made:

(1) The amount of $1,782,052.37 was deposited in the Taxable Pension Obligation Bonds, Series 1997 Debt Service Fund, Series 1997 Sub-series A Debt Service Fund (the "Debt Service Account"), as accrued interest on the Sub-series A Bonds.

(2) The amount of $62,477.20 was deposited in the Taxable Pension Obligation Bonds, Series 1997 Debt Service Fund, Series 1997 Sub-series B Debt Service Account , as accrued interest on the Sub-series B Bonds.

(3) The amount of $653,055.58 was deposited in the Taxable Pension Obligation Bonds, Series 1997 Costs of Issuance Fund, and shall be applied upon requisition of the City to pay costs of issuance of the Series 1997 Bonds.

(4) The amount of $432,867,300.00 was credited to the Bond Proceeds Fund under Section 4.02(a) of the First Supplemental Trust Agreement and then paid to The Police and Fire Retirement System of the City of Oakland, California and in consideration thereof, the System has cancelled and returned the Series 1997 Debenture to the City.

Dated: February 25, 1997.

TEXAS COMMERCE BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

MBIA

REVISED AS OF FEBRUARY 18, 1997
COMMITMENT TO ISSUE A
FINANCIAL GUARANTY INSURANCE POLICY

Application No.: 1997-000399-01
Sale Date: February 13, 1997
Program Type: Negotiated DP

Re: $436,289,659.15 (Original Principal Value) $481,540,000 (Maturity Value) City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997
(the "Obligations")

This commitment to issue a financial guaranty insurance policy (the "Commitment") dated Febraury 18, 1997, constitutes an agreement between CITY OF OAKLAND, CALIFORNIA the ("Applicant") and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated January 20, 1997, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a financial guaranty insurance policy (the "Policy") for the Obligations, insuring the payment of principal of and interest on the Obligations when due. The issuance of the Policy shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, of a nonrefundable premium in the amount of $806,000 [.110% (premium rate) of $732,908,849.09 (adjusted debt service[1]), premium rounded to the nearest thousand]. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the validity of the Obligations and other matters customarily provided by the Bond Counsel.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.

6. A Statement of Insurance satisfactory to the Insurer shall be printed on the Obligations.

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[1] Adjusted debt service equals $734,753,378.66 (Total Debt Service) less $1,844,529.57 (Accrued Interest).

MBIA

untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.

8. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

9. This Commitment may be signed in counterpart by the parties hereto.

10. Compliance with the Insurer's Conditions and Document Changes (see attached).

Dated this 18th day of February, 1997.

MBIA Insurance Corporation

By: _____
Assistant Secretary

CITY OF OAKLAND, CALIFORNIA

By: _____

Title: Treasury Manager

MBIA

Conditions and Document Changes

1) Full review and approval of Legal Documents prior to closing;

2) Compliance with the Insurer's List of Permissible Investment for Indentured Funds (see attached);

3) Receipt of a Bond Counsel opinion with regard to the Tax Override Revenues and Proposition 218, as discussed;

4) Any interest rate swap or other variable interest rate contemplated for this issue shall be approved by the Insurer;

5) The Insurer's Financial Institutions group must sign off on any debt service forward supply agreement, as well as to the provider; and

6) The Insurer's Investment Portfolio Management Group shall be notified of the passage of the City's budget for the then upcoming fiscal year.

MBIA

LIST OF PERMISSIBLE INVESTMENTS FOR INDENTURED FUNDS

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
   Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations
   (not acceptable for certain cash-flow sensitive issues.)

7. U.S. Maritime Administration
   Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System

Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
   Participation Certificates
   Senior debt obligations

3. Federal National Mortgage Association (FNMA or "Fannie Mae")
   Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or "Sallie Mae")
   Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System
   Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, acceptable to MBIA (Investment Agreement criteria is available upon request).

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to MBIA (criteria available upon request)

MBIA

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm

   a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

   b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

   a. Securities which are acceptable for transfer are:

      (1) Direct U.S. governments, or

      (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

   b. The term of the repo may be up to 30 days

   c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

   d. Valuation of Collateral

      (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

         (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

   a. Repo meets guidelines under state law for legal investment of public funds.

Additional Notes

(i) There is no list of permitted investments for non-indentured funds. Your own credit judgment and the relevant circumstances (e.g., amount of investment and timing of investment) should dictate what is permissible.

(ii) Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment.

(iii) DSRF investments should be valued at fair market value and marked to market at least once per year. DSRF investments may not have maturities extending beyond 5 years, except for Investment Agreements approved by the Insurer.

THE MBIA INSURANCE CORPORATION INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix __ for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds 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 by the Insurer's policy 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 of the Bonds 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 (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

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 a Bond 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 Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, 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 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

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, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of 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, 1995 the Insurer had admitted assets of $3.8 billion (audited), total liabilities of $2.5 billion (audited), and total capital and surplus of $1.3 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1996, the Insurer had admitted assets of $4.3 billion (unaudited), total liabilities of $2.9 billion (unaudited), and total capital and surplus of $1.4 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) 273-4545.

Moody's Investors Service rates the claims paying ability of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the claims paying ability of the Insurer "AAA".

Fitch Investors Service, L.P., rates the claims paying ability of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

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 14.3 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

MBIA

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 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

STD-R-CA-6
4/95

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at [INSERT NAME OF TRUSTEE OR PAYING AGENT, INCLUDING CITY, STATE].

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 [INSERT NAME OF TRUSTEE OR PAYING AGENT] 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: [INSERT LEGAL TITLE OF BONDS, CENTERED AS FOLLOWS:]

[$ PAR AMOUNT]
[ISSUER]
[DESCRIPTION OF BONDS]

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.

MBIA Insurance Corporation

PAYMENTS UNDER THE POLICY

A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Obligations, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligation to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Obligations as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligation and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Obligation, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

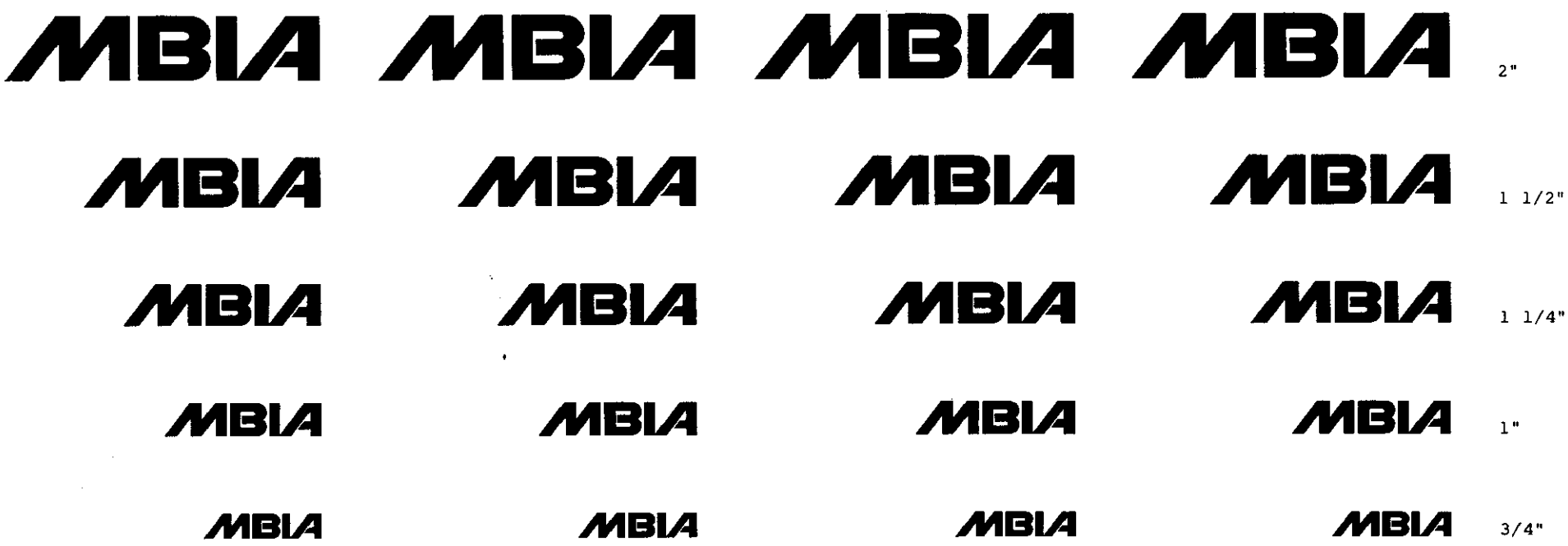
Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

Municipa ond
Investors Assurance
Corporation

Logo
Reproduction
Sheet

Logo lengths
are indicated
in inches





MBIA

REVISED AS OF FEBRUARY 18, 1997
COMMITMENT TO ISSUE A
FINANCIAL GUARANTY INSURANCE POLICY

Application No.: 1997-000399-01
Sale Date: February 13, 1997
Program Type: Negotiated DP

Re: $436,289,659.15 (Original Principal Value) $481,540,000 (Maturity Value) City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997
(the "Obligations")

This commitment to issue a financial guaranty insurance policy (the "Commitment") dated Febraury 18, 1997, constitutes an agreement between CITY OF OAKLAND, CALIFORNIA the ("Applicant") and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated January 20, 1997, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a financial guaranty insurance policy (the "Policy") for the Obligations, insuring the payment of principal of and interest on the Obligations when due. The issuance of the Policy shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, of a nonrefundable premium in the amount of $806,000 [.110% (premium rate) of $732,908,849.09 (adjusted debt service[1]), premium rounded to the nearest thousand]. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the validity of the Obligations and other matters customarily provided by the Bond Counsel.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.

6. A Statement of Insurance satisfactory to the Insurer shall be printed on the Obligations.

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[1] Adjusted debt service equals $734,753,378.66 (Total Debt Service) less $1,844,529.57 (Accrued Interest).

untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.

8. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

9. This Commitment may be signed in counterpart by the parties hereto.

10. Compliance with the Insurer's Conditions and Document Changes (see attached).

Dated this 18th day of February, 1997.

MBIA Insurance Corporation

By: _____
Assistant Secretary

CITY OF OAKLAND, CALIFORNIA

By: _____

Title: Treasury Manager

MBIA

Conditions and Document Changes

1) Full review and approval of Legal Documents prior to closing;

2) Compliance with the Insurer's List of Permissible Investment for Indentured Funds (see attached);

3) Receipt of a Bond Counsel opinion with regard to the Tax Override Revenues and Proposition 218, as discussed;

4) Any interest rate swap or other variable interest rate contemplated for this issue shall be approved by the Insurer;

5) The Insurer's Financial Institutions group must sign off on any debt service forward supply agreement, as well as to the provider; and

6) The Insurer's Investment Portfolio Management Group shall be notified of the passage of the City's budget for the then upcoming fiscal year.

MBIA

LIST OF PERMISSIBLE INVESTMENTS FOR INDENTURED FUNDS

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
   Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations
   (not acceptable for certain cash-flow sensitive issues.)

7. U.S. Maritime Administration
   Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System

Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
   Participation Certificates
   Senior debt obligations

3. Federal National Mortgage Association (FNMA or "Fannie Mae")
   Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or "Sallie Mae")
   Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System
   Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, acceptable to MBIA (Investment Agreement criteria is available upon request).

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to MBIA (criteria available upon request)

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm

   a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

   b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

2. The written repo contract must include the following:

   a. Securities which are acceptable for transfer are:

      (l) Direct U.S. governments, or

      (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

   b. The term of the repo may be up to 30 days

   c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

   d. Valuation of Collateral

      (l) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

         (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below l04% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

   a. Repo meets guidelines under state law for legal investment of public funds.

Additional Notes

(i) There is no list of permitted investments for non-indentured funds. Your own credit judgment and the relevant circumstances (e.g., amount of investment and timing of investment) should dictate what is permissible.

(ii) Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment.

(iii) DSRF investments should be valued at fair market value and marked to market at least once per year. DSRF investments may not have maturities extending beyond 5 years, except for Investment Agreements approved by the Insurer.

THE MBIA INSURANCE CORPORATION INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix __ for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to mandatory sinking fund payment) and interest on, the Bonds 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 by the Insurer's policy 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 of the Bonds 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 (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

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 a Bond 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 Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, 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 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

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, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of 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, 1995 the Insurer had admitted assets of $3.8 billion (audited), total liabilities of $2.5 billion (audited), and total capital and surplus of $1.3 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1996, the Insurer had admitted assets of $4.3 billion (unaudited), total liabilities of $2.9 billion (unaudited), and total capital and surplus of $1.4 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) 273-4545.

Moody's Investors Service rates the claims paying ability of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the claims paying ability of the Insurer "AAA".

Fitch Investors Service, L.P., rates the claims paying ability of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

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 14.3 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

MBIA

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

STD-R-CA-6
4/95

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at [INSERT NAME OF TRUSTEE OR PAYING AGENT, INCLUDING CITY, STATE].

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 [INSERT NAME OF TRUSTEE OR PAYING AGENT] 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: [INSERT LEGAL TITLE OF BONDS, CENTERED AS FOLLOWS:]

[$ PAR AMOUNT]
[ISSUER]
[DESCRIPTION OF BONDS]

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.

MBIA Insurance Corporation

STD-R/CA-1

PAYMENTS UNDER THE POLICY

A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Obligations, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligation to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Obligations as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligation and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Obligation, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

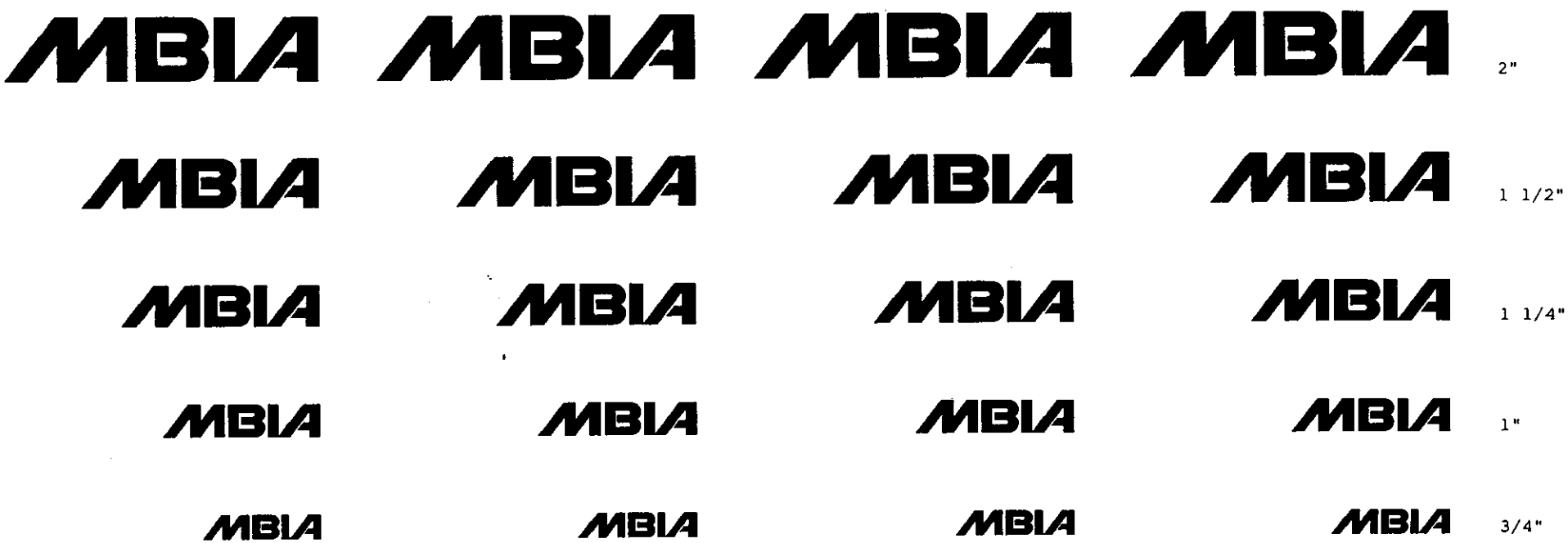
Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

Municipal Bond
Investors Assurance
Corporation

Logo
Reproduction
Sheet

Logo lengths
are indicated
in inches





MBIA

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
914 273 4545

February 25, 1997

Texas Commerce Bank National Association
Houston, Texas

$436,289,659.15 (Original Principal Value)
$481,540,000 (Maturity Value)
City of Oakland, California
Taxable Pension Obligation Bonds
Series 1997, Sub-series A and Sub-series B

Gentlemen:

In connection with the above-described obligations (the "Obligations") of which you are acting as paying agent (the "Paying Agent"), please be advised that the payment to you of principal of and interest on the Obligations has been guaranteed by a policy of financial guaranty insurance (the "Policy") issued by the MBIA Insurance Corporation (the "Insurer"). State Street Bank and Trust Company, N.A., New York, New York, (the "Fiscal Agent") is acting as the fiscal agent for the Insurer.

The Policy unconditionally and irrevocably guarantees to any owner or holder of the Obligations or, if applicable, of the coupons appertaining thereto (the "Owner"), the full and complete payment required to be made by or on behalf of the issuer of the Obligations (the "Issuer") to the Paying Agent or its successor 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 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 by the Policy 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 (a "Preference") to the Owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence are referred to collectively in this letter as the "Insured Amounts."

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligations. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Obligations upon tender by an Owner thereof; or (iv) any Preference relating to (i) through (iii) above.

In the event that the Issuer does not make full and complete payment when due of the principal of and interest on the Obligations, please immediately notify, by telephone or telegraph, the Insurer, 113 King Street, Armonk, New York, 10504, (914) 273-4545. On the due date or within one business day after receipt of such notice, whichever is later, the Insurer will deposit funds with the Fiscal Agent sufficient to pay the Obligations (or, if applicable, coupons appertaining thereto) then due. Upon presentment and surrender of such Obligations (or, if applicable, coupons) or presentment of such other proof of ownership of 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 the Owners in any legal proceeding related to payment of Insured Amounts on the Obligations (or, if applicable, coupons), such instruments being in a form satisfactory to the Fiscal Agent, shall disburse to you payment of the Insured Amounts due on such Obligations (and, if applicable, coupons), less any amount held by you for the payment of such Insured Amounts and legally available therefor.

Forms of such instruments of assignment and instruments to effect the appointment of the Insurer as such agent for the Owners (collectively, the "Claim Documents"), which are currently acceptable to the Fiscal Agent and the Insurer, are on file with the Fiscal Agent. The Insurer may, from time to time, file revised forms of Claim Documents with the Fiscal Agent in substitution for the forms previously filed with the Fiscal Agent, and upon such filing, the revised forms shall supersede all forms of Claim Documents previously filed with the Fiscal Agent, except as otherwise directed by the Insurer in writing.

In the event that you shall have prior knowledge of an impending failure by the Issuer to make payment on the Obligations (or, if applicable, coupons) when due, please immediately notify the Insurer so that it will be possible to have funds available for you on the due date to make payments against surrendered Obligations (and, if applicable, coupons).

Your cooperation in this matter will be most appreciated and will make it possible for the Owners of Obligations guaranteed by the Insurer to be assured of all payments when due.

Very truly yours,

Richard Weill

Richard L. Weill
President

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. 23171

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 Texas Commerce Bank National Association, Houston, Texas 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:

$436,289,659.15 (Original Principal Value)
$481,540,000 (Maturity Value)
City of Oakland, California
Taxable Pension Obligation Bonds
Series 1997, Sub-series A and Sub-series B

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 25th day of February, 1997

MBIA Insurance Corporation

Richard Weill

President

Attest:

Assistant Secretary

STD-R-CA-6
4/95

MBIA

RULE 15c2-12 CERTIFICATE OF
MBIA INSURANCE CORPORATION

The undersigned hereby certifies and represents to PaineWebber Incorporated (the "Underwriters") that she is a duly authorized representative of MBIA Insurance Corporation (the "Credit Enhancer") and is authorized to execute and deliver this Certificate and further certifies on behalf of the Credit Enhancer to the Underwriters as follows:

1. This Certificate is delivered to enable the Underwriters to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of $436,289,659.15 (Original Principal Value) $481,540,000 (Maturity Value) City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (the "Obligations").

2. The Credit Enhancer has agreed to issue its financial guaranty insurance policy (the "Credit Facility") with respect to the Obligations provided that all conditions to the Commitment to Issue a Financial Guaranty Insurance Policy (the "Commitment") have been satisfied.

3. In connection with the offering and sale of the Obligations, there has been prepared a Preliminary Official Statement, dated the date hereof, setting forth information concerning the Obligations and the Credit Enhancer (the "Preliminary Official Statement").

4. The information with respect to the Credit Enhancer and the Credit Facility included in the Preliminary Official Statement under the caption "Bond Insurance" is deemed final within the meaning of the Rule as of its date.

5. In giving this Certificate the Credit Enhancer does not admit that it comes within the definition of Issuer of Municipal Securities for purposes of the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of February, 1997.

Assistant Secretary

GREENBERG
ATTORNEYS AT LAW
TRAURIG

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS
SERIES 1997

$393,790,000 Current Interest Bonds
$26,704,659.15 Capital Appreication Bonds
Taxable Pension Obligation Bonds
Series 1997, Sub-series A

$15,795,000 Current Interest Bonds
Taxable Pension Obligation Bonds
Series 1997, Sub-series B

FINAL BLUE SKY MEMORANDUM

February 25, 1997

PAINEWEBBER INCORPORATED
BEAR, STEARNS & CO., INC.
COAST PARTNERS SECURITIES, INC.
GRIGSBY & ASSOCIATES
HENDERSON CAPITAL PARTNERS, INC.
LEHMAN BROTHERS
MERRILL LYNCH & CO.
SAMUEL A. RAMIREZ & CO., INC.
As Underwriters for the
Captioned Bonds
c/o PAINEWEBBER INCORPORATED
1285 Avenue of the Americas
New York, New York 10019

Ladies and Gentlemen:

This Memorandum supplements and completes our Blue Sky Survey dated February 5, 1997 (the "Blue Sky Survey") prepared in connection with the issuance of the above-captioned bonds (the "Bonds).

GREENBERG TRAURIG HOFFMAN LIPOFF ROSEN & QUENTEL
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS
CITICORP CENTER
153 EAST 53RD STREET, NEW YORK, NEW YORK 10022
212-801-9200 FAX 212-223-7161
MIAMI NEW YORK WASHINGTON, D.C.
FORT LAUDERDALE WEST PALM BEACH TALLAHASSEE ORLANDO

This is written to inform you that the Bonds remain exempt in each of the jurisdictions listed in Part I of the Blue Sky Survey and that the Bonds may be sold in such jurisdictions in any amount.

This Memorandum is subject to the assumptions, limitations, qualifications and exceptions contained in the Blue Sky Survey, including our cover letter thereto, and should be read in conjunction with the Blue Sky Survey.

Very truly yours,

GREENBERG TRAURIG HOFFMAN
LIPOFF ROSEN & QUENTEL

GREENBERG
ATTORNEYS AT LAW
TRAURIG

$436,623,154.15*
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS
SERIES 1997

$421,368,154.15*	**$15,255,000***
Taxable Pension Obligation Bonds	**Taxable Pension Obligation Bonds**
Series 1997, Sub-series A	**Series 1997, Sub-series B**

PRELIMINARY BLUE SKY SURVEY

February 5, 1997

PAINEWEBBER INCORPORATED
BEAR, STEARNS & CO., INC.
COAST PARTNERS SECURITIES, INC.
GRIGSBY & ASSOCIATES
HENDERSON CAPITAL PARTNERS, INC.
LEHMAN BROTHERS
MERRILL LYNCH & CO.
SAMUEL A. RAMIREZ & CO., INC.
As Underwriters for the
Captioned Bonds
c/o PAINEWEBBER INCORPORATED
1285 Avenue of the Americas
10th Floor
New York, New York 10019

Ladies and Gentlemen:

This Preliminary Survey summarizes our comments relating to the requirements of the securities or "blue sky" laws of the juris-

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* Preliminary, subject to change.

GREENBERG TRAURIG HOFFMAN LIPOFF ROSEN & QUENTEL
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS
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153 EAST 53RD STREET, NEW YORK, NEW YORK 10022
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MIAMI NEW YORK WASHINGTON, D.C.
FORT LAUDERDALE WEST PALM BEACH TALLAHASSEE ORLANDO

dictions listed herein with respect to the proposed offering and sale to the public of the captioned Bonds (the "Bonds"). It is based upon an examination of the statutes and the related rules and regulations, if any, of the various jurisdictions as reported in standard compilations customarily relied upon in this connection, upon interpretive advice obtained from representatives of certain securities commissions and upon statements contained in the Preliminary Official Statement prepared in connection with the issuance of the Bonds.

This Preliminary Survey also incorporates the responses of the state securities commissions, to the extent that they are available, to the recently enacted National Securities Markets Improvement Act of 1996, Public Law 104-290 (the "1996 Act"). Consequently, this Preliminary Survey addresses certain filing requirements imposed by the securities administrators of the various jurisdictions in response to and in compliance with the 1996 Act. The 1996 Act provides for preemption of registration and merit review provisions of state securities laws with regard to specific type of securities (described in the 1996 Act as "Covered Securities"). However, the 1996 Act also provides that the state regulators are permitted to collect the same fees at the same time they would have prior to the enactment of the 1996 Act. Therefore, even though a full registration or exemption filing would be preempted, the fee for that filing and a cover letter explaining that such a fee would have been due to the state for a registration or exemption filing preempted by the 1996 Act should be sent to the state. If the fee is not sent, then the state securities regulators could require registration of the offering or suspend the offer and sale of the municipal securities in the state. States have until October 11, 1999, to require securities offerings to be registered if filing and registration fees are not paid in a timely manner. It should also be noted that although certain states have revised their current statutes, rules and regulations to comply with the 1996 Act, others are still in the process of reviewing the 1996 Act and have not yet published their positions, with regard thereto. Accordingly, as these various states clarify their positions and revise their statutes, rules and regulations, new requirements may be imposed by such states during the course of the proposed securities offering.

In preparing this Preliminary Survey, we have obtained neither opinions from members of the Bar of any jurisdiction nor formal rulings from regulatory commissions or other administrative bodies or officials thereof. The statements made or conclusions expressed herein are subject to change upon the exercise of broad discretionary powers vested in securities commissioners or other authorized officials, enabling them, among other things, to withdraw or deny the exempt status accorded by statute to particular classes of securities, to impose additional requirements, or to suspend offerings for non-payment of applicable fees, in accordance with the 1996 Act.

This Preliminary Survey does not purport to cover the requirements of the laws of the various jurisdictions with respect to the registration or licensing of dealers, brokers or salesmen, or the restrictions, if any, pertaining to the form or substance of advertising. In addition, any statement made herein concerning sales to banks, savings institutions, trust companies, insurance companies or any other institutional investor refers only to the requirements of the securities laws relating to such sales and does not purport to address the question of whether the Bonds will be legal for investment by such institution.

Very truly yours,

GREENBERG TRAURIG HOFFMAN
LIPOFF ROSEN & QUENTEL

I

JURISDICTIONS IN WHICH SALES TO THE PUBLIC MAY BE MADE WITHOUT FILING OR FEES

Offers and **sales** of the Bonds may be made to the public **in any amount** in the following jurisdictions without registration of the Bonds, filings, or payment of applicable fees being made, subject to the specific requirement that the sellers must be dealers or brokers registered or licensed in the respective jurisdictions:

Alabama	Idaho	Missouri	Puerto Rico
Alaska	Illinois	Montana	Rhode Island
Arizona	Indiana	Nebraska	South Carolina
Arkansas	Iowa	Nevada	South Dakota
California	Kansas	New Hampshire	Tennessee
Colorado	Kentucky	New Jersey	Texas
Connecticut	Louisiana	New Mexico	Utah
Delaware	Maine	New York	Vermont
District of Columbia	Maryland	North Carolina	Virginia
Florida	Massachusetts	North Dakota	Washington
Georgia	Michigan	Ohio	West Virginia
Guam	Minnesota	Oklahoma	Wisconsin
Hawaii(1)	Mississippi	Oregon	Wyoming
		Pennsylvania(2)	

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(1) All offering material must clearly indicate the name of the person issuing, circulating, publishing or making it and the fact that such person is issuing, circulating, publishing or making the same.

(2) All offering material and advertisements, including the Preliminary Official Statement must indicate in bold print on the front cover that the Bonds are less than general obligations of the issuer.

II

JURISDICTIONS IN WHICH SALES TO THE PUBLIC MAY BE MADE WITH FEES AND/OR FILING

A. Jurisdictions Where Notice Filings and Payment of Applicable Fees Are Required

None

B. Jurisdictions Where Payment of Applicable Fees in Lieu of Registration Are Required

None

III

SALES TO DEALERS

In addition to the **offers** and **sales** of the Bonds which may be made as indicated in Part I herein, **offers** and **sales** of the Bonds may be made **in any amount** to dealers or brokers registered or licensed in the following jurisdictions, subject to the qualifications indicated in the Bonds, without registration of the Bonds or any filings being made to qualify the Bonds in the respective jurisdictions. Subject to the qualifications indicated below, such **offers** and **sales** may be made by dealers or brokers registered or licensed in the respective jurisdictions and by persons not so registered or licensed.

Alabama	Idaho	Montana	Rhode Island(13)
Alaska(1)	Illinois	Nebraska	South Carolina(1)
Arizona	Indiana(5)	Nevada(9)	South Dakota(14)
Arkansas(2)	Iowa(7)	New Hampshire(5)	Tennessee(15)
California(3)	Kansas	New Jersey(2)	Texas(16)
Colorado(4)	Kentucky	New Mexico(10)	Utah(17)
Connecticut(5)	Louisiana	New York	Vermont
Delaware(5)	Maine(8)	North Carolina(11)	Virginia
District of Columbia(5)	Maryland(2)	North Dakota	Washington(18)
	Massachusetts(2)	Ohio	West Virginia(2)
Florida	Michigan(2)	Oklahoma(1)	Wisconsin(19)
Georgia	Minnesota(5)	Oregon	Wyoming(2)
Guam(2)	Mississippi(2)	Pennsylvania(12)	
Hawaii(2)(6)	Missouri(2)	Puerto Rico(1)	

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(1) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in Part IV, or (iii) has no place of business in this jurisdiction and during any consecutive twelve-month period does not direct more than fifteen offers to sell or buy into this jurisdiction to persons other than broker-dealers and institutions enumerated with respect to this jurisdiction in Part IV.

(2) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in Part IV, or (iii) has no place of business in this jurisdiction and during any consecutive twelve-month period does not direct more than fifteen offers to sell or buy into this jurisdiction to persons other than broker-dealers and institutions enumerated with respect to this jurisdiction in Part IV, whether or not the offerors or offerees are then present in this jurisdiction.

(3) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction or (ii) is a broker-dealer registered under the Securities Exchange Act of 1934 who has not previously had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, has no place of business in this jurisdiction and does not direct offers to sell or buy into this jurisdiction in any manner (a) to persons other than registered broker-dealers or institutions enumerated with respect to this jurisdiction in Part IV or (b) to more than fifteen customers (whether or not self-employed individual retirement plans) having an existing account with such broker-dealer prior to any offer made to them in this jurisdiction, during any twelve consecutive months, whether or not the offeror or any of the offerees is then present in the jurisdiction.

(4) Provided the offeror or seller (i) is registered as a broker or dealer in this jurisdiction, or (ii) is a broker or dealer registered pursuant to the Securities Exchange Act of 1934, has no place of business in this jurisdiction and the business transacted in this jurisdiction is exclusively with broker-dealers licensed or exempt from license requirements, financial or institutional investors, existing customers of the broker-dealer whose principal place of residence is not in the jurisdiction and during any twelve consecutive months, not more than five persons in this jurisdiction excluding persons otherwise described herein.

(5) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in Part IV.

(6) All offering material must clearly indicate the name of the person issuing, circulating, publishing or making it and the fact that such person is issuing, circulating, publishing or making the same.

(7) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in Part IV, or (iii) during any period of twelve consecutive months, the broker-dealer does not effect transactions in this jurisdiction in any manner with more than three persons other than broker-dealers and institutions enumerated with respect to this jurisdiction in Part IV, whether or not the offeror or any of the offerees is then present in this jurisdiction.

(8) Provided the offeror or seller (i) is licensed as a broker dealer in this jurisdiction, (ii) is a broker dealer registered under the Securities Exchange Act of 1934 and effects transactions in this jurisdiction exclusively with other broker dealers licensed in this jurisdiction or exempt from licensing (except when the broker dealer is acting as a clearing broker dealer for such other broker dealers) or with institutions enumerated with respect to this jurisdiction in Part IV, (iii) is a broker dealer registered under the Securities Exchange Act of 1934 and licensed under the securities act of the state in which the broker dealer maintains its principal place of business and has no place of business in this jurisdiction, if the broker dealer offers and sells in this jurisdiction to persons who are existing customers of the broker-dealer and who represent that they have no principal place of residence in this jurisdiction.

(9) Provided the offeror or seller (i) is licensed as a broker dealer in this jurisdiction, (ii) is a broker dealer registered or, exempt from registration under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with other broker-dealers licensed or exempt from licensing in this jurisdiction or with institutions enumerated with respect to this jurisdiction in Part IV, (b) is licensed under the securities laws of a state in which the broker dealer maintains a place of business and such broker dealer offers and sells in this jurisdiction to a person who is an existing customer and whose principal place of residence is not in this jurisdiction, or (c) is licensed under the securities laws of a state in which the broker dealer maintains a place of business and during any twelve consecutive months does not effect transactions with more than five persons in this jurisdiction, in addition to

the transactions with institutions enumerated with respect to this jurisdiction in Part IV or other broker-dealers, whether or not the offeror or offeree is then present in this jurisdiction.

(10) Provided the offeror or seller (i) is licensed as a broker dealer in this jurisdiction, (ii) is a broker-dealer registered under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with other broker dealers licensed in this jurisdiction or exempt from licensing or with institutions enumerated with respect to this jurisdiction in Part IV, (iii) is a broker-dealer registered under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and is licensed under the securities act of the state in which the broker dealer maintains a place of business, if the broker-dealer offers and sells in this jurisdiction to persons who are existing customers of the broker-dealer and whose principal place of residence is not in this jurisdiction, or (iv) is a depository institution (as defined in Part IV) engaged in its regular course of business.

(11) Provided that the offeror or seller (i) is registered or licensed in the jurisdiction, or (ii) has no place of business in the jurisdiction and (a) effects transactions in this jurisdiction exclusively through other broker-dealers registered or licensed in the jurisdiction or with institutions enumerated with respect to this jurisdiction in Part IV or (b) is registered as a dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and in one or more states and during any period of twelve consecutive months does not effect more than fifteen purchases or sales in this jurisdiction in any manner with persons other than those specified with respect to this jurisdiction in Part IV hereof, whether or not the dealer or any of the purchasers or sellers is then present in the jurisdiction.

(12) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered broker dealers or with institutions enumerated with respect to this jurisdiction in Part IV, or (iii) is a broker-dealer registered under the Securities Exchange Act of 1934, who has not previously had any certificate denied or revoked under the Pennsylvania Securities Act of 1972 or any predecessor statute, has no place of business in this jurisdiction and, during any period of twelve consecutive months, does not direct offers to sell or buy into this jurisdiction in any manner to persons other than registered broker-dealers or

institutions enumerated with respect to this jurisdiction in Part IV, or to more than five other customers in this jurisdiction, whether or not the offeror or any of the offerees is then present in this jurisdiction.

(13) Provided the offeror or seller (i) is licensed as a dealer or broker in this jurisdiction, (ii) is a broker-dealer registered, or, exempt from registration under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with other broker-dealers licensed or exempt from licensing in this jurisdiction or with institutions enumerated with respect to this jurisdiction in Part IV, or (b) is licensed under the securities laws of a state in which the broker-dealer maintains a place of business and such broker-dealer offers and sells in this jurisdiction to a person who is an existing customer of such broker dealer and whose principal place of residence is not in this jurisdiction.

(14) Provided the offeror or seller (i) is registered in this jurisdiction or (ii) has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with or through other broker-dealers registered or licensed in this jurisdiction or with institutions enumerated with respect to this jurisdiction in Part IV or (b) is licensed under the securities laws of the state in which the broker-dealer maintains a place of business if the broker-dealer offers and sells in this jurisdiction to persons who are existing customers of such broker-dealer and who represent that they have no principal place of residence in this jurisdiction.

(15) Provided the offeror or seller (i) is registered or licensed as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and is registered as a broker dealer with the Securities and Exchange Commission or the National Association of Securities Dealers, Inc. who effects transactions in this jurisdiction exclusively with or through registered or licensed broker dealers or with institutions enumerated with respect to this jurisdiction in Part IV and during any period of twelve consecutive months does not effect more than fifteen transactions is securities from, in, or into this jurisdiction other than to persons described herein.

(16) Provided the offeree or purchaser is a dealer or broker actually engaged in buying and selling securities as a business.

(17) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects trans-

actions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in Part IV, or (iii) during any period of twelve consecutive months does not direct more than fifteen offers to sell or buy into this jurisdiction in any manner to persons other than those specified in Part IV, whether or not the offeror or any of the offerees is then present in this jurisdiction.

(18) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in Part IV, or (iii) has no place of business in this jurisdiction, and during any period of twelve consecutive months, does not direct more than fifteen offers to sell or to buy in this jurisdiction in any manner to persons other than those specified in Part IV.

(19) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) effects transactions in this jurisdiction exclusively for the account of registered broker dealers or with institutions enumerated with respect to this jurisdiction in Part IV.

IV

SALES TO CERTAIN INSTITUTIONS

In addition to the **offers** and **sales** of the Bonds which may be made as indicated in Part I herein, **offers** and **sales** of the Bonds may be made **in any amount** to the specified institutions in the following jurisdictions, subject to the qualifications indicated in the Bonds, without registration of the Bonds or any filings being made to qualify the Bonds in the respective jurisdictions. Subject to the qualifications indicated in the Bonds, such **offers** and **sales** may be made by dealers or brokers registered or licensed in the respective jurisdictions and by persons not so registered or licensed. The status of the Bonds with respect to eligibility for investment by the institutions mentioned herein is not covered in this Preliminary Survey.

Alabama	Any bank, savings institution, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Connecticut(7) . . .	Any state bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Delaware(7)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.
District of Columbia(7)	Any bank, savings institution, trust company, insurance company, or investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether acting for themselves or in some fiduciary capacity.
Florida	Any bank or trust company, savings institution, insurance company, investment company as defined by the Investment Company Act of 1940, or pension or profit-sharing trust, or qualified institutional buyer as defined by rule of the Florida Department of Banking and Finance in accordance with Securities and Exchange Commission Rule 144A, whether any of such entities is acting in its individual or fiduciary capacity, provided that such offer or sale of the securities is not for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of the Florida Securities and Investor Protection Act.
Georgia	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment

	Company Act of 1940 as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, or other financial institution, whether the purchaser is acting for itself or in some fiduciary capacity.
Guam(2)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether, the purchaser is acting for itself or in some fiduciary capacity.
Hawaii(2)(8)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Idaho	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Illinois(9)	Any corporation, bank, savings bank, savings institution, trust company, insurance company, building and loan association, pension fund or pension trust, employees' profit-sharing trust, other financial institution or institutional investor, government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; any trust in respect of which a bank or trust company is trustee or co-trustee; any entity in which at least 90% of the equity is

	owned by persons described under subsection C, D, H, or S of Section 4 of the Illinois Securities Law of 1953 (the "Act"); or any employee benefit plan within the meaning of Title I of the Federal ERISA Act if (i) the investment decision is made by a plan fiduciary as defined in Section 3(21) of the Federal ERISA Act and such plan fiduciary is either a bank, insurance company, registered investment adviser or an investment adviser registered under the Federal 1940 Investment Advisers Act, or (ii) the plan has total assets in excess of $5,000,000, or (iii) in the case of a self-directed plan, investment decisions are made solely by persons that are described under subsection C, D, H or S of Section 4 of the Illinois Securities Law, or to any plan established and maintained by, and for the benefit of the employees of any state or political subdivision or agency or instrumentality thereof if such plan has total assets in excess of $5,000,000, or to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, any Massachusetts or similar business trust, or any partnership, if such organization, trust, or partnership has total assets in excess of $5,000,000.
Indiana(7)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in a fiduciary capacity.
Iowa(10)	Any bank, savings and loan association, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in a fiduciary capacity. However, the Iowa Administrator, by rule or order, may

	grant this exemption to a person or class of persons based upon the factors of financial sophistication, net worth, and the amount of assets under investment.
Kansas	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.
Kentucky	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Louisiana	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, or other financial institution, whether the purchaser is acting for itself or in some fiduciary capacity.
Maine(11)(12)	Any financial and institutional investor.
Maryland(2)	Any investment company as defined in the Investment Company Act of 1940; an investment advisor with assets under management of not less than $1,000,000; a bank; trust company; savings and loan association; insurance company; employee benefit plan with assets of not less than $1,000,000; governmental agency or instrumentality, whether acting for itself or as a trustee or as a fiduciary with investment control or other institutional investor as designated by rule or order of the Maryland Securities Commissioner.

Massachusetts(2)(13)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Michigan(2)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940; the Federal National Mortgage Association, the Federal Home Loan Mortgage Association or the Government National Mortgage Association; pension or profit-sharing trust, the assets of which are managed by an institutional manager; the Treasurer of the State of Michigan, other financial institution, whether the purchaser is acting for itself or in some fiduciary capacity, or a lender approved by the Federal Housing Administration and who has satisfied any additional requirements established by the Michigan Securities administrator by rule or order.
Minnesota(7)(14) . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Mississippi(2) . . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Missouri(2)(15) . . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial

	institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Montana	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Nebraska(16)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Nevada(17)(18) . . .	Any financial or institutional investor.
New Hampshire(7) . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
New Jersey(2)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
New Mexico(19)(20) .	Any financial or institutional investor.
New York	Any state or national bank, trust company or savings institution incorporated under the laws and subject to the examination, supervision and control of any state or of the United States or of any insular possession thereof, corporation, insurance company, investment company as defined in the

	Investment Company Act of 1940, pension or profit sharing trust or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
North Carolina(21) .	Any corporation which has a net worth in excess of $1,000,000 as determined by generally accepted accounting principles; bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
North Dakota	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust or other financial institution or institutional buyer.
Ohio	Any corporation, bank, insurance company, pension fund or pension fund trust, employees' profit-sharing fund or employees' profit-sharing trust, or any association engaged, as a substantial part of its business or operations, in purchasing or holding securities, or any trust in respect of which a bank is trustee or co-trustee, whether the purchaser is acting for itself or in some fiduciary capacity.
Oklahoma(1)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Oregon	Any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or

	institutional buyer (including but not limited to (i) the Federal National Mortgage Association; (ii) the Federal Home Loan Mortgage Corporation; (iii) the Federal Housing Administration; (iv) the United States Veterans Administration; (v) the Government National Mortgage Association or (iv) a mortgage broker or mortgage banker), whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions.
Pennsylvania(22)(23)	Any institutional investor, whether the buyer is acting for itself or in some fiduciary capacity.
Puerto Rico(1) . . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional purchaser whether the purchaser is acting for itself or in some fiduciary capacity.
Rhode Island (24) . .	Any financial or institutional investor.
South Carolina(1) . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether the purchaser is acting for itself or in some fiduciary capacity.
South Dakota(25) . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether the purchaser is acting for itself or in some fiduciary capacity.
Tennessee(26)	Any bank, trust company, insurance company, investment company registered under the Investment Company Act of 1940, as amended, or a holding company which controls any of the foregoing, a

	trust or fund over which any of the foregoing has or shares investment discretion, or any other person engaged as a substantial part of its business in investing in securities, provided such purchaser has a net worth in excess of $1,000,000.
Texas(27) (28) . . .	Any bank, trust company, building and loan association, insurance company surety or guaranty company, savings institution, investment company as defined in the Investment Company Act of 1940, or small business investment company as defined in the Small Business Investment Act of 1958, as amended.
Utah(29)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether the purchaser is acting for itself or in some fiduciary capacity.
Vermont (30)	Any financial or institutional investor whether acting for itself or others in a fiduciary capacity.
Virginia	Any corporation, investment company or pension or profit-sharing trust.
Washington(31) . . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether the purchaser is acting for itself or in some fiduciary capacity.
West Virginia(2) . .	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether the purchaser is acting for itself or in some fiduciary capacity.

Wisconsin(32)	Any bank, savings institution, credit union, trust company, insurer, investment advisor or savings and loan association, if the purchaser is acting for itself or as trustee with investment control; investment company as defined in the Investment Company Act of 1940; pension or profit sharing trust; an individual retirement plan, including a self-employed individual retirement plan if administered by one of the foregoing; the State of Wisconsin or any agency or political subdivision thereof; the Federal government or any of its agencies or instrumentalities; any other financial institution or institutional investor designated by rule or order of the Wisconsin Securities Commissioner.
Wyoming(2)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940; pension or profit-sharing trust, or other financial institution or institutional buyer.

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(1) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part, or (iii) has no place of business in this jurisdiction and during any consecutive twelve-month period does not direct more than fifteen offers to sell or buy into this jurisdiction to persons other than broker-dealers and institutions enumerated with respect to this jurisdiction in this Part.

(2) Provided the offeror or seller (i) is registered as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part, or (iii) has no place of business in this jurisdiction and during any consecutive twelve-month period does not direct more than fifteen offers to sell or buy into this jurisdiction to persons other than broker-dealers and institutions enumerated with respect to this jurisdiction in this Part, whether or

not the offerors or offerees are then present in this jurisdiction.

(3) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction or (ii) is a broker-dealer registered under the Securities Exchange Act of 1934 who has not previously had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, has no place of business in this jurisdiction and does not direct offers to sell or buy into this jurisdiction in any manner to (a) persons other than registered broker-dealers or institutions enumerated with respect to this jurisdiction in this Part or (b) to more than fifteen customers (whether or not self-employed individual retirement plans) having an existing account with such broker-dealer prior to any offer made to them in this jurisdiction, during any twelve consecutive months, whether or not the offeror or any of the offerees is then present in this jurisdiction.

(4) The institutional investors, governmental agencies and instrumentalities designated by rule of the Commissioner of Corporations are: (a) any organization described in Section 501(c)(3) of the Internal Revenue Code, as amended December 29, 1981, which has total assets, (including endowment, annuity and life income funds) of not less than $5,000,000 according to its most recent audited financial statement; (b) any corporation which has a net worth on a consolidated basis according to its most recent audited financial statement of not less than $14,000,000; (c) any wholly-owned subsidiary of any institutional investor designated by the institutions enumerated with respect to this jurisdiction in this Part.

(5) Provided the offeror or seller (i) is registered as a broker or dealer in this jurisdiction, or (ii) is a broker or dealer registered pursuant to the Securities Exchange Act of 1934, has no place of business in this jurisdiction and the business transacted in this jurisdiction is exclusively with broker-dealers licensed or exempt from license requirements, financial or institutional investors, existing customers of the broker-dealer whose principal place of residence is not in the jurisdiction and during any twelve consecutive months, not more than five persons in this jurisdiction excluding persons otherwise described herein.

(6) The Colorado Department of Regulatory Agencies Division of Securities has defined "financial or institutional investor" to mean any of the following, whether acting for itself or others in a fiduciary capacity: (a) a depository institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company registered under

the federal Investment Company Act of 1940; (e) a business development company as defined in the federal Investment Company Act of 1940; (f) any private business development company as defined in the federal Investment Advisers Act of 1940; (g) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of five million dollars or its investment decisions are made by a named fiduciary, as defined in the federal Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the federal Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, a depository institution, or an insurance company; (h) an entity, but not an individual, a substantial part of whose business activities consist of investing, purchasing, selling, or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of five million dollars as of the end of its latest fiscal year; (i) a small business investment company licensed by the Federal small business administration under the federal Small Business Investment Act of 1958; and (j) any other institutional buyer.

(7) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part.

(8) The term "institutional buyer" includes any organization within the scope of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended. In addition, all offering materials must clearly indicate the name of the person issuing, circulating, publishing or making it and the fact that such person is issuing, circulating, publishing or making the same.

(9) The Illinois Securities Department has, by regulation, defined "institutional investor" to include, but not be limited to: (i) investment companies, universities, and other organizations whose primary purpose is to invest its own assets or those held in trust by it for others; (ii) trust accounts and individual or group retirement accounts in which a bank, trust company, insurance company or savings and loan institution acts in a fiduciary capacity; and (iii) foundations and endowment funds exempt from taxation under the Internal Revenue Code, a principal business function of which is to invest funds to produce income in order to carry out the purpose of the foundation or fund. The Illinois Securities Department has also defined "financial institution" to

include, but not be limited to, a manager of investment accounts on behalf of other than natural persons who, with affiliates, exercises sole investment discretion with respect to such accounts, provided such accounts exceed ten (10) in number and have a fair market value of not less than $10,000,000 at the end of the calendar month preceding the month during which the transaction occurred for which the exemption is utilized.

(10) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part, or (iii) during any period of twelve consecutive months, the broker-dealer does not effect transactions in this jurisdiction in any manner with more than three persons other than broker-dealers and institutions enumerated with respect to this jurisdiction in this Part, whether or not the offeror or any of the offerees is then present in this jurisdiction.

(11) Provided the offeror or seller (i) is licensed as a broker-dealer in this jurisdiction, (ii) is a broker-dealer registered under the Securities Exchange Act of 1934 and effects transactions in this jurisdiction exclusively with other broker-dealers licensed in this jurisdiction or exempt from licensing (except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers) or with institutions enumerated with respect to this jurisdiction in this Part, (iii) is a broker-dealer registered under the Securities Exchange Act of 1934 and licensed under the securities act of the state in which the broker-dealer maintains its principal place of business and has no place of business in this jurisdiction, if the broker dealer offers and sells in this jurisdiction to persons who are existing customers of the broker-dealer and represent that they have no principal place of residence in this jurisdiction, or (iv) is a depository institution engaged in its regular course of business. The term "depository institution" means: (1) a person, other than an insurance company or other organization primarily engaged in the insurance business, which is: (a) organized, chartered or holding an authorization certificate under the laws of any state or of the United States which authorizes the person to receive deposits, including a savings, share, certificate or deposit account, and (b) supervised and examined for the protection of depositors by an official or agency of any state or the United States; or (2) any trust company or other institution which is authorized by state law to exercise fiduciary powers similar to those permitted to national banks under the authority of the

United States Comptroller of the Currency, but does not include any industrial bank, Morris Plan Bank or industrial loan bank.

(12) The term "financial and institutional investor" means, but is not limited to: (i) a depository institution or a depository institution holding company; (ii) an insurance company or a separate account of an insurance company; (iii) an investment company or a business development company, as such terms are defined in the Investment Company Act of 1940; (iv) an entity, other than a natural person, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities of more than one issuer and not one of its own issue and that has gross assets in excess of $1,000,000 at the end of its latest fiscal year; (v) an employee pension and profit sharing or benefit plan other than an employee pension and profit sharing or benefit plan of the issuer, a self-employed individual retirement plan or individual retirement account (if the investment decision is made by a plan fiduciary, as defined in Section 3, subsection 21 of the Employee Retirement Income Security Act of 1974, which is either a depository institution, an insurance company or an investment adviser registered under the securities act of this jurisdiction; or the plan has total assets in excess of $5,000,000); (vi) a small business investment company licensed by the United States Small Business Administration under the United States Small Business Investment Act of 1958, Section 301(c) or (d); or (vii) an entity organized and operated not for private profit, as described in the United States Internal Revenue Code, Section 501(c)(3) with total assets in excess of $5,000,000. A person may be a financial and institutional investor whether acting for itself or others in a fiduciary capacity.

(13) The term "institutional buyer" includes, but is not limited to, (i) any Small Business Investment Company licensed by the U.S. Small Business Administration under the Small Business Administration Act of 1958, as amended; (ii) any private business development company as defined in Section 202 (a)(22) of the Investment Advisors's Act of 1940, as amended (the "Act"); (iii) any Business Development Company as defined in Section 2(a)(48) of the Act ; (iv) any entity with total assets in excess of $5,000,000 and which is either (a) a company (whether a corporation, a Massachusetts or similar business trust or partnership) not formed for the specific purpose of acquiring the securities offered, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and with investment decisions made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investment or (b) an

organization described in Section 501 (c)(3) of the Internal Revenue Code and (v) a Qualified Institutional Buyer as defined in 17 CFR 230.144A (a).

(14) The term "financial institution or institutional buyer" includes but is not limited to (i) a corporation with a class of equity securities registered under Section 12(b) or Section 12(g) of the Securities and Exchange Act of 1934, as amended, and (ii) a person who is an "accredited investor" within the meaning of rule 501(a) of Regulation D, adopted by the Securities and Exchange Commission.

(15) The Missouri Office of the Secretary of State has, by regulation, defined "financial institution or institutional buyer" to include (i) an endowment or trust fund of a charitable organization specified in section 170(b)(1)(A) of the Internal Revenue Code; (ii) an issuer which has any class of securities registered under section 12 of the Securities Exchange Act of 1934, and any wholly owned subsidiary thereof; and (iii) any other corporation, partnership or association which has been in existence for ten (10) years or whose net assets exceed five hundred thousand dollars ($500,000), and whose principal purpose, as stated in its articles, bylaws or other organizational instrument, is investing in securities, and has, by regulation, defined "pension or profit-sharing trust" to mean a trust, the assets of which are managed by a bank or trust company or other institutional manager.

(16) The Nebraska Department of Banking and Finance, Bureau of Securities has, by interpretative opinion, defined "financial institution or institutional buyer" to include: (i) any bank as defined in Section 3(a)(2) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; (ii) any insurance company as defined in Section 2(13) of the Securities Act of 1933; (iii) any business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940; and (iv) any small business investment company licensed by the United States Small Business Administration pursuant to Section 301(c) or (d) of the Small Business Investment Company Act of 1958. "Pension or profit-sharing trust" has been defined by the Nebraska Department of Banking and Finance, Bureau of Securities to mean: (i) an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decisions are made by a "plan fiduciary" (as defined in Section 3(21) of the Employee Retirement Income Security Act of 1974) which is either a bank, insurance company, or registered investment advisor; or (ii) an employee benefit plan that has total assets in excess of $5,000,000.

(17) Provided the offeror or seller (i) is licensed as a broker-dealer in this jurisdiction; (ii) is a broker-dealer registered or, except with respect to subsection (b) hereof, exempt from registration under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with other broker-dealers licensed or exempt from licensing in this jurisdiction or with institutions enumerated with respect to this jurisdiction in this Part, (b) is licensed under the securities laws of a state in which the broker-dealer maintains a place of business and such broker-dealer offers and sells in this jurisdiction to a person who is an existing customer and whose principal place of residence is not in this jurisdiction, or (c) is licensed under the securities laws of a state in which the broker-dealer maintains a place of business and during any twelve consecutive months does not effect more than transactions with more than five persons in this jurisdiction, in addition to the transactions with institutions enumerated with respect to this jurisdiction in this Part or other broker-dealers; or (iii) is a depository institution. The term "depository institution" means: (i) a person, other than an insurance company or other organization primarily engaged in the insurance business, or a Morris plan bank, industrial loan company or a similar bank or company, unless its deposits are insured by a Federal agency, which is: (a) organized, chartered or holding an authorization certificate under the laws of a state or of the United States which authorizes the person to receive deposits, and (b) supervised and examined for the protection of depositors by an official or agency of a state or the United States; or (ii) any trust company or other institution which is authorized by Federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the United States Comptroller of the Currency, and is supervised and examined by an official or agency of a state or the United States.

(18) The term "financial institution or institutional buyer" means: (i) a depository institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) an employee pension, profit-sharing or benefit plan if: (a) its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisors Act of 1940, a depository institution or an insurance company, or (b) the plan has total assets in excess of five million dollars ($5,000,000); and (vi) any other institutional buyer.

(19) Provided the offeror or seller (i) is licensed as a broker-dealer in this jurisdiction, (ii) is a broker-dealer registered under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with other broker-dealers licensed in this jurisdiction or exempt from licensing or with institutions enumerated with respect to this jurisdiction in this Part, (iii) is a broker-dealer registered under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and is licensed under the securities act of the state in which the broker-dealer maintains a place of business, if the broker-dealer offers and sells in this jurisdiction to persons who are existing customers of the broker-dealer and whose principal place of residence is not in this jurisdiction, or (iv) is a depository institution engaged in its regular course of business. The term "depository institution" means: (i) a person, other than an insurance company or other organization primarily engaged in the insurance business, or a Morris plan bank, industrial loan company or a similar bank or company, which is: (a) organized, chartered or holding an authorization certificate under the laws of a state or of the United States which authorizes the person to receive deposits including a savings, share certificate or deposit account, and (b) regulated, supervised and examined for the protection of depositors by an official or agency of a state or the United States and is insured by the Federal depository insurance corporation, the Federal savings and loan insurance corporation or the national credit union share insurance fund; or (ii) any trust company or other institution which is authorized by Federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the United States Comptroller of the Currency, and is regulated, supervised and examined by an official or agency of a state or the United States.

(20) The term "financial or institutional investor" means, but is not limited to: (i) a depository institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) an employee pension, profit sharing or benefit plan: (a) if the plan has total assets in excess of five million dollars ($5,000,000) or (b) if investment decisions are made by a plan fiduciary as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisors Act of 1940, a depository institution or an insurance company; (vi) a business development company as defined by the Investment Company Act of 1940; (vii) a small

business investment company licensed by the United States small business administration under section 301(c) or (d) of the Small Business Development Act of 1958; (viii) an entity, other than a natural person, which is directly engaged in the business of and derives at least eighty percent of its annual gross income from investing, purchasing, selling or trading in securities of more than one issuer, and not of its own issue, and which has gross assets in excess of five million dollars ($5,000,000) at the end of its latest fiscal year; (ix) an entity organized and operated not for private profit as described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of five million dollars ($5,000,000); (x) a state, political subdivision of a state or an agency, corporate or other instrumentality of a state or political subdivision of a state; (xi) any other financial or institutional investor as the New Mexico Director of the Securities Division by rule or order designates.

(21) Provided that the offeror or seller (i) is registered or licensed in this jurisdiction, or (ii) has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively through other broker-dealers registered or licensed in the jurisdiction or with institutions enumerated with respect to this jurisdiction in this Part or (b) is registered as a dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and in one or more states and during any period of twelve consecutive months does not effect more than fifteen purchases or sales in this jurisdiction in any manner with persons other than those specified with respect to this jurisdiction in this Part, whether or not the dealer or any of the purchasers or sellers is then present in the jurisdiction.

(22) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered broker-dealers or with institutions enumerated with respect to this jurisdiction in this Part, or (iii) is a broker-dealer registered under the Securities Exchange Act of 1934, who has not previously had any certificate denied or revoked under the Pennsylvania Securities Act of 1972 or any predecessor statute, has no place of business in this jurisdiction and, during any period of twelve consecutive months, does not direct offers to sell or buy into this jurisdiction in any manner to persons other than registered broker-dealers or institutions enumerated with respect to this jurisdiction in this Part or to more than five other customers in this jurisdiction, whether the offeror or any of the offerees is then present in this jurisdiction.

(23) The Pennsylvania Securities Commission has, by regulation, defined "institutional investor" to include: (a) a corporation or business trust or a wholly-owned subsidiary of such person which has been in existence for eighteen (18) months and which has a tangible net worth on a consolidated basis, as reflected in its most recent audited financial statements, of $10,000,000 or more; (b) a college, university or other public or private institution which has received exempt status under §501(c)(3) of the Internal Revenue Code of 1954 and which has a total endowment or trust funds (including annuity and life income funds) of $5,000,000 or more according to its most recent audited financial statements provided that the aggregate dollar amount of securities being sold to the person under the exemption contained in Section 203(c) of the Pennsylvania Securities Act of 1972 and Title 64 of the Pennsylvania Code, as amended; (c) a wholly-owned subsidiary of a bank (as defined in the Pennsylvania Securities Act of 1972); (d) a person, except an individual or an entity whose security holders consist entirely of one individual or group of individuals who are related, which is organized primarily for the purpose of purchasing, in non-public offerings, securities of corporations or issuers engaged in research and development activities in conjunction with a corporation and which complies with one of the following: (i) has purchased $5,000,000 or more of the securities excluding both of the following: (A) a purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the corporation's voting securities, but securities purchased under a leveraged buy-out financing in which the person does not intend to provide direct management to the issuer, is not excluded and (B) a dollar amount of purchase of securities of a corporation which investment represents more than 20% of the person's net worth; (ii) is capitalized at $2,500,000 or more and is controlled by an individual controlling a person which meets the criteria contained in subparagraph (i); (iii) is capitalized at $10,000,000 or more and has purchased $500,000 or more of the securities, excluding a purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the corporation's voting securities; or (iv) is capitalized at $250,000 or more and is a side by side fund as defined in the Pennsylvania Code, as amended; (e) a Small Business Investment Company as defined in the Small Business Investment Act of 1958, which either has a total capital of $1,000,000 or more, or is controlled by institutional investors (as defined in the Pennsylvania Securities Act of 1972); (f) a Seed Capital Fund as defined and authorized in the Small Business Incubators Act; (g) a Business Development Credit Corporation, as authorized by the Business Development Credit Corporation Law; (h) a person whose security holders consist solely of institutional investors or broker-dealers; or (i) a person as to which the issuer believed qualified as

an institutional investor under Section 102.111 of the Pennsylvania Code at the time of the offer or sale of the securities on the basis of written representations made to the issuer by the purchaser.

(24) Provided the offeror or seller (i) is licensed as a dealer or broker in this jurisdiction, (ii) is a broker-dealer registered, or, exempt from registration under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with other broker-dealers licensed or exempt from licensing in this jurisdiction or with institutions enumerated with respect to this jurisdiction in this Part, or (b) is licensed under the securities laws of a state in which the broker-dealer maintains a place of business and such broker-dealer offers and sells in this jurisdiction to a person who is an existing customer of such broker dealer and whose principal place of residence is not in this jurisdiction. The General Laws of Rhode Island, 1956, as amended defines the term "financial or institutional investor" to include: (a) a depository institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) an employee pension, profit sharing or benefit plan if the plan has total assets in excess of five million dollars ($5,000,000), or if investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution or an insurance company; and (f) any other institutional buyer, whether acting for itself or another in a fiduciary capacity.

(25) Provided the offeror or seller (i) is registered in this jurisdiction or (ii) has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with or through other broker-dealers registered or licensed in this jurisdiction or with institutions enumerated with respect to this jurisdiction in this Part or (b) is licensed under the securities laws of the state in which the broker-dealer maintains a place of business if the broker-dealer offers and sells in this jurisdiction to persons who are existing customers of such broker-dealer and who represent that they have no principal place of residence in this jurisdiction. The term "financial institution or institutional buyer" includes: (i) an endowment or trust fund of a charitable organization specified in Section 170(b)(1)(A) of the Internal Revenue Code; (ii) an issuer which has a class of securities registered under Section 12 of the Securities Exchange Act of

1934 and any wholly owned subsidiary of such an issuer; and (iii) any other corporation, partnership, or association which has been in existence for 10 years or whose net assets exceed $500,000 and whose principal purpose, as stated in its articles, by-laws, or other organizational instrument, is investing in securities. Nothing in this rule shall be construed to exempt any offer or sale to a natural person or the individual retirement account or self-directed Keogh plan of a natural person.

(26) Provided the offeror or seller (i) is registered or licensed as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and is registered as a broker-dealer with the Securities and Exchange Commission or the National Association of Securities Dealers, Inc. who effects transactions in this jurisdiction exclusively with or through registered or licensed broker-dealers or with institutions enumerated with respect to this jurisdiction in this Part and during any period of twelve consecutive months does not effect more than fifteen transactions in securities from, in, or into this jurisdiction other than to persons described herein.

(27) Provided that the offeree or purchaser is a dealer or broker actually engaged in buying and selling securities as a business.

(28) The term "savings institution" includes any federally chartered credit union or savings and loan association, and any credit union or savings and loan association chartered under the laws of any state of the United States.

(29) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part, or (iii) during any period of twelve consecutive months does not direct more than fifteen offers to sell or buy into this jurisdiction in any manner to persons other than those specified in this Part, whether or not the offeror or any of the offerees is then present in this jurisdiction.

(30) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part or (iii) during any period of twelve consecutive months does not direct more than fifteen offers to sell or buy into

this jurisdiction in any manner to persons other than those specified in this Part, whether or not the offeror or any of the offerees is then present in this jurisdiction. The term "financial or institutional investor" means any of the following: (a) a depository institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) an employee pension, profit sharing or benefit plan if the plan has total assets in excess of $5,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, a depository institution or an insurance company; or (f) any other financial institutional buyer which qualifies as an accredited investor by the Securities and Exchange Commission under the Securities Act of 1933, as such provision may be amended from time to time and such other institutional buyers as the Vermont Commissioner of Banking, Insurance and Securities may add by rule or order.

(31) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part, or (iii) has no place of business in this jurisdiction, and during any period of twelve consecutive months, does not direct more than fifteen offers to sell or to buy in this jurisdiction in any manner to persons other than those specified in this Part.

(32) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) effects transactions in this jurisdiction exclusively for the account of registered broker-dealers or with institutions enumerated with respect to this jurisdiction in this Part. The Commissioner of Securities has, by rule, defined financial institutions and institutional investors to include: (a) any endowment or trust fund of a charitable organization specified in Section 170(b)(1)(A) of the Internal Revenue Code; (b) any issuer which has any class of securities registered under section 12 of the Securities Exchange Act of 1934 and any wholly owned subsidiary thereof; and (c) a venture capital company as a result of 1. operating a small business investment company licensed under the Small Business Investment Act of 1958, as amended or 2. being a corporation, partnership or association which has been in existence for five years or whose net assets exceed $250,000, and either: a. whose principal pur-

pose as stated in its articles, by-laws, or other organizational instruments is investing in securities; or b. whose primary business is investing in developmental state companies or eligible small business companies as defined in the regulations of the Small Business Administration; (d) any of the following "qualified institutional buyer" entities, whether acting for their own account or the accounts of other qualified institutional buyers listed in Section 230.144A under the Securities Act of 1933, that in the aggregate owns and invests on a discretionary basis at least $100,000,000 in securities of issuers that are not affiliated with the entity: (i) any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees; (ii) any employee benefit plan within the meaning of Title I of the Employment Retirement Income Security Act of 1974; (iii) any business development company as defined in Section 202(1)(22) of the Investment Advisers Act of 1940 or in Section 2(a)(48) of the Investment Company Act of 1940; (iv) any organization described in Section 501(c)(3) of the Internal Revenue Code, or any corporation (other than a bank as defined in Section 3(a)(2) of the Securities Act of 1933 or a savings and loan association or other institution referenced in Section 3(a)(5)(A) of the Securities Act of 1933, or a foreign bank or savings and loan association or equivalent institution); (v) any partnership or Massachusetts or similar business trust; or (e) any entity, all of the equity owners of which are persons designated in Section 551.23(8) of the rules of the Wisconsin Commissioner of Securities.

$436,289,659.15
CITY OF OAKLAND, CALIFORNIA
TAXABLE PENSION OBLIGATION BONDS,
SERIES 1997, SUB-SERIES A AND SUB-SERIES B

PURCHASER'S RECEIPT FOR BONDS

PaineWebber Incorporated, as representative of the underwriters named in that certain Purchase Contract dated as of February 13, 1997 relating to the above-referenced Bonds (the "Underwriters") does hereby acknowledge receipt this date of the $436,289,659.15 Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B of the City of Oakland (the "Bonds"). The Underwriters also acknowledge that the Official Statement dated February 13, 1997 relating to the Bonds has been filed with the Municipal Securities Rulemaking Board ("MSRB") in accordance with MSRB Rule G-36.

Date: February 25, 1997.

PAINEWEBBER INCORPORATED

By: _____
Vice President

CITY OF OAKLAND

ONE CITY HALL PLAZA • 6TH FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Attorney
Jayne W. Williams
City Attorney

(510) 238-3601
FAX: (510) 238-6500
TDD: (510) 839-6451

February 25, 1997

City Council
Oakland, California

Paine Webber Incorporated, as representative of the Underwriters of the within-mentioned Bonds
San Francisco, California

Dear Ladies and Gentlemen:

As City Attorney to the City of Oakland, California (the "City"), a municipal corporation created, organized and existing pursuant to a freeholders' charter adopted under the laws of the State of California, in connection with the issuance and sale of $436,289,659.15 aggregate principal amount of Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (the "Series 1997 Bonds") issued by the City on this date, I have examined City Ordinance No. 11851, codified as Chapter 20 of the Oakland Municipal Code (the "Ordinance"), the First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1997 between the City and Texas Commerce Bank as Trustee (the "Trustee"), supplementing and amending that certain Master Trust Agreement dated as of February 1, 1997 (the "Master Trust Agreement"), by and between the City and the Trustee (collectively, the First Supplemental Trust Agreement being referred to herein, together with the Master Trust Agreement as the "Trust Agreement"); Resolution No. 72446 and Resolution No. 72447, adopted by the City Council on February 6, 1996, Resolution No. 73119, adopted by the City Council on December 17, 1996 and Resolution No. 73256, adopted by the City Council on February 4, 1997 (collectively, the "Resolutions") and the Official Statement dated February 13, 1997 of the City relating to the Series 1997 Bonds (the "Official Statement"). I have made such other investigations of law and fact as I have deemed necessary to render the following opinion.

It is my opinion that:

(i) The City is a municipal corporation of the State of California (the "State") duly organized and validly existing under the City Charter approved by the electorate of the City on November 5, 1968 and ratified and approved by the Secretary of State of the State of California on January 28, 1969, as amended (the "City Charter"), and has full legal right, power and authority under the City Charter and the Ordinance: (a) to enter into the Master Trust Agreement, the First Supplemental Trust Agreement and the Funding Agreement, (b) to sell, issue and deliver the Series 1997 Bonds to the purchasers thereof, (c) to carry out and consummate the transactions contemplated by the Resolutions and the Official Statement, (d) to deposit a portion of the Bond proceeds with the System in accordance with the Ordinance, the Funding Agreement and the Trust Agreements;

(ii) The City has complied, and is in compliance, with the terms of the City Charter and the Ordinance as they pertain to the transactions set forth in subparagraph (i) above:

(iii) By all necessary official action of the City, the City has duly adopted the Ordinance and the Resolutions, and has duly authorized and approved the execution and delivery of the Trust Agreements and the Funding Agreement, and the performance by the City of the obligations on its part contained in, the Series 1997 Bonds, the Resolutions and the Trust Agreements and the consummation by it of all other transactions contemplated by the Resolutions, the Trust Agreements, and Funding Agreement, each of which constitute legal, valid and binding obligations of the City enforceable in accordance with the terms thereof, subject to the provisions of bankruptcy or other similar laws affecting creditors' rights generally;

(iv) To the best of my knowledge, after due inquiry, the City is not in breach of or default under any applicable constitutional provisions, law or administrative regulations of the State or the United States or any applicable judgment or decree or any ordinance, resolution, agreement or other instrument to which the City is a party or to which the City or the property or assets of the City are subject, and no event has occurred and is continuing which constitutes or, with the passage of time or the giving of notice, or both, would constitute a

default or event of default by the City under any such proceeding, agreement or instrument; and the execution and delivery of the Series 1997 Bonds and the Funding Agreement, and the execution and delivery of the Resolutions and the Trust Agreements, and compliance with the provisions on the City's part contained therein, will not conflict with or constitute a breach of or default by the City under any constitutional provision, law, administrative regulation, judgment, decree, ordinance, resolution, agreement or other instrument to which the City is a party or to which the City or the property or assets of the City are otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation, proceedings or instrument, except as provided in the Series 1997 Bonds and the Trust Agreements;

(v) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to my actual knowledge, threatened against the City, (a) questioning the corporate existence of the City or the titles of its officers to their respective offices, (b) the validity or enforceability of the Series 1997 Bonds, the Trust Agreements or the Funding Agreement, or the power and authority of the City to issue or deliver the Series 1997 Bonds, the Trust Agreements or the Funding Agreement, or to collect the Tax Override Revenues (as defined in the Trust Agreements), or the security interest or the pledge and lien on the Tax Override Revenues (as defined in the Trust Agreements), (c) the validity of the Ordinance, Resolutions or the City Charter, or the tax status of the Series 1997 Bonds, or in any way the completeness or accuracy of the Official Statement or any supplement or amendment thereto, (d) the authority of the City to levy and collect the Tax Override Revenues or any portion of its general property tax, or to fix, charge and collect rates for the services and facilities of the City as described in the Official Statement, nor, to my knowledge, is there any basis therefor (except as described in the Official Statement).

Except as otherwise defined herein, the capitalized terms used herein shall have the respective meanings set forth with respect thereto in the Trust Agreements.

I am furnishing this opinion solely for your benefit. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose, except as expressly permitted in writing.

Very truly yours,

JAYNE W. WILLIAMS
City Attorney

PRESTON GATES & ELLIS LLP
ATTORNEYS

February 25, 1997

City Council
City of Oakland, California

Re: $436,289,659.15, City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Subseries A and Subseries B

Members of the City Council:

We have examined a record of proceedings relating to the issuance and delivery on the date hereof by the City of Oakland, California (the "City") of $436,289,659.15 aggregate principal amount of Taxable Pension Obligation Bonds, Series 1997, Subseries A and Subseries B (collectively, the "Series 1997 Bonds"). The Series 1997 Bonds have been issued pursuant to Section 218 and Article XXVI (referred to herein as the "Retirement Law") of the Charter of the City adopted by the electorate of the City on November 5, 1968, as amended; Ordinance No. 11851, adopted by the Council of the City on January 23, 1996 and now codified as Chapter 20 of the Oakland Municipal Code (the "PFRS Pension Obligations Bond Law"), to establish a program for the financing and refinancing of the City's obligations to the Police and Fire Retirement System (the "System") under the Retirement Law; authorizing resolutions of the Council adopted on February 6, 1996 and February 4, 1997; a Master Trust Agreement dated as of February 1, 1997 (the "Master Trust Agreement"), by and between the City and Texas Commerce Bank National Association, Houston, Texas, as trustee (the "Trustee") and a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1996 between the City and the Trustee, supplementing and amending the Master Trust Agreement (collectively, the Master Trust Agreement and the First Supplemental Trust Agreement being referred to herein collectively as the "Trust Agreement").

The Series 1997 Bonds are issued to fund the payment to the System of the balance of the City's normal contribution owed to the System under the Retirement Law for the fiscal year 1996-97, to refund a portion of the City's outstanding unfunded pension liability to the System under the Retirement Law, both such amounts being represented by the 1997 Debenture (as defined in the First Supplemental Trust Agreement), and to pay costs and expenses incidental to the issuance of the Series 1997 Bonds. Capitalized terms used herein and not defined shall have the meanings given such terms in the Trust Agreement.

The Series 1997 Bonds are secured under the Trust Agreement by a covenant by the City of payment of principal and interest thereon from the general revenues of the City and, in the case of the Subseries A Bonds only, are further secured by a pledge of Tax Override Revenues levied and collected by the City within each fiscal year, net of certain collection and

administrative costs (the "Pledged Revenues"). The City reserves the right to issue additional bonds secured by the Pledged Revenues on a parity with the Series 1997 Bonds as stated in the Trust Agreement. In addition, the City has the unrestricted right to incur additional debt and liabilities payable from its general revenues.

We have also examined originals, or copies authenticated or otherwise identified to our satisfaction, of such other agreements, documents and certificates of public officials and representatives of the City, and we have made such investigation of law and of facts as we have deemed necessary or advisable for purposes of the opinions herein expressed.

Based upon the foregoing, we are of the opinion that:

(1) The City is authorized and empowered by law to execute and deliver the Master Trust Agreement and the First Supplemental Trust Agreement, to issue the Series 1997 Bonds, to use the proceeds from the sale thereof for the purposes stated in the First Supplemental Trust Agreement, to pledge the Pledged Revenues to the payment of the Series 1997, Subseries A Bonds and to carry out its obligations under the Master Trust Agreement and the First Supplemental Trust Agreement.

(2) The Master Trust Agreement, the Funding Agreement and the First Supplemental Trust Agreement have been duly authorized and approved by the City Council in accordance with law and constitute the legal, valid and binding obligations of the City enforceable in accordance with their terms.

(3) The Series 1997 Bonds have been duly and validly authorized, executed and delivered in accordance with law and are the legal, valid and binding obligations of the City. The Series 1997 Bonds are enforceable in accordance with their terms and the terms of the Trust Agreement and are entitled to the benefits of the Trust Agreement. The Series 1997 Bonds are general obligations of the City and are not limited as to payment from any special source of funds of the City. The Series 1997, Subseries A Bonds are secured by a pledge of the Pledged Revenues, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

(4) The Trust Agreement creates a valid lien upon the Pledged Revenues and certain of the funds and accounts securing the Series 1997, Subseries A Bonds in accordance with, and subject to the terms of, the Trust Agreement.

(5) We are of the opinion that interest on the Series 1997 Bonds will be included in the gross income of the recipient thereof for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code"). We are also of the opinion that the Series 1997 Bonds and the interest thereon is exempt from personal income taxation in the State of California.

We express no opinion regarding any other specific federal, state or local tax consequences arising with respect to ownership of the Series 1997 Bonds. The ownership of the Series 1997 Bonds may result in collateral tax consequences to the owners thereof.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the owners of the Series 1997 Bonds may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization or moratorium or other similar laws or judicial decisions or principles of equity relating to or generally affecting the enforcement of creditor's rights or contractual obligations and limiting legal remedies against public agencies in the State of California.

Our opinion is limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is furnished by us, as bond counsel to the City, to you and is for your exclusive benefit and no other person shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

PRESTON GATES & ELLIS LLP

By 
Elizabeth C. Green

ECG:jl

opinbc1

PRESTON GATES & ELLIS LLP
ATTORNEYS

February 25,1997

City of Oakland, California
Oakland, California

PaineWebber Incorporated, as Representative of the Underwriters
of the within-referenced Bonds
San Francisco, California

Re: $436,289,659.15, City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B

Ladies and Gentlemen:

We have acted as bond counsel to the City of Oakland, California (the "City") in connection with the issuance of $436,289,659.15 aggregate principal amount of City of Oakland, California Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (the "Bonds"), in accordance with a Trust Agreement, dated as of February 1, 1997, by and between the City and Texas Commerce Bank National Association, as trustee (the "Trustee"), as supplemented and amended by a First Supplemental Trust Agreement, dated as of February 1, 1997 between the City and the Trustee (collectively, the "Trust Agreement").

All capitalized terms used but not otherwise defined herein shall, unless the context requires otherwise, have the meanings given to such terms in the Purchase Contract dated February 13, 1997 between the City and PaineWebber Incorporated, as representative of the underwriters purchasing the Bonds.

In our capacity as bond counsel, we have examined, among other things, originals or copies certified or otherwise identified to our satisfaction as being true copies of the proceedings of the City relating to the authorization of the sale and issuance of the Bonds. We have also examined such other documents as we have deemed necessary for the purpose of this opinion.

On the basis of such examination and our consideration of such questions of law as we have deemed relevant in the circumstances, we are of the opinion that:

1. The City is a political subdivision of the State of California duly and validly existing under the Constitution and laws of the State of California as a charter city pursuant to a freeholders' charter.

2. The City has full right and lawful authority to execute, issue and deliver the Bonds, to adopt the Resolution, and to enter into and perform its obligations under the Legal Documents.

3. The Legal Documents have been duly authorized by all necessary action on the part of the City and have been duly executed and delivered by the City and (assuming the due authorization, execution and delivery by the other parties thereto, if any) constitute the legally valid and binding obligations of the City, enforceable against the City in accordance with their respective terms. The Trust Agreement creates a valid lien upon the Pledged Revenues securing the Series 1997, Subseries A Bonds and certain of the funds and accounts securing the Bonds in accordance with, and subject to the terms of, the Trust Agreement.

4. The statements contained in the Official Statement on the cover pages, on the page entitled "SUMMARY OF SELECTED INFORMATION" (except under the subcaption "City of Oakland, California"), under the captions "INTRODUCTORY STATEMENT," "THE BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS," "TAX MATTERS," "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES" and "APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" insofar as such statements purport to summarize certain provisions of the Bonds, the Trust Agreement, the Funding Agreement, matters relating to the income tax treatment of interest received on the Bonds under federal and state law and information with respect to the above on the cover page, fairly and accurately summarize the information presented therein (excluding therefrom the information under captions "APPENDIX A - CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND", "APPENDIX B - CITY OF OAKLAND AUDITED FINANCIAL STATEMENTS, June 30, 1996", "APPENDIX D - CITY OF OAKLAND INVESTMENT POLICY, FISCAL YEAR 1996-1997", "APPENDIX F - FORM OF MUNICIPAL BOND INSURANCE POLICY," "APPENDIX G - FORM OF CONTINUING DISCLOSURE CERTIFICATE", "APPENDIX H - BOOK-ENTRY SYSTEM, and other financial statements and statistical data as to which no opinion is expressed).

5. The Legal Documents are exempt from registration under the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Trust Agreement Act of 1939, as amended.

Although we have not verified and are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement (except as expressly set forth in paragraph (4) above), based upon our participation in conferences during which the contents of the Official Statement were discussed, we advise you that no information came to our attention during the course of such participation which caused us to believe that the Official Statement as of its date and as of the date hereof (except for any financial or statistical data, information regarding the Depository Trust Company and its book-entry only system, information regarding the Bond Insurer and the Bond Insurance Policy and all financial and statistical data or forecasts, numbers, charts, tables, estimates, projections, assumptions and expressions of opinion included in the Official Statement, and Appendices A, B, C, D F, G and H, as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the owners of Bonds may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions or principles of equity relating to or generally affecting the enforcement of creditor's rights or contractual obligations and limiting legal remedies against public agencies in the State of California.

Our opinion is limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is furnished by us, as bond counsel to the City, to you and is for your exclusive benefit and no other person shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

Preston Gates & Ellis LLP

Elizabeth C. Green, Esq.

By
Elizabeth C. Green

ECG:jl

GREENBERG
ATTORNEYS AT LAW
TRAURIG

February 25, 1997

PaineWebber Incorporated.
as Representative of the Underwriters
1285 Avenue of the Americas
New York, New York 10019

Re: $436,289,659.15 City of Oakland, California
Taxable Pension Obligation Bonds
Series 1997

Ladies and Gentlemen:

We have acted as counsel to you, the Underwriters (the "Underwriters"), in connection with the purchase by the Underwriters of the above-captioned bonds (the "Bonds") pursuant to a Purchase Contract dated February 13, 1997, which the Underwriters entered into with the City of Oakland, California (the "City").

We are of the opinion that, based upon the information made available to us in the course of our participation in the preparation of the Official Statement dated February 13, 1997 (the "Official Statement") as counsel for the Underwriters and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, and without assuming any responsibility for the statements contained in the Official Statement, nothing has come to our attention which would cause us to believe that the Official Statement (except for the information concerning the municipal bond insurance policy, The Depository Trust Company and the information relating to the book-entry only system, the financial and statistical information included in the Official Statement and the

GREENBERG TRAURIG HOFFMAN LIPOFF ROSEN & QUENTEL
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS
CITICORP CENTER
153 EAST 53RD STREET, NEW YORK, NEW YORK 10022
212-801-9200 FAX 212-223-7161
MIAMI NEW YORK WASHINGTON, D.C.
FORT LAUDERDALE WEST PALM BEACH TALLAHASSEE ORLANDO

Appendices attached thereto, as to which we express no opinion), as of its date and as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We are also of the opinion that the Bonds are exempt from registration requirements under the Securities Act of 1933, as amended, and the Trust Indenture (as defined in said Purchase Contract) are exempt from qualification under the Trust Indenture Act of 1939, as amended.

Respectfully submitted,

Greenberg Traurig Hoffman Lipoff Rosen + Quentel

02/21/97/DUBOISPA\0135535.01

LILLICK & CHARLES LLP

Attorneys at Law

Two Embarcadero Center
San Francisco, CA 94111-3996
415 · 984 · 8200

Cables LILLICKCHS

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Facsimile
415 · 421 · 4799

February 25, 1997

Writer's Direct Dial Number
(415) 984-8200

City of Oakland, California
Oakland, California

PaineWebber Incorporated, as representative
of the underwriters for the referenced Bonds
San Francisco, California

Texas Commerce Bank National Association
600 Travis Street, Suite 1150
Houston, Texas 77002

Re: $436,289,659.15 City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B (the "Bonds")

Ladies and Gentlemen:

We have acted as counsel to Texas Commerce Bank National Association as trustee (the "Trustee") in connection with the issuance by the City of Oakland (the "Issuer") of the referenced Bonds, issued pursuant to the First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") dated as of February 1, 1997, between the Issuer and the Trustee, supplementing and amending that certain Master Trust Agreement dated as of February 1, 1997 (the "Master Trust Agreement"), by and between the City and the Trustee. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Master Trust Agreement. This opinion is delivered to you in connection with the sale and issuance of the Bonds.

In this regard, we have examined originals or copies certified or otherwise identified to our satisfaction of (i) the Master Trust Agreement, (ii) the First Supplemental Trust Agreement, (iii) the Articles of Association and Bylaws of the Trustee and (iv) such other certificates of officers of the Trustee and of public officials and other documents and instruments as we have deemed necessary in order to render the opinion herein.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America and is in good standing and qualified to do business

under the laws of the United States of America, having full corporate power and authority to enter into and perform its duties and obligations under the Master Trust Agreement and the First Supplemental Trust Agreement.

2. The Master Trust Agreement and the First Supplemental Trust Agreement have been duly authorized, executed and delivered by the Trustee and, upon execution of the other parties thereto, constitute the legal, valid and binding obligations of the Trustee enforceable against the Trustee in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws, or equitable principles relating to or limiting creditors' rights generally (regardless of whether such enforcement is considered in a proceeding in equity or at law).

3. The Bonds initially issued at closing on this date have been duly authenticated by the Trustee.

The foregoing opinion is based solely upon federal laws and the laws of the State of California. The opinion is limited to matters expressly set forth herein and no opinion may be inferred beyond matters set forth herein. Specifically, and without limitation, no opinion is rendered herein concerning the validity of the Bonds, the effect or application of federal and state securities laws or federal and state tax laws or concerning the validity, enforceability or priority of any security given to secure the payment of the Bonds.

This opinion is as of the date hereof, and we have undertaken no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein.

This opinion is furnished solely for your benefit and may not, without our express written consent, be relied upon by any other person.

Respectfully submitted,

Lillick & Charles LLP

PRESTON GATES & ELLIS LLP
ATTORNEYS

February 25, 1997

PaineWebber Incorporated, as representative
of the underwriters for the referenced Bonds
San Francisco, California

Ladies and Gentlemen:

We deliver to you herewith a copy of our final approving opinion, dated February 25, 1997 addressed to the City of Oakland, California (the "City") with respect to the City's Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B.

This letter is to confirm that you may rely on said opinion to the same extent as if it were addressed to you.

Very truly yours,

PRESTON GATES & ELLIS LLP

By Elizabeth C. Green

ECG:jl

PRESTON GATES & ELLIS LLP
ATTORNEYS

February 25, 1997

MBIA Insurance Corporation
Armonk, New York

Ladies and Gentlemen:

We deliver to you herewith a copy of our final approving opinion, dated February 25, 1997, addressed to the City Council of the City of Oakland, California (the "City") with respect to the City's Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B.

This letter will confirm that you may rely on said opinion to the same extent as if it were addressed to you.

Very truly yours,

PRESTON GATES & ELLIS LLP

By Elizabeth C. Green

ECG:jl



PRESTON GATES & ELLIS LLP

ATTORNEYS

February 25, 1997

Texas Commerce Bank National Association
Houston, Texas

Ladies and Gentlemen:

We deliver to you herewith a copy of our final approving opinion, dated February 25, 1997 addressed to the City of Oakland, California (the "City") with respect to the City's Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B.

This letter is to confirm that you may rely on said opinion to the same extent as if it were addressed to you.

Very truly yours,

PRESTON GATES & ELLIS LLP

By Elizabeth C. Green

ECG:jl

CITY OF OAKLAND

ONE CITY HALL PLAZA • 6TH FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Attorney
Jayne W. Williams
City Attorney

(510) 238-3601
FAX: (510) 238-6500
TDD: (510) 839-6451

February 25, 1997

Texas Commerce Bank National Association
600 Travis Street, Suite 1150
Houston, Texas 77002

Re: City of Oakland, Taxable Pension Obligation Bonds, Series 1997, Subseries A and Subseries B

Ladies and Gentlemen:

We deliver to you herewith a copy of our opinion, dated February 25, 1997 with respect to the above referenced Bonds issued on the date hereof by the City of Oakland, California, addressed to Paine Webber Incorporated, as representative of the purchasers of said Bonds.

This letter will confirm that you may rely on said opinion to the same extent as if it were addressed to you.

Very Truly yours,

JAYNE W. WILLIAMS
City Attorney

Enclosure

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
914 273 4545

February 25, 1997

City of Oakland
505 14th Street, 10th Floor
Oakland, California 94612

PaineWebber Incorporated
100 California Street, Suite 1200
San Francisco, California 94111

$436,289,659.15 (Original Principal Value)
$481,540,000 (Maturity Value)
City of Oakland, California
Taxable Pension Obligation Bonds
Series 1997, Sub-series A and Sub-series B

Ladies and Gentlemen:

I am Assistant General Counsel of the MBIA Insurance Corporation, a New York corporation (the "Corporation"), and have acted as counsel to the Corporation in connection with the issuance of Financial Guaranty Insurance Policy No. 23171 (the "Policy") relating to $436,289,659.15 (Original Principal Value) $481,540,000 (Maturity Value) City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B.

In so acting, I have examined a copy of the Policy and such other relevant documents as I have deemed necessary.

Based upon the foregoing, I am of the following opinion:

1. The Corporation is a stock insurance corporation, duly incorporated and validly existing under the laws of the State of New York and is licensed and authorized to issue the Policy under the laws of the State of New York and its policy form may be used in the State of California.

2. The Policy has been duly executed and is a valid and binding obligation of the Corporation enforceable in accordance with its terms except that the enforcement of the Policy may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

Frederick B. Hnat
Assistant General Counsel

Ratings Services
25 Broadway
New York, NY 10004-1064
Tel 212 208-1740
Fax 212 208-8262

Bond Insurance
Public Finance Ratings

Standard & Poor's
A Division of The McGraw-Hill Companies

February 25, 1997
Supersedes Letter Dated February 24, 1997

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504

Re: ***$436,289,659.15 (Original Principal Value) $481,540,000 (Maturity Value) City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B, dated: February 1, 1997, due: December 15, 1997-2010, (POLICY #23171)***

Ladies and Gentlemen:

Pursuant to your request for a Standard & Poor's ("S&P") rating on the subject obligations, we have reviewed the information submitted and have assigned a rating of 'AAA'.

This reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing.

Rating adjustments may result from changes in the financial position of your company or from alterations in documents governing the issue. With respect to the latter, please notify us of any changes or amendments over the term of the issue.

When using the S&P's rating, include the definition of the rating together with a statement that this may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information. This rating is not a "market rating", because it is not a recommendation to buy, hold or sell the obligations.

Please remember that complete documentation relating to this issue must be submitted no later than 90 days after the date of this letter. If you have any questions, please contact us.

Very truly yours,

Vincent Ago

aw

Ratings Services
25 Broadway
New York, NY 10004-1064
Tel 212 208-1752
Reference No.: 928075

Hyman C. Grossman
Managing Director
Public Finance Ratings

Standard & Poor's
A Division of The McGraw-Hill Companies

February 7, 1997

Ms. Janice Mazyck
Treasury Manager
City of Oakland (Treasury)
505 14th Street-10th Floor
Oakland, CA 94612

Re: ***$14,955,000 City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997 Sub-series B, dated: February 1, 1997, due: January 15, 2001 SPUR***

Dear Ms. Mazyck:

Pursuant to your request for a Standard & Poor's ("S&P") published underlying rating (SPUR) on the above captioned debt obligations, we have reviewed the information furnished to us and subject to the terms and conditions of the *MEMORANDUM OF AGREEMENT* on the reverse side hereof, have assigned an underlying rating of 'A+' to the capacity of the issuer to pay these obligations, subject to delivery of such obligations, without giving effect to the third party financial guarantee which applies to them. S&P's views the outlook for this rating over the intermediate to longer term as negative.

S&P relies on the issuer and its counsel, accountants and other experts for the accuracy and completeness of the information submitted in connection with the rating. In addition, it should be understood that the rating is not a *"market"* rating nor a recommendation to buy, hold or sell these securities. Please note that the rating, as is the case with all of S&P's municipal ratings, does not address the likelihood that interest payable on the debt may be deemed or declared includable in the gross income of Debtholders by the relevant authorities at any time.

This letter constitutes S&P's permission to you to disseminate the above-assigned rating to interested parties. In addition, in the event that this rating is disseminated to a third party, it must be clearly indicated that the rating applies only to the capacity of the issuer to pay service on a stand-alone basis without giving effect to the third party guarantee in effect on the date of this letter. S&P reserves the right to advise its own clients, subscribers, and the public of the rating.

We are pleased to have been of service to you. Our bill for the analytical work performed will be sent to you in due course. If you have any questions, please contact us.

Very truly yours,

iz

cc: Mr. R. Alexander Burnett, Senior Managing Consultant
Public Financial Management, Inc.

Ratings Services
25 Broadway
New York, NY 10004-1064
Tel 212 208-1752
Reference No.: 927634

Hyman C. Grossman
Managing Director
Public Finance Ratings

FILE COPY

Standard & Poor's
A Division of The McGraw-Hill Companies

February 7, 1997

Ms. Janice Mazyck
Treasury Manager
City of Oakland (Treasury)
505 14th Street-10th Floor
Oakland, CA 94612

Re: ***$420,650,000 City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997 Sub-series A, dated: February 1, 1997, due: January 15, 2011 SPUR***

Dear Ms. Mazyck:

Pursuant to your request for a Standard & Poor's ("S&P") published underlying rating (SPUR) on the above captioned debt obligations, we have reviewed the information furnished to us and subject to the terms and conditions of the *MEMORANDUM OF AGREEMENT* on the reverse side hereof, have assigned an underlying rating of 'A+' to the capacity of the issuer to pay these obligations, subject to delivery of such obligations, without giving effect to the third party financial guarantee which applies to them. S&P's views the outlook for this rating over the intermediate to longer term as negative.

S&P relies on the issuer and its counsel, accountants and other experts for the accuracy and completeness of the information submitted in connection with the rating. In addition, it should be understood that the rating is not a *"market"* rating nor a recommendation to buy, hold or sell these securities. Please note that the rating, as is the case with all of S&P's municipal ratings, does not address the likelihood that interest payable on the debt may be deemed or declared includable in the gross income of Debtholders by the relevant authorities at any time.

This letter constitutes S&P's permission to you to disseminate the above-assigned rating to interested parties. In addition, in the event that this rating is disseminated to a third party, it must be clearly indicated that the rating applies only to the capacity of the issuer to pay service on a stand-alone basis without giving effect to the third party guarantee in effect on the date of this letter. S&P reserves the right to advise its own clients, subscribers, and the public of the rating.

We are pleased to have been of service to you. Our bill for the analytical work performed will be sent to you in due course. If you have any questions, please contact us.

Very truly yours,

iz
cc: Mr. R. Alexander Burnett, Senior Managing Consultant
Public Financial Management, Inc.

MEMORANDUM OF AGREEMENT

RE: PUBLIC FINANCE DEBT CONTRACT RATINGS

Standard & Poor's Ratings Services (S&P) rates the creditworthiness of specific bonds or debt obligations for a fee upon written request from an issuer, or from an underwriter, financial consultant, institution or other purchaser, provided that the issuer has knowledge of the request.

The fee is based on the time and effort to determine the rating and accrues upon completion or termination of the rating process and is not contingent upon the sale of the bonds or debt obligations. The fee is not a payment to circulate, disseminate or publicize the rating. However, S&P has the right to disseminate the rating to its own customers and subscribers or through its own or other media. Expenses incurred, such as those for meetings outside S&P's offices or for field trips , are also payable to S&P.

The Applicant agrees to provide or otherwise furnish to S&P all pertinent information in a timely manner together with all subsequent material changes in and additions to such information prior to, at the time of, and subsequent to the assignment of the rating. S&P should also be informed of any subsequent swap or derivative transactions. Failure to furnish information in a timely manner may result in no rating or withdrawal of the rating. S&P relies on the party submitting such information for its accuracy and completeness and substantiation thereof.

It is understood that the rating is an evaluation of the information submitted and does not involve an audit by S&P. S&P has the right to raise, lower, suspend or withdraw the rating at any time, in its sole discretion, depending on the information S&P then has, or the lack thereof, or other circumstances, including, but not limited to, issuance of new bonds or debt obligations by the issuer, all without notice.

Neither party may assign this agreement without the consent of the other party.

CORPORATE AND PUBLIC FINANCE DEBT RATINGS DEFINITIONS

Long-term debt

A Standard & Poor's corporate or public finance debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors, insurers, or lessees.

The debt rating is not a recommendation to purchase, sell, or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor.

The ratings are based on current information furnished by the issuer or obtained by S&P from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of, such information, or for other circumstances.

The ratings are based, in varying degrees, on the following considerations:

1. Likelihood of default—capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;
2. Nature of and provisions of the obligation;
3. Protection afforded by, and relative position of, the obligation in the event of bankruptcy reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditor's rights.

AAA Debt rated 'AAA' has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA Debt rated 'AA' has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A Debt rated 'A' has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB Debt rated 'BBB' is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Speculative grade rating definitions

Debt rate 'BB' 'B' 'CCC' 'CC' 'C' is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. 'BB' indicates the least degree of speculation and 'C' the higher. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions.

BB Debt rated 'BB' has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

B Debt rate 'B' has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal.

The 'B' rating category.y is also used for debt subordinated to senior debt that is assigned an actual or implied 'BB' or 'BB—' rating.

CCC Debt rated 'CCC' has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

CC The rating 'CC' is typically applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC—' debt rating.

C The rating 'C' is typically applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC—' debt rating.

CI The rating 'CI' is reserved for income bonds on which no interest is being paid.

D Debt rated 'D' is in payment default. The "D" rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus to show relative standings within the major ratings categories.

Provisional Ratings: The letter "p" indicates that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. The investor should exercise judgement with respect to such likelihood and risk.

*Continuance of the rating is contingent upon S&P receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flow.

r The 'r' is attached to highlight derivative, hybrid, and certain other obligations that S&P believes may experience high volatility or high variability in expected returns due to non-credit risks.

The absence of an 'r' symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.

Note Ratings

A Standard & Poor's note rating reflects the liquidity concerns and market access risks unique to notes. Notes due in 3 years or less will likely receive a note rating. Notes maturing beyond 3 years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment:

—Amortization schedule (the larger the final maturity relative to other maturities the more likely it will be treated as a note).

—Source of payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.)

Note rating symbols are as follows:

SP-1 Very strong or strong capacity to pay principle and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest.

SP-3 Speculative capacity to pay principal and interest.

Dual Ratings

Standard & Poor's assign "dual" ratings to all debt issues that have as part of their structure a put option or demand feature.

The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term debt rating symbols are used for bonds to denote the long-term maturity and the commercial paper rating symbols for the put option (for example, 'AAA/A-1+'). With short-term demand debt, the note rating symbol is used with the commercial paper rating (for example, 'SP-1+/A-1+').

Ratings Services
25 Broadway
New York, NY 10004-1064
Tel 212 208-1752
Reference No.: 928075

Hyman C. Grossman
Managing Director
Public Finance Ratings

FILE COPY

Standard & Poor's
A Division of The McGraw-Hill Companies

February 7, 1997

Ms. Janice Mazyck
Treasury Manager
City of Oakland (Treasury)
505 14th Street-10th Floor
Oakland, CA 94612

Re: ***$14,955,000 City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997 Sub-series B, dated: February 1, 1997, due: January 15, 2001 SPUR***

Dear Ms. Mazyck:

Pursuant to your request for a Standard & Poor's ("S&P") published underlying rating (SPUR) on the above captioned debt obligations, we have reviewed the information furnished to us and subject to the terms and conditions of the *MEMORANDUM OF AGREEMENT* on the reverse side hereof, have assigned an underlying rating of 'A+' to the capacity of the issuer to pay these obligations, subject to delivery of such obligations, without giving effect to the third party financial guarantee which applies to them. S&P's views the outlook for this rating over the intermediate to longer term as negative.

S&P relies on the issuer and its counsel, accountants and other experts for the accuracy and completeness of the information submitted in connection with the rating. In addition, it should be understood that the rating is not a *"market"* rating nor a recommendation to buy, hold or sell these securities. Please note that the rating, as is the case with all of S&P's municipal ratings, does not address the likelihood that interest payable on the debt may be deemed or declared includable in the gross income of Debtholders by the relevant authorities at any time.

This letter constitutes S&P's permission to you to disseminate the above-assigned rating to interested parties. In addition, in the event that this rating is disseminated to a third party, it must be clearly indicated that the rating applies only to the capacity of the issuer to pay service on a stand-alone basis without giving effect to the third party guarantee in effect on the date of this letter. S&P reserves the right to advise its own clients, subscribers, and the public of the rating.

We are pleased to have been of service to you. Our bill for the analytical work performed will be sent to you in due course. If you have any questions, please contact us.

Very truly yours,

iz
cc: Mr. R. Alexander Burnett, Senior Managing Consultant
Public Financial Management, Inc.

MEMORANDUM OF AGREEMENT

RE: PUBLIC FINANCE DEBT CONTRACT RATINGS

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The fee is based on the time and effort to determine the rating and accrues upon completion or termination of the rating process and is not contingent upon the sale of the bonds or debt obligations. The fee is not a payment to circulate, disseminate or publicize the rating. However, S&P has the right to disseminate the rating to its own customers and subscribers or through its own or other media. Expenses incurred, such as those for meetings outside S&P's offices or for field trips , are also payable to S&P.

The Applicant agrees to provide or otherwise furnish to S&P all pertinent information in a timely manner together with all subsequent material changes in and additions to such information prior to, at the time of, and subsequent to the assignment of the rating. S&P should also be informed of any subsequent swap or derivative transactions. Failure to furnish information in a timely manner may result in no rating or withdrawal of the rating. S&P relies on the party submitting such information for its accuracy and completeness and substantiation thereof.

It is understood that the rating is an evaluation of the information submitted and does not involve an audit by S&P. S&P has the right to raise, lower, suspend or withdraw the rating at any time, in its sole discretion, depending on the information S&P then has, or the lack thereof, or other circumstances, including, but not limited to, issuance of new bonds or debt obligations by the issuer, all without notice.

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CORPORATE AND PUBLIC FINANCE DEBT RATINGS DEFINITIONS

Long-term debt

A Standard & Poor's corporate or public finance debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors, insurers, or lessees.

The debt rating is not a recommendation to purchase, sell, or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor.

The ratings are based on current information furnished by the issuer or obtained by S&P from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of, such information, or for other circumstances.

The ratings are based, in varying degrees, on the following considerations:

1. Likelihood of default—capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;
2. Nature of and provisions of the obligation;
3. Protection afforded by, and relative position of, the obligation in the event of bankruptcy reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditor's rights.

AAA Debt rated 'AAA' has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA Debt rated 'AA' has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A Debt rated 'A' has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB Debt rated 'BBB' is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Speculative grade rating definitions

Debt rate 'BB' 'B' 'CCC' 'CC' 'C' is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. 'BB' indicates the least degree of speculation and 'C' the higher. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions.

BB Debt rated 'BB' has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

B Debt rate 'B' has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal.

The 'B' rating category.y is also used for debt subordinated to senior debt that is assigned an actual or implied 'BB' or 'BB—' rating.

CCC Debt rated 'CCC' has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

CC The rating 'CC' is typically applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC—' debt rating.

C The rating 'C' is typically applied to debt subordinated to senior debt which is assigned an actual or implied 'CCC—' debt rating.

CI The rating 'CI' is reserved for income bonds on which no interest is being paid.

D Debt rated 'D' is in payment default. The "D' rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus to show relative standings within the major ratings categories.

Provisional Ratings: The letter "p" indicates that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. The investor should exercise judgement with respect to such likelihood and risk.

*Continuance of the rating is contingent upon S&P receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flow.

r The 'r' is attached to highlight derivative, hybrid, and certain other obligations that S&P believes may experience high volatility or high variability in expected returns due to non-credit risks.

The absence of an 'r' symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.

Note Ratings

A Standard & Poor's note rating reflects the liquidity concerns and market access risks unique to notes. Notes due in 3 years or less will likely receive a note rating. Notes maturing beyond 3 years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment:

—Amortization schedule (the larger the final maturity relative to other maturities the more likely it will be treated as a note).

—Source of payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.)

Note rating symbols are as follows:

SP-1 Very strong or strong capacity to pay principle and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest.

SP-3 Speculative capacity to pay principal and interest.

Dual Ratings

Standard & Poor's assign "dual" ratings to all debt issues that have as part of their structure a put option or demand feature.

The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term debt rating symbols are used for bonds to denote the long-term maturity and the commercial paper rating symbols for the put option (for example, 'AAA/A-1+'). With short-term demand debt, the note rating symbol is used with the commercial paper rating (for example, 'SP-1+/A-1+').

Moody's Investors Service

99 Church Street
New York, NY 10007

February 25, 1997

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Dear MBIA:

Moody's Investors Service has assigned the rating of **Aaa** (MBIA Insured - Policy 23171) to the $436,289,659.15 (Original Principal Value) $481,540,000 (Maturity Value) City of Oakland, California - Taxable Pension Obligation Bonds, Series 1997, Sub-series A and Sub-series B, dated February 1, 1997, which sold through negotiation on February 13, 1997. The rating is based upon an insurance policy provided by MBIA Insurance Corporation.

Should you have any questions regarding the above, please do not hesitate to contact the assigned analyst, Margaret Kessler at (212) 553-7884.

Sincerely yours,

Laura Levenstein

Laura Levenstein
Vice President & Managing
Director

LL:mb

Moody's Investors Service

99 Church Street
New York, NY 10007

February 11, 1997

Ms. Dolores Blanchard
Director of Finance & Budget
City of Oakland
475 14th Street, 10th Floor
Oakland, CA 94612

Dear Ms. Blanchard:

We wish to inform you that on February 10, 1997, Moody's Rating Committee assigned an A2 rating to Oakland Taxable Pension Obligation bonds Subseries A (Override Tax [Underlying Rating]) and an A2 rating to Oakland Taxable Pension Obligation bonds Subseries B (Override Tax [Underlying Rating]).

Moody's will monitor these ratings and reserves the right, in its sole discretion, to revise or withdraw these ratings at any time in the future.

The ratings as well as any revisions or withdrawals thereof will be publicly disseminated by Moody's through normal print and electronic media and in response to oral requests to Moody's rating desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Nikolai Sklaroff, at 415-274-1741.

Sincerely,

B. Gewehr

Brad Gewehr
Vice-President/Assistant Director

BG:NJS:jbe

cc: Mr. Alex Burnett
Managing Director
Public Financial Management, Inc.
505 Montgomery Street, Suite 800
San Francisco, CA 94111

FITCH
ESTABLISHED 1913

Fitch Information Services, Inc.
1201 East 7th Street
P.O. Box 689
Powell, WY 82435
(307) 754-2012

Ms. Lisa Wilson
MBIA Insurance Corp.
113 King Street
Armonk, NY 10504
February 25, 1997

Dear Ms. Wilson:

RE: City of Oakland, California
$436,289,659.15 (Original Principal Value) $481,540,000 (Maturity Value)
Taxable Pension Obligation Bonds Series 1997, Sub-series A and Sub-series B
(23171)

Fitch Investors Service, L.P. has assigned a rating of 'AAA' to the above referenced Bonds. This reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy that MBIA Insurance Corp.(MBIA) is providing. The 'AAA' claims-paying ability rating is defined as: "The ability to pay claims is extremely strong for insurance companies with this highest rating. Foreseeable business and economic risk factors should not have any material adverse impact on an insurer's ability to pay claims on this policy. Profitability, overall balance sheet strength, capitalization, and liquidity are all at very secure levels and are unlikely to be affected by adverse underwriting, investment or cyclical events."

Ratings assigned by Fitch Investors Service, L.P. are based on information provided to us by MBIA. Fitch does not audit or verify the truth or accuracy of such information. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payment made in respect of any security. The claims-paying rating assigned to MBIA may be changed, withdrawn, suspended, or placed on FitchAlert as a result of changes in MBIA's financial condition. The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to the use of its name as an expert in connection with any registration statement filed under the Federal securities laws.

Sincerely,

Norman Johnson

Norman Johnson
Senior Director

FITCH
ESTABLISHED 1913

Fitch Investors Service, Inc.
One State Street Plaza
New York, NY 10004
(212) 908-0500

February 12, 1997

Ms. Janice S. Mazyck
Treasury Manager
City of Oakland
505 14th Street, 10th Floor
Oakland, California 94612-1999

Re: $436,623,154.15
Series 1997
Taxable Pension Obligation Bonds

Dear Ms. Mazyck:

Fitch Investors Service, L.P. ("Fitch") has assigned a rating of "A" to the above referenced issue.

Ratings assigned by Fitch are based on the documents and information provided to us by the City of Oakland, its experts and agents and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to the rating so that our rating continues to accurately reflect the current condition of the issue. Ratings may be changed, withdrawn, suspended or placed on FitchAlert due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,

Frederic J. Martucci
Managing Director
Public Finance

FJM/rm
cc: Alexander Burnett - Public Financial Management, Inc.

RATING DEFINITIONS

Fitch ratings do not reflect any credit enhancement that may be provided by insurance policies or financial guaranties unless otherwise indicated.

INVESTMENT GRADE BOND RATINGS

AAA Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated 'AAA'. Because bonds rated in the 'AAA' and 'AA' categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated 'F-1+'.

A Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

BBB Bonds considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds and, therefore, impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

Plus (+) Minus (–) Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the 'AAA' category.

NR Indicates that Fitch does not rate the specific issue.

Conditional

A conditional rating is premised on the successful completion of a project or the occurrence of a specific event.

Suspended

A rating is suspended when Fitch deems the amount of information available from the issuer to be inadequate for rating purposes.

Withdrawn

A rating will be withdrawn when an issue matures or is called or refinanced, and, at Fitch's discretion, when an issuer fails to furnish proper and timely information.

FitchAlert

Ratings are placed on FitchAlert to notify investors of an occurrence that is likely to result in a rating change and the likely direction of such change. These are designated as "Positive," indicating a potential upgrade, "Negative," for potential downgrade, or "Evolving," where ratings may be raised or lowered. FitchAlert is relatively short-term and should be resolved within 12 months.

Ratings Outlook

An outlook is used to describe the most likely direction of any rating change over the intermediate term. It is described as "Positive" or "Negative." The absence of a designation indicates a stable outlook.

SPECULATIVE GRADE BOND RATINGS

BB Bonds are considered speculative. The obligor's ability to pay interest and repay principal may be affected over time by adverse economic changes. However, business and financial alternatives can be identified which could assist the obligor in satisfying its debt service requirements.

B Bonds are considered highly speculative. While bonds in this class are currently meeting debt service requirements, the probability of continued timely payment of principal and interest reflects the obligor's limited margin of safety and the need for reasonable business and economic activity throughout the life of the issue.

CCC Bonds have certain identifiable characteristics that, if not remedied, may lead to default. The ability to meet obligations requires an advantageous business and economic environment.

CC Bonds are minimally protected. Default in payment of interest and/or principal seems probable over time.

C Bonds are in imminent default in payment of interest or principal.

DDD, DD, and D Bonds are in default on interest and/or principal payments. Such bonds are extremely speculative and should be valued on the basis of their ultimate recovery value in liquidation or reorganization of the obligor. 'DDD' represents the highest potential for recovery on these bonds, and 'D' represents the lowest potential for recovery.

Plus (+) Minus (–) Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the 'DDD', 'DD', or 'D' categories.

SHORT-TERM RATINGS

Fitch's short-term ratings apply to debt obligations that are payable on demand or have original maturities of generally up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes.

The short-term rating places greater emphasis than a long-term rating on the existence of liquidity necessary to meet the issuer's obligations in a timely manner.

F-1+ Exceptionally Strong Credit Quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

F-1 Very Strong Credit Quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated 'F1+'.

F-2 Good Credit Quality. Issues assigned this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues assigned 'F-1+' and 'F-1' ratings.

F-3 Fair Credit Quality. Issues assigned this rating have characteristics suggesting that the degree of assurance for timely payment is adequate; however, near-term adverse changes could cause these securities to be rated below investment grade.

F-S Weak Credit Quality. Issues assigned this rating have characteristics suggesting a minimal degree of assurance for timely payment and are vulnerable to near-term adverse changes in financial and economic conditions.

D Default. Issues assigned this rating are in actual or imminent payment default.

LOC The symbol LOC indicates that the rating is based on a letter of credit issued by a commercial bank.

FITCH
ESTABLISHED 1913

Fitch Investors Service, Inc.
One State Street Plaza
New York, NY 10004
(212) 908-0500

February 12, 1997

Ms. Janice S. Mazyck
Treasury Manager
City of Oakland
505 14th Street, 10th Floor
Oakland, California 94612-1999

Re: $436,623,154.15
Series 1997
Taxable Pension Obligation Bonds

Dear Ms. Mazyck:

Fitch Investors Service, L.P. ("Fitch") has assigned a rating of "A" to the above referenced issue.

Ratings assigned by Fitch are based on the documents and information provided to us by the City of Oakland, its experts and agents and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to the rating so that our rating continues to accurately reflect the current condition of the issue. Ratings may be changed, withdrawn, suspended or placed on FitchAlert due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,

Frederic J. Martucci
Managing Director
Public Finance

FJM/rm
cc: Alexander Burnett - Public Financial Management, Inc.

REPORT OF PROPOSED DEBT ISSUANCE

California Debt Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P. O. Box 942809, Sacramento, CA 94209-0001
TEL.: (916) 653-3269 FAX: (916) 654-7440
(Facsimile transmissions must be followed by hard copies.)

Completion and timely submittal of this form to the California Debt Advisory Commission (CDAC) at the above address will assure your compliance with existing California State law and will assist in the maintenance of a complete data base. Thank you for your cooperation. [1]

For Office Use Only

CDAC NO:

RECEIVED
97 FEB 24 AM 9:44
CALIFORNIA DEBT
ADVISORY COMMISSION

NAME OF ISSUER: CITY OF OAKLAND, CALIFORNIA

(If pool bond, list participants)

ISSUE NAME: TAXABLE PENSION OBLIGATION BONDS SERIES 1997, Sub-Series A & B

Contact person at issuing jurisdiction:

Name: Janice S. Mazyck

Title: Treasury Manager

Address: 505 14th Street, 10th Floor, Oakland, CA 94612

Phone: (510) 238-6735 **AGENCY LOCATED IN** Alameda **COUNTY**

PROPOSED SALE DATE: February 25, 1997

TYPE OF SALE: ☐ Competitive ☒ Negotiated **PROPOSED PRINCIPAL TO BE SOLD:** $ 436,289,659.15

IS THE INTEREST ON THE DEBT EXEMPT FROM TAXATION?

Under State law: ☐ NO (taxable) ☒ YES (tax-exempt)

Under Federal law: ☒ NO (taxable) ☐ YES (tax-exempt) If the issue is Federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

☐ Yes, preference item ☐ No, not a preference item

IS ANY PORTION OF THE DEBT FOR REFUNDING? [2]

☒ No ☐ Yes, proposed amount for refunding $

TYPE OF DEBT INSTRUMENT

NOTE

- ☐ Bond anticipation (BAN)
- ☐ Grant anticipation (GAN)
- ☐ Other note (Please specify below.) (OTHN)
- ☐ Revenue anticipation (RAN)
- ☐ Tax allocation (TALN)
- ☐ Tax and revenue anticipation (TRAN)
- ☐ Tax anticipation (TAN)
- ☐ Commercial paper (CP)
- ☐ Certificates of participation/leases (COPL)
- ☐ Other (Please specify below.) (OTH)

BOND

- ☐ Conduit revenue (Private obligor) (CRB)
- ☒ General obligation (GOB)
- ☐ Limited tax obligation (LTOB)
- ☐ Other bond (Please specify below.) (OTHB)
- ☐ Public lease revenue (PLRB)
- ☐ Revenue (Pool) (RB)
- ☐ Revenue (Public enterprise) (PERB)
- ☐ Sales tax revenue (STRB)
- ☐ Special assessment (SAB)
- ☐ Tax allocation (TAB)

Please specify if "Other note/Other bond/Other" was checked:

[1] *Section 8855(g) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to the CDAC no later than 30 days prior to the sale.*

[2] *Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.*

SOURCE(S) OF REPAYMENT

- ☐ Bond proceeds (BDPR)
- ☒ General fund of issuing jurisdiction (GNFD)
- ☐ Grants (GRNT)
- ☐ Intergovernmental transfers other than grants (ITGV)
- ☐ Local obligations (LOB)
- ☐ Private obligor payments (POP)
- ☐ Property tax revenues (PRTX)
- ☐ Public enterprise revenues (PER)
- ☐ Sales tax revenues (SATR)
- ☐ Special assessments (SA)
- ☐ Special tax revenues (SPTR)
- ☐ Tax-increment (TI)

☐ Other (Please specify.) (OTHS): _____

PURPOSE(S) OF FINANCING

- ☐ Cash flow, interim financing (CFIF)
- ☐ Project, interim financing (PIF)
- ☐ College/university housing (CUH)
- ☐ Multifamily housing (MFH) [3]
- ☐ Single-family housing (SFH) [3]
- ☐ Health care facilities (HCF)
- ☐ Hospital (HOSP)
- ☐ Other/multiple health care purposes (equipment, etc.) (OMHC)
- ☐ College/university facility (CUF)
- ☐ K-12 school facility (KSCH)
- ☐ Other/multiple educational uses (equipment, etc.) (OMED)
- ☐ Student loans (SLC)
- ☐ Redevelopment, multiple uses (RD)
- ☐ Commercial development (CMDV)
- ☐ Industrial development (INDV)
- ☐ Pollution control (PC)
- ☐ Airport (APRT)
- ☐ Bridges and highways (BRHI)
- ☐ Convention center (CCTR)
- ☐ Equipment (EQUP)
- ☐ Flood control/storm drainage (FLDS)
- ☐ Multiple capital improvements and public works (MCAP)
- ☐ Other capital improvements and public works (OCAP)
- ☐ Parking (PRKG)
- ☐ Parks/open space (PRKO)
- ☐ Ports and marinas (PRTS)
- ☐ Power generation/transmission (PWR)
- ☐ Prisons/jails/correctional facilities (PRSN)
- ☐ Public building (PB)
- ☐ Public transit (PTR)
- ☐ Recreation and sports facilities (RCSP)
- ☐ Seismic safety improvements/repair (SSI)
- ☐ Solid waste recovery facilities (SWST)
- ☐ Street construction and improvements (SCI)
- ☐ Wastewater collection and treatment (WSTW)
- ☐ Water supply/storage/distribution (WTR)
- ☐ Insurance/pension funds (IPF)
- ☒ Other than listed above (OTH)

Please specify type/name of project: City of Oakland, California, Taxable Pension Obligation Bonds, Series 1997, Sub-Series A and Sub-Series B

BOND COUNSEL: PRESTON GATES & ELLIS LLP

FINANCIAL ADVISOR: Public Financial Management, Inc.

LEAD UNDERWRITER: PaineWebber Incorporated

(or **PURCHASER:** _____ or **PLACEMENT AGENT:** _____)

Name of individual (representing ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: Elizabeth C. Green

Firm/Agency: Preston Gates & Ellis LLP

Address: 725 S. Figueroa Street #2100 Los Angeles, CA 90017

Phone: (213)217-4303 Date of Completion: February 21, 1997

Send acknowledgement/copies to: Elizabeth C. Green

[3] *Certain local government issuers of housing bonds are required to obtain a certification from the State Treasurer attesting to their compliance with the State housing reporting requirements prior to issuance of the bonds to finance single- or multifamily housing.*

REPORT OF FINAL SALE

California Debt Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
Tel.: (916) 653-3269 FAX: (916) 654-7440
(Facsimile transmissions must be followed by hard copies.)

For Office Use Only

RECEIVED
97 FEB 27 AM 10: 05
CALIFORNIA DEBT
ADVISORY COMMISSION

CDAC#: _____

Completion of this form is requested to provide information which was not available when the "Report of Proposed Debt Issuance" was filed with the CDAC or to verify information which was reported as "proposed." **Additionally, please send a copy of the official statement (or offering circular) with this form to the CDAC.**

NAME OF ISSUER: City of Oakland, California

(If pool bond, list participants)

ISSUE NAME: Taxable Pension Obligation Bonds Series 1997, Sub-Series A
Taxable Pension Obligation Bonds Series 1997, Sub-Series B

OFFICIAL STATEMENT/OFFERING MEMORANDUM: ☒ Enclosed ☐ None prepared

SALE DATE: February 25, 1997 **PRINCIPAL AMOUNT SOLD:** $ 436,289,659.15

IS THE INTEREST ON THE DEBT EXEMPT FROM TAXATION?

Under State Law: ☐ NO (taxable) ☒ YES (tax-exempt)
Under Federal Law: ☒ NO (taxable) ☐ YES (tax-exempt)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?
☐ Yes, preference item ☐ No, not a preference item.

IS ANY PORTION OF THE DEBT FOR REFUNDING?[1]

☒ No ☐ Yes, amount of this issue (including costs) which is for refunding of existing debt $ _____

If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive sale.

(1) Timing of the sale provided more flexibility than a public sale
☐ (2) More cost savings were expected to be realized than a public sale
☐ (3) More flexibility in debt structure was available than a public sale
☐ (4) Issuer able to work with participants familiar with issue/r rather than with a public sale
☒ (5) All of the above
☐ (6) Other (please specify) _____

INTEREST TYPE: ☐ NIC ☒ TIC ☐ Variable (Please specify). _____

INTEREST COST: 6.982 %

MATURITY SCHEDULE: ☐ Attached ☒ Included in Official Statement/Offering Memorandum
MATURITY STRUCTURE: ☒ Serial bond (S) ☐ Term bond (T) ☐ Serial and term bonds or two or more term (C)

FINAL MATURITY DATE: December 15, 2010

INDICATE CREDIT RATING: (For example, "AAA" or "Aaa")
☐ Not Rated
☒ Rated
Standard & Poor's: "A+"/ "AAA" Fitch: "A"/"AAA"
Moody's: "A2"/"Aaa" Other. _____

WAS THE ISSUE INSURED OR GUARANTEED?
☐ No ☒ Bond Insurance (I) ☐ Letter of Credit (L) ☐ State Intercept Program (T) ☐ Other (O)
GUARANTOR: MBIA Insurance Corporation

ISSUANCE COSTS:
Total issuance costs: $ 653,055.58
☐ Discount ☐ Premium $ -0-
Original Issue Discount: (OID) $ -0-

[1] Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.

FINANCING PARTICIPANTS (Firm name)		**OFFICE LOCATION** (City/State)
FINANCIAL ADVISOR:	Public Financial Management, Inc.	San Francisco, CA
UNDERWRITER/PURCHASER:	PaineWebber Incorporated	San Francisco, CA
BOND COUNSEL:	Preston Gates & Ellis, Los Angeles, CA	Los Angeles, CA
TRUSTEE/PAYING AGENT:	Texas Commerce Bank National Association	Houston, TX

Name of individual representing ☒ **Bond Counsel,** ☐ **Issuer,** ☐ **Financial Advisor, or** ☐ **Lead Underwriter)**
who completed this form and may be contacted for information:

Name: Elizabeth C. Green

Firm/Agency: Preston Gates & Ellis

Address: 725 S. Figueroa Street, Suite 2100, Los Angeles, California

Phone: (213) 217-4303 Date of Completion: February 21, 1997

Send acknowledgment/copies to: Elizabeth C. Green, Preston Gates & Ellis, at above address.

Contact person at issuing jurisdiction, if different from above:

Name: Janice S. Mazyck

Title: Treasury Manager

Address: 505 14th Street, 10th Floor, Oakland, CA 94612

Phone: (510) 238-6735

Name of the individual to whom an invoice for the CDAC notification fee should be sent:[2]

Name: Mark T. Harris

Firm/Agency: PaineWebber Incorporated

Address: 100 California Street, Suite 1200, San Francisco, CA 94111

Phone: (415) 954-6798

FOR OFFICE USE ONLY

FEE $_____

2 This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter or purchaser of the issue. The fee is administratively set by the Commission. The current fee schedule may be obtained from CDAC.